QUINCY MEDICAL GROUP

July 26, 2021

Via E-Mail
Ms. Courtney Avery, Administrator
Illinois Health Facilities and Services Review Board ("State Board")
525 W. Jefferson Street, Second Floor
Springfield, Illinois 62761

Re: Additional Information – Quincy Medical Group Hospital – Project # 20-044
Executive Summary

Dear Ms. Avery:

On May 4, 2021 and May 26, 2021, the Quincy Medical Group Hospital ("QMG Hospital") project was presented to the State Board. The six State Board members in attendance on May 26, 2021, expressed great interest in the innovative project. Two of the six present State Board members voted in favor of the project and described it as "a breath of fresh air." We could not agree more. The project, however, did not receive affirmative votes from all six State Board members in attendance, and, as a result, received an intent-to-deny.

To address the comments of State Board members on May 26, and in accordance with State Board regulations, we enclose the following materials and additional information for the State Board's review and provide an executive summary of key conclusions from each exhibit.

A. **MATERIALS DEMONSTRATING THAT THE MODEL OF CARE AT QMG HOSPITAL WILL TRANSFORM CARE DELIVERY, INTRODUCE NEEDED CHOICE, AND MEANINGFULLY IMPROVE THE COMMUNITY'S ACCESS TO QUALITY, AFFORDABLE CARE.** **(Exhibit A)**

Summary of Key Conclusions:

- QMG Hospital'**s** Model of Care ("Model") is unlike any model currently offered in the tri-state area. The mission and focus of the Model is to deliver care in the lowest, medically appropriate site of care, which, in most cases, will be the outpatient setting.

- QMG Hospital's physician-led and governed small format hospital will implement a physician-led triage function with the ultimate purpose of reducing the number of non-urgent patients in the emergency department ("ED") and those ultimately admitted to the hospital.

- When medically appropriate, patients will be directed to a lower care setting (e.g., QMG's ASTC, Ortho Now program, walk-in clinic, or hospital-at-home services). When inpatient care is necessary, QMG Hospital will offer continuity of care and

allow QMG physicians to effectively manage and coordinate the inpatient services provided to their patients (and costs associated with those services).

- QMG Hospital projects that only 5% of ED visits will result in a hospital admission. This is 1/7th the rate of Blessing Hospital (Blessing Hospital admitted 35% of its ED visits in 2019) and more than 3 times *less* than the State admission rate of 17%.

- While physician-led and governed, QMG Hospital nurses will play a key role, with almost 50% of QMG Hospital's staffing composed of nurses. With a focus on patient-centered care, the inpatient patient to nurse ratio at QMG Hospital will be 4:1, compared to Blessing Hospital's 8:1 ratio.

- QMG Hospital will have a smaller footprint, operationally effective design, and be built to optimize patient experiences, the healing process, and maximize staff efficiency through cross-training of multiple roles.

- QMG Hospital will transform women's health care in the tri-state area through lowering costs (including those associated with newborn deliveries) and improving patient experiences.

B. **ANALYSIS DEMONSTRATING THAT QMG HOSPITAL WILL RESULT IN SIGNIFICANT COST REDUCTIONS AND SAVINGS TO THE COMMUNITY, INCLUSIVE OF CAPITAL COSTS.** **(Exhibit B)**

Summary of Key Conclusions:

- Given the current high cost of inpatient care in the Quincy area, the costs of constructing, financing, and equipping a 28-bed, small format hospital could pay for itself with the savings generated over a 20-year period.

- Price savings alone would generate sufficient savings to patients, employers, and other payers to offset the project costs in less than 9 years. Looked at another way, the project would generate savings of $2.27 for every $1 in project costs over a 20-year period.

- Significant additional savings can be realized through QMG's implementation of a patient-centered, physician-led fully integrated clinical care system and generate sufficient savings to the community that would offset the cost of the project in 2 to 3 years.

- Even though no public money will be used to finance the project, the savings generated by the hospital would be returned to the residents, employers, and payers through lower health care costs that would improve the region's economic competitiveness and reduce government deficits.

- It is estimated that approximately $60 million of medical care for Quincy residents is being provided in other cities. If one-third of that care was returned to Quincy, it would return $20 million to the community, which would be equal to 4,468 inpatient days and 1,787 inpatient admissions.

C. **UPDATED ANALYSIS DEMONSTRATING QMG HOSPITAL WILL NOT RESULT IN AN UNNECESSARY DUPLICATION OF SERVICES AND WILL NOT IMPACT BLESSING HOSPITAL'S PATIENT UTILIZATION.** **(Exhibit C)**

Summary of Key Conclusions:

- Using a reliable estimate for 2020 medical/surgical data (Blessing Hospital's 2020 Medicare Cost Reports) and Blessing's State Board profile data from 2015 through 2019, Blessing's 198 medical/surgical beds will be fully utilized according to State Board standards (85%) in year 2026 (when the proposed QMG Hospital opens) and for subsequent years.

- The 25-bed med/surg unit at the proposed QMG Hospital will be fully utilized according to State Board standards in year 2028, two years after project completion.

- The updated analysis continues to demonstrate that approval of QMG Hospital will not result in a duplication of services and will not impact Blessing Hospital's patient utilization.

D. **LETTER TO CHAIRWOMAN SAVAGE ADDRESSING THE STATE BOARD'S AUTHORITY AND RESPONSIBILITIES UNDER THE PLANNING ACT AND CONCERNS REGARDING THE STATE BOARD'S PROCESS.** **(Exhibit D)**

Summary of Key Conclusions:

- Certain comments to the State Board members immediately prior to voting on the project were inconsistent with the Planning Act and a change in the State Board's process, placed the Applicants at a disadvantage, and may have constrained the review of State Board members and influenced their votes. The Applicants request that the State Board's customary procedures be followed.

- The State Board can and should consider all purposes and objectives of the Planning Act, including how a project will improve the financial ability of the public to obtain necessary health care services. Reduction in health care prices improves the financial ability of the public to obtain necessary services. The State Board has the authority to consider how a project will reduce health care costs and prices, in addition to considering capital costs. The Applicants request that counsel for the State Board

instruct the State Board members on the purposes and objectives of the Planning Act and that they are required to consider all information submitted to them in determining whether to approve a project.

- The State Board can and should consider the Applicants' updated analysis utilizing sound health care methodology in relation to historical and projected growth of medical/surgical services. This demonstrates that QMG Hospital will not result in an unnecessary duplication of services nor impact Blessing Hospital's patient utilization.

- The State Board is statutorily required to use its independent expert judgment to advance the purposes of the Planning Act, to be the ultimate factfinder and decisionmaker, to evaluate projects holistically and exercise discretion in determining whether to approve a project. The State Board is not required to mechanically adopt or follow the State Board Staff's findings. It is not the State Board's responsibility to protect market share of individual health care providers. Competing providers do not have a right to be shielded from competition.

- The Applicants request that counsel for the State Board instruct the State Board members as to their statutory responsibilities and duties under the Planning Act, that they must approve a project that is consistent with the Planning Act and in the best interest of the public, that they have the authority to approve a project despite negative findings, and that no particular finding is more important than any other.

E. **VISUALS DEMONSTRATING BLESSING HOSPITAL'S RECENT CON CAPITAL EXPENDITURES/EXPENSES TO THE COMMUNITY.** **(Exhibit E)**

Summary of Key Conclusions:

- The State Board approved five projects submitted by Blessing Hospital from 2011-2020 with combined total project costs of **more than $181 million**.

- QMG did not oppose any of Blessing Hospital's projects.

- Blessing Hospital reported **more than $150 million** in capital expenditures from 2015 – 2020 alone, an average of **more than $30 million per year**.

- The numbers above represent only projects and capital expenditures of Blessing Hospital. They do not represent projects or capital expenditures of Blessing Health System or any of its other affiliates, including: (1) Blessing Physician Services (physician group with more than 65 employed physicians); (2) Blessing Care Corp., doing business as Illini Community Hospital (25-bed critical access hospital located near Quincy in Pittsfield); (3) Hannibal Clinic (physician group based in Missouri that employs over 35 physicians); (4) Denman Services, Inc. (sells and rents medical equipment and operates a commercial laundry service); (5) The Blessing Foundation;

and (6) Blessing Health Keokuk, formerly Keokuk Area Hospital (a now 49-bed hospital located less than 40 miles away in Iowa acquired by Blessing this year).

F. **UPDATED APPLICATION PAGE LISTING APRIL 30, 2026 AS ANTICIPATED PROJECT COMPLETION DATE.** **(Exhibit F)**

Summary of Key Conclusions:

- Due to the intent-to-deny and the presently undetermined date for reappearance before the State Board, the Applicants seek to extend the anticipated project completion date to April 30, 2026.

G. **UPDATED APPLICATION PAGE MODIFYING PROJECT COSTS AND SOURCES OF FUNDS.** **(Exhibit G)**

Summary of Key Conclusions:

- After further planning over the last two months, attached is a revised table of project costs and sources of funds. There is no change in the total project capital cost.

We appreciate the opportunity to submit this additional information and reappear before the State Board. This project has the overwhelming support of the community, as evidenced by the more than 520 support letters submitted to the State Board and passionate testimony of numerous community members (patients, residents, community members, employers, employees, etc.) highlighting the unmet needs in the community and urging the State Board to approve the project.

QMG Hospital will provide the community with a choice in where they receive hospital and emergency services and improve the community's access to quality, local, affordable health care. We respectfully request that the State Board approve QMG Hospital.

Sincerely,

Carol Brockmiller

Carol Brockmiller, CMPE
Chief Executive Officer
Quincy Medical Group

Enclosures – **Exhibits A-G**

QUINCY MEDICAL GROUP
Hospital

MODEL OF CARE

I. BACKGROUND

At the May 26, 2021 Illinois Health Facilities and Services Review Board ("HFSRB") meeting, time constraints related to HFSRB member availability prevented the Applicants from fully presenting the care delivery model that will be implemented at QMG Hospital (hereafter referred to as the "Model"). This material, and the visuals attached hereto, are intended to address comments raised by HFSRB members and staff and to provide factual information regarding the innovative and unique qualities of QMG Hospital and how QMG Hospital will meaningfully improve the delivery of care in the tri-state region.

Without the Model, QMG Hospital is a brick-and-mortar hospital — a 4-wall building with limited purpose and no potential. It is what will happen **within** these 4 walls through implementation of the Model that will make all the difference in meaningfully transforming care. Many applicants claim their project is "innovative" and will "transform" care delivery. Many projects fail because there is no substance or well-thought-out plan behind these words. QMG Hospital is **different**. It is not a duplication of services. There is no similar inpatient facility nor fully integrated model of care currently offered in the region.

There is currently only one hospital in Adams County – Blessing Hospital ("Blessing") – and Blessing is the only full service, advanced acute care hospital in Illinois within 100 miles in every direction. Blessing's current model is designed to enhance its revenues through inpatient admissions, excessive emergency department ("ED") and ancillary use, and charging hospital outpatient department ("HOPD") rates. Blessing's high costs have resulted in residents traveling to receive care outside the planning area or, worse, delaying or forgoing essential care.

QMG Hospital is the key to ***choice*** and greatly needed ***change*** in Quincy and the surrounding rural communities. QMG Hospital will not function in and of itself. It will operate in conjunction with QMG's established facilities and developing programs and play an essential role in the continued deployment of QMG's patient-focused, integrative healthcare model. QMG Hospital will allow QMG to control costs and ensure that care is provided in the lowest, most appropriate setting. QMG Hospital will be governed and led by experienced and proven innovators — QMG physicians — who understand the unique challenges inherent in treating patients in a rural community and have excelled in delivering high-quality, affordable, patient-centered healthcare for more than 80 years. This project will achieve the change and benefits needed (and demanded) by the community, including QMG patients, community leaders, and employers residing in Adams County and the surrounding areas served by QMG's 18 practice locations.

II. FEATURES/COMPONENTS OF THE MODEL

A. Essential Role of QMG Hospital in QMG's Care Delivery Network

QMG Hospital will allow QMG to more effectively and extensively deploy its patient-centered, integrated care model and manage the full spectrum of care (and resulting costs of treatment) provided to its patients. The motivation of the Model is to deliver care in the lowest, medically appropriate site of care, which, in most cases, will be the outpatient setting. The physician-led and governed small format hospital embraces this Model and will implement a physician-led triage function with the ultimate purpose of reducing the number of non-urgent patients in the ED and those ultimately admitted to the hospital. When medically appropriate, patients will be directed to a lower care setting – e.g., QMG's ASTC, Ortho Now program, walk-in clinic, or hospital-at home services. When inpatient care is necessary, QMG Hospital will offer continuity of care and allow QMG physicians to effectively manage and coordinate the inpatient services provided to their patients. QMG Hospital is not intended to be everything for everyone. Blessing Hospital and other area providers will continue to be utilized, especially when a higher level of care or service not offered at QMG Hospital is necessary.

B. Hospital at Home Program

QMG is developing hospital-at-home services, an alternative to hospitalization, through a license agreement with Johns Hopkins. Hospital-at-home care has been shown to reduce costs (cost savings of 19-30% compared to traditional inpatient care), achieve shorter average lengths of stay compared to traditional inpatient care (3.2 days compared to 5.5 days, respectively), and experience better clinical outcomes.[1] Additionally, hospital-at-home programs substantially reduce hospital readmissions and unnecessary emergency department visits.[2] QMG Hospital is a necessary tool or component to QMG's full deployment of these services and advancing the Triple Aim of improving clinical outcomes, achieving patient excellence and satisfaction, and lowering costs.

C. Emergency Service

QMG Hospital projects that **only 5%** of ED visits to QMG Hospital will result in a hospital admission. This low admission rate is the result of an effective Model, one that directs care to the lowest, most appropriate care setting. The physician-led triage function in QMG Hospital's ED will reduce the number of non-urgent patients in the ED and those ultimately admitted to the hospital, an option not currently demonstrated in the community. By comparison, Blessing Hospital admitted **35%** of its ED visits in 2019 (7 times more than QMG Hospital's projected admission rate and double the State admission rate of 17%). Based on Blessing Hospital's reported

[1] See Johns Hopkins Hospital at Home, https://www.johnshopkinssolutions.com/solution/hospital-at-home/ (July 2021).

[2] For additional information, see Association of a Bundled Hospital-At-Home and 30-Day Postacute Transitional Care Program with Clinical Outcomes and Patient Experiences, Alex D. Federman, MD, Tacara Soones, MD, Linda V. DeCherrie, MD, https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2685092 (August 2018).

EXHIBIT A

2019 data, patients who present to Blessing Hospital's ED are **twice** as likely to be admitted than anywhere else in the State.

D. Population Health and Care Management Practices

QMG's established and effective population health care has improved quality and reduced healthcare costs. This is reflected in QMG's achievements in value-based care. Care Managers at QMG navigate care for patients with chronic diseases and those that are frequently hospital-based care utilizers. QMG Care Managers have limited access, and in some cases no access, to patients at Blessing Hospital, which significantly limits their ability to effectively coordinate care with the patient's QMG physician. QMG Hospital will allow the QMG Care Managers full access to patients and QMG Hospital will be integrated with EPIC allowing the QMG Care Manager full access to the patient's medical record.

E. Women's Care

There is a need to transform women's healthcare in the tri-state area. Blessing Hospital's costs for newborn deliveries are 31% - 112% higher, depending on the type of delivery, than the median prices of hospitals analyzed by BSGA (a national data analytics company). QMG Hospital will introduce necessary competition into the planning area and allow QMG to effectively manage the birthing experience and reduce the costs associated with that experience.

QMG Hospital will include 3 Labor, Delivery, Recovery, and Postpartum ("LDRP") rooms that allow mothers and their babies to remain in the same room throughout their birthing experience (before, during, and after birth), eliminating the inconvenience of moving to a new recovery room shortly after giving birth. QMG also plans to establish a birth center, which will offer a safe, cost-effective, midwifery-led care alternative to the traditional hospital birthing experience for women following an uncomplicated and low-risk pregnancy.

F. Medical/Surgical Inpatient Care

QMG Hospital's mission and focus on community health, improving clinical outcomes, and reducing overall healthcare costs will drive the decision making – rather than a desire to fill inpatient beds, which is too often the focus of a traditional hospital. QMG Hospital will have an operationally effective design and be built to optimize patient experiences, the healing process, and maximize staff efficiency. Nursing staff will play a key role, with almost 50% of QMG Hospital's staffing composed of nurses. With a focus on patient-centered care, the inpatient patient to nurse ratio at QMG Hospital will be 4:1, compared to Blessing Hospital's 8:1 ratio. Further, unlike many traditional hospitals, QMG Hospital will implement a shared staffing design, whereby staff will be cross-trained to perform multiple roles (e.g., patient access representative cross-trained in registration, insurance verification, and scheduling; clinical staff trained to perform lab draws to eliminate need for phlebotomy staff, etc.).

III. REFERENCES/SOURCES

A few HFSRB members commented on their perceptions of small format hospitals based on background reading or independent research they had performed in advance of the meeting. The Staff Report also included comments regarding small format hospitals, many of which, as noted by the Applicants in their response to the Staff Report, were outdated, inaccurate, and not reflective of the Model or QMG Hospital.

For additional information and references/sources, please see below:

- **Learn why QMG Hospital's Board of Directors believe QMG Hospital is so important:** https://quincymedgroup.com/transform/

- **Read President Biden's Executive Order on competition and how the lack of competition has increased healthcare prices. QMG Hospital will allow choice and create competition resulting in affordable healthcare for all**: https://www.whitehouse.gov/briefing-room/statements-releases/2021/07/09/fact-sheet-executive-order-on-promoting-competition-in-the-american-economy/

- **Read how the impact of hospital-employed physicians has led to increased healthcare costs. QMG Hospital's model and physician-led care is critical to making healthcare more affordable in Adams County and the surrounding communities:** https://www.modernhealthcare.com/article/20180316/TRANSFORMATION02/180319913/rapid-rise-in-hospital-employed-physicians-increases-costs

- **Read about how hospital monopolies are causing healthcare costs to skyrocket. Competition in the Quincy region is so important to ending the monopoly hospital's negative impact on affordable healthcare.** https://www.npr.org/sections/money/2021/07/20/1017631111/the-untamed-rise-of-hospital-monopolies

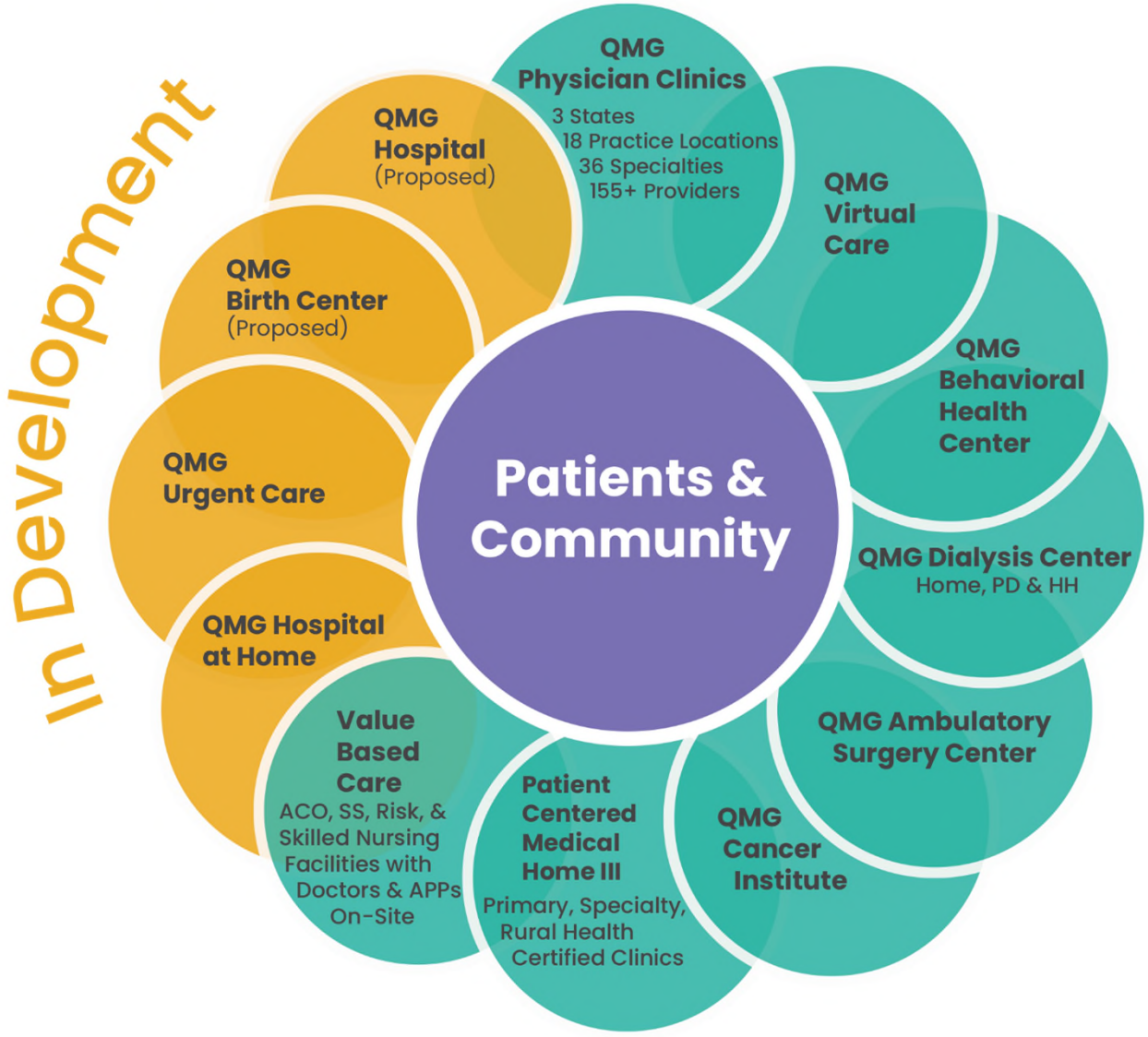
- **For additional information on Johns Hopkins' Hospital at Home program:** https://www.johnshopkinssolutions.com/solution/hospital-at-home/

- **For additional information on Hospital-at-Home Services:** https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2685092

- **As articulated above and demonstrated in the attached, QMG Hospital will not a be a freestanding emergency department nor a "typical" micro-hospital. For information regarding freestanding emergency departments and micro-hospitals,** see *Implications of the Growth in Freestanding Emergency Departments and Micro-Hospitals*, JoAnna Younts, MBA, Berkeley Research Group (October 12, 2020) (available at https://www.americanbar.org/groups/health_law/publications/aba_health_esource/2020-2021/october-2020/imp-gro/.

QMG's Continuum of Care

The addition of QMG Hospital to QMG's robust clinical delivery network will lower costs, provide continuity of care and improve outcomes in hospital-based care



QMG Hospital is

- Part of QMG's full network of care
- An innovative design, location, funding and delivery model led by physicians
- Designed with efficient use of space, team members and operations
- Created to serve all patients
- A way to provide patients with a **CHOICE** and competition that makes healthcare more affordable
- A not-for-profit hospital for the community
- Streamlined and efficient care
- Focused on the patient

QMG Hospital is Not

- NOT an urgent care center
- NOT a free-standing ED
- NOT a critical access hospital
- NOT a micro-hospital
- NOT a surgery-only or specialty niche hospital
- NOT a revenue stream for physicians
- NOT cherry picking commercial patients
- NOT a higher cost setting
- NOT a bureaucracy
- NOT funding a mega-system

EXHIBIT A

QMG Hospital Vs. Free Standing ED or Micro Hospital

Free-Standing ED	Micro Hospital	QMG Hospital
Goal: maintain access to emergency care in underserved areas	***Goal: designed to target specific markets***	***Goal: to reduce the overall healthcare costs by providing care in the most appropriate treatment settings***
• Largely owned by private equity, large health system, free-standing ED systems/groups • Typically charge high facility fees • No inpatient beds, patients require transfer • Situated near high-volume hospitals to drive volume • Provides an additional front door to a health systems to steer patients • Tends to focus on walk-in business (95% of all visits) • Does not commonly accept Medicare • Does not commonly provide charity care • Typically for-profit	• Largely owned by private equity, large health system, large microhospital systems/groups • Exempt from site-neutral payments • Significant facility costs • Requires sustaining inpatient beds • Care not provided in lowest cost setting/not outpatient driven • Can exist as a stand-alone facility • Does not commonly accept Medicare • Does not commonly provide charity care • Typically for-profit	• **Integrated Observation (within ED)** • Mobile Diagnostic Imaging, inpatient • **Urgent Care Clinic utilized to reduce ED usage** • Patient-centered, **physician-led** care in an intimate environment focused on efficient, high quality care • Provides **ED discharge alternatives** (i.e.: **hospital at home, virtual monitoring)** • Not for profit • QMG as sole corporate member • No profits distributed to physicians • **Charity Care provided** • **Medicare and Medicaid accepted** • Inpatient setting available but avoided • Integrates patients with QMG providers to improve outcomes • Smaller footprint than traditional hospital, lower costs

EXHIBIT A

Small-Format Hospitals, Like QMG Hospital, Are In Almost Every State and in Rural and Semi-Rural Communities

"Small-format hospital" describes a hospital with fewer beds, often under 50

- There are 616 hospitals in 47 states with 50 beds or less, a significant part of inpatient care in the US
  - 47% of these are classified as rural hospitals.
  - 40% are not-for-profit
- There are 57 hospitals in Illinois with less than 50 beds, and 41 of the 57 hospitals are critical access hospitals with 25 beds or less

Source: American Hospital Directory, Inc. (n.d.). Retrieved from American Hospital Directory: ahd.com

EXHIBIT A

QMG Hospital, 5-Star Design

QMG Hospital modeled after existing hospitals rated by CMS as a 5-Star facility

	Carthage Memorial Hospital Carthage, IL	Mayo Clinic Health System Red Wing, MN	Great Falls Clinic Hospital Great Falls, MT	SSM St. Mary's Janesville, WI	QMG Hospital (projected)
Avg Length of Stay[1]	3.5	2.8	2.93	3.6	**2.6**
Star Rating[2]	5	5	5	5	**5 goal**
Patient Satisfaction Rating[2]	5	4	4	4	**5 goal**
ED Admissions[1] As % of ER visits	.2%	12.5%	18.5%	21%	**5%**
Observation Admissions[1]	12.4%	22.6%	13.2%	32.9%	**<20%**
Readmission Rate[1]	15%	14.9%	13.8%	15.5%	**< 15%**

Source: [1]Advisory Board, calculated from CMS's Inpatient and Outpatient Standard Analytical Files (SAFs); reflects Medicare fee-for-service discharges in 2019. Claims involving outlier payments or non-Medicare primary payer codes have been excluded. This metric is not risk-adjusted. [2]CMS Hospital Downloadable Database

EXHIBIT A

QMG Hospital's 5-Star Design Vs. Blessing Hospital

Based on 2019 Discharges	Blessing Hospital	QMG Hospital (projected)
Avg Length of Stay[1]	4.6	2.6
Star Rating[2]	4	5 goal
Patient Satisfaction Rating[2]	3	5 goal
ED Admissions[1]	43.5%	5%
Observation Admissions[1]	27%	<20%
Readmission Rate[1]	21.3%	< 15%

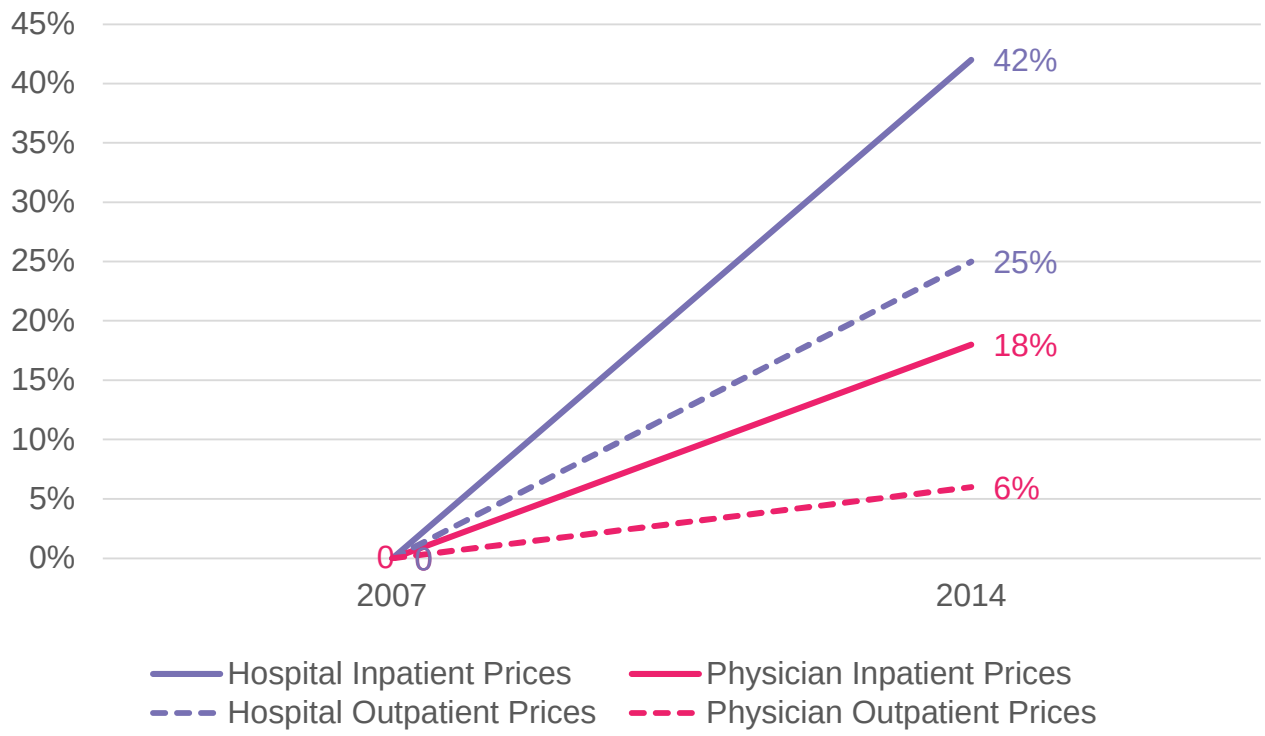
Source: [1]Advisory Board, calculated from CMS's Inpatient and Outpatient Standard Analytical Files (SAFs); reflects Medicare fee-for-service discharges in 2019. Claims involving outlier payments or non-Medicare primary payer codes have been excluded. This metric is not risk-adjusted. [2]CMS Hospital Downloadable Database

EXHIBIT A

The trend of employing physicians feeds the escalation of hospital costs. QMG Hospital's model will incentivize lower costs in efficiency and delivery. QMG physicians will not be employed by QMG Hospital.

"Physicians are more likely to refer patients to higher-cost facilities within their employer's network, which potentially impedes competition from other hospitals. The share of spending associated with hospital-owned practices rose from 16.9% in 2007 to 26.5% in 2013."

Source: Kacik, Alex. "Rapid Rise in Hospital-Employed Physicians Increases Costs." Modern Healthcare, 16 Mar. 2018, www.modernhealthcare.com/article/20180316/TRANSFORMATION02/180319913/rapid-rise-in-hospital-employed-physicians-increases-costs.



Source: Scott, Orav, et al. (2017, Jan). Changes in Hospital-Physician Affiliations in U.S. Hospitals and Their Effect on Quality of Care. *Ann Intern Med,* 166 (1), 1-8.

QMG Physicians: Hospital Innovators

QMG physicians successfully designed and implemented Blessing Hospital programs.

- Intensive Care Unit
- ED Hospitalist*
- Surgical trauma*
- Stroke
- Heart
- Neurosurgical *
- Orthopedic trauma*
- Observation Decision Unit*

QMG physicians designed, implemented and/or led program; * indicates recently terminated contracts with QMG.

QMG Hospital will allow QMG physicians to continue to innovate, ensuring high-quality, affordable health care is available to all patients.

EXHIBIT A

QMG Hospital Vision for Emergency Care

QMG Hospital Emergency Care:

- 5% of ED visits result in an admission
- When reviewing the emergency department use of QMG patients at Blessing Hospital, a large majority of those visits are for conditions that can easily be cared for in a more appropriate, lower cost setting
- Led by experienced QMG ED Hospitalists, with a proven track record of success at reducing hospital admissions and readmissions
- Modeled from successful comparable hospitals as a full service ED that triages, stabilizes, treats and transfers, based on best practice guidelines
- Comprehensive category of ED services

EXHIBIT A

QMG Hospital Vision for Emergency Care

QMG Hospital Emergency Care:

- Designed to navigate patients to the most appropriate site of care to meet their needs while reducing emergency admissions
- 2018 emergency department data for the state of Illinois reflects that:
  - 97% of all emergency care in the state is not trauma related and can be treated in comprehensive emergency departments
  - only 3% of cases in the state of Illinois require a trauma center, and, in QMG Hospital's planning area, only 1% require a trauma center
  - The vast majority of care will be safely and effectively provided at QMG Hospital while reducing overall healthcare costs
- Established physician/paramedic relationships will facilitate protocols to determine which emergency patients go to QMG or are transferred elsewhere

EXHIBIT A

QMG Hospital Reduces Unnecessary Emergency Admissions

QMG Hospital expedites innovation in alternative care settings to ensure patients with higher acuity levels are able to be treated outside of the hospital, reducing hospital admissions.

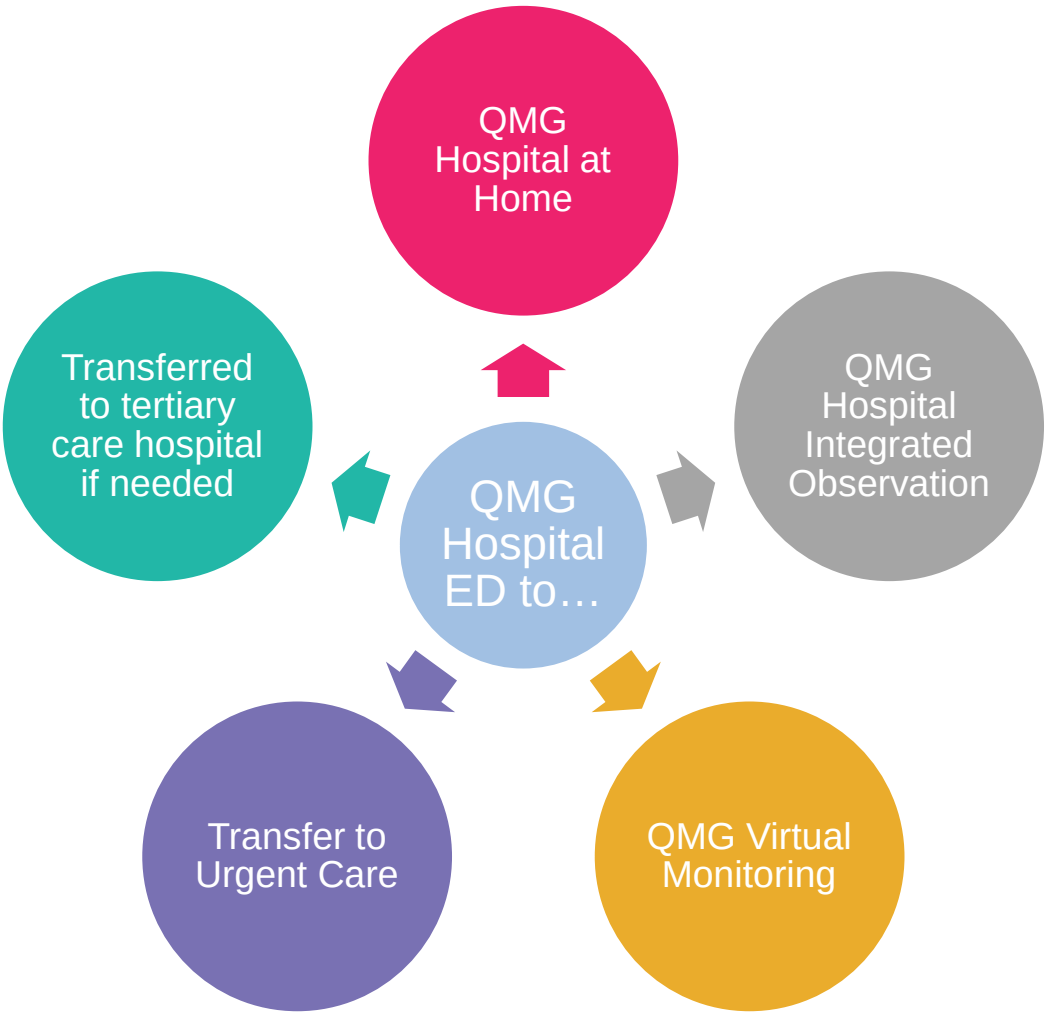
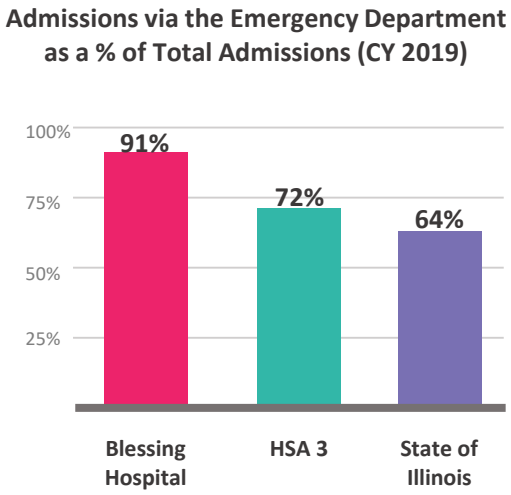
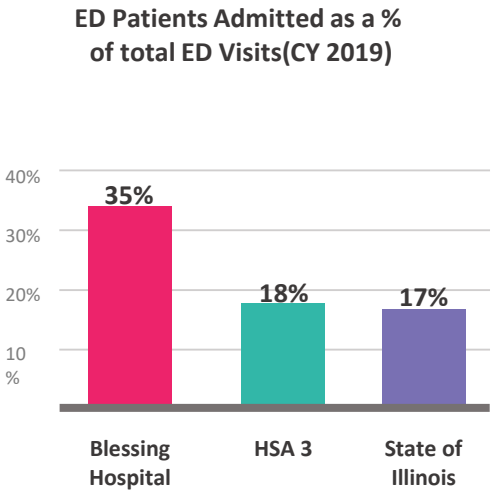


EXHIBIT A

9 out of 10 Patients admitted to Blessing Hospital From the ED

On average, an ED patient at Blessing Hospital is twice as likely to be admitted than patients at other Illinois hospitals



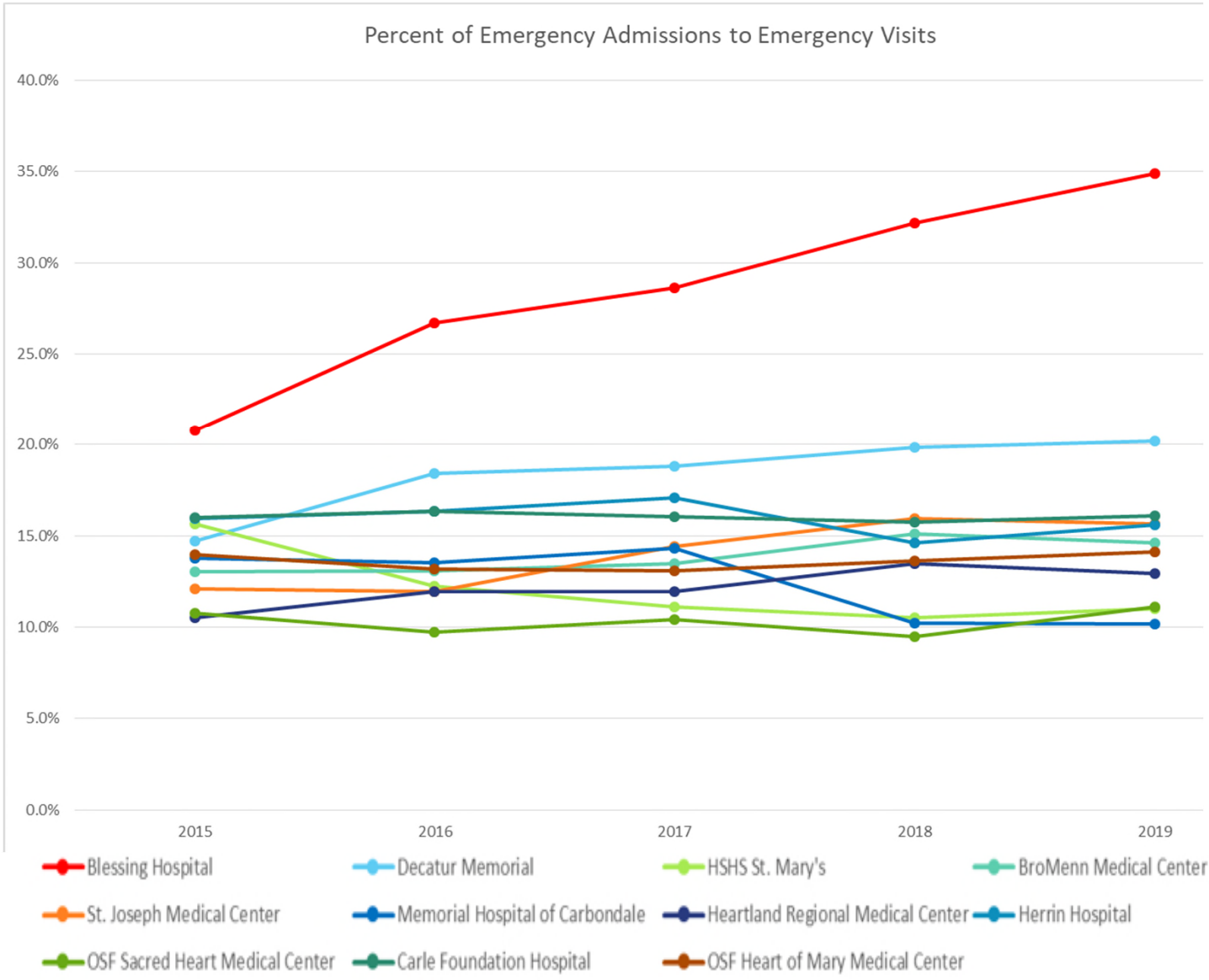


Blessing's 13,950 admissions through the ED is **28%** of all 49,955 admissions through EDs at the 12 community hospitals in HSA 3 (CY2019)

Source: HFSRB Hospital Profiles, 2019

Blessing Hospital's Emergency Admissions

The percentage of ED patients who are admitted to Blessing Hospital is significantly higher than similarly situated hospitals in Illinois



Source: HFSRB Hospital Profiles, 2019

EXHIBIT A

QMG Hospital Vision for Women's Health Care

QMG Women's Health Care:

- The proposed QMG Hospital and QMG Birth Center care delivery are designed to meet the needs of:
  - underserved patients
  - patients who prefer natural delivery options
  - low-risk uncomplicated pregnancies
- The birth center model draws patients from a larger service area, and will grow the need for OB services in the region establishing the need for LDRP beds at QMG Hospital
- Partners with midwives for deliveries and honors midwifery as a care plan in partnership with the QMG Birth Center
- In the occasion that a patient who qualifies and chooses the QMG Birth Center requires hospital care, the attached QMG Hospital, accessible via skywalk, provides unparalleled transport
- Increases access for the most vulnerable mothers in our community per IL's extension of full Medicaid benefits to new mothers one year postpartum

EXHIBIT A

QMG Hospital Provides Comprehensive Women's Health Care and Lower Costs

Blessing **vs.** QMG

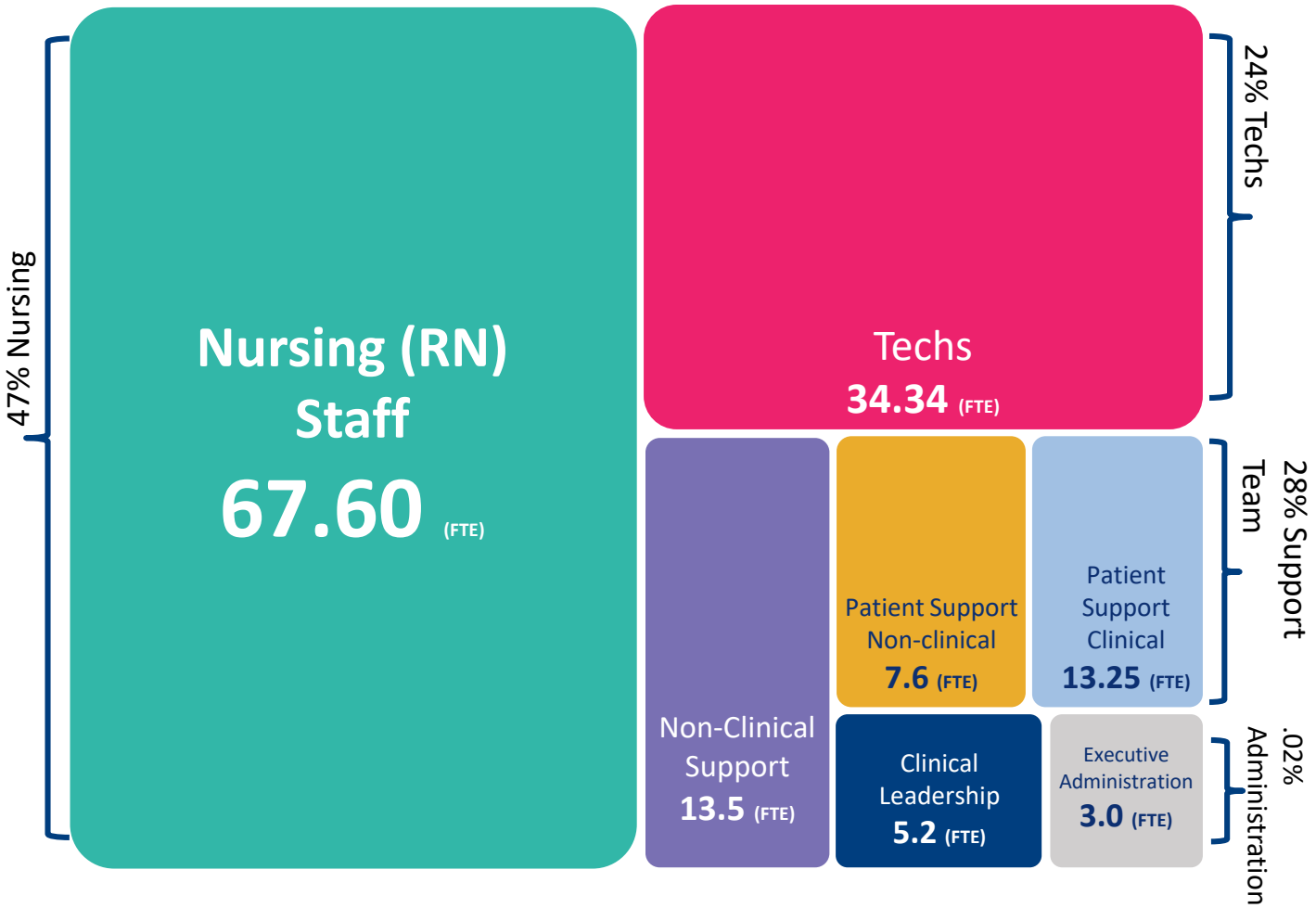
- Highest cost delivery
- Limited natural delivery support
- Disparate EMR
- Dated facility
- Limited QMG physician access
- Highest cost surgical
- OBED contracted hospitalist vendor

- QMG Hospital
  - LDRP
  - Lower Cost
  - Physician-led
  - State-of-the-art experience
  - Comprehensive women's health
- Birth Center
  - Low Cost, Natural Delivery
  - Personalized and holistic care
- ASC, surgical
  - Short-stay recovery

EXHIBIT A

QMG Hospital Innovative and Effective Staffing Model

QMG Hospital makes healthcare more affordable, improves outcomes with a cross-functional, efficient, highly engaged and happy team



Note: Staffing model does not include physicians as no physicians are employed by QMG Hospital.

QMG Hospital Unrivaled Practice Environment

Engaged, Trusted, Experienced, and Efficient Resources

QMG Hospital's care delivery is a team-based model, with nursing at the center.

Patient-centric care is cross-functional with a hospital-wide, team-based approach

Nursing, RN

- Same nurses in Pre-Op/PACU
- Patients prepped & recover in same bay, by same nurse
- Provides consistent caregiver & eliminates staff down time
- Pre/post-op staff often provide lunch break to inpatient nurse & support ED when surgery volume is lower
- Inpatient care, primary care nursing model

- **Technicians**
  - ED Tech
  - Surgery Tech
  - Rad/CT Tech/MRI
  - Med Lab Tech
  - Certified Pharm Tech
- **Patient Excellence Representatives**
  - Registration, insurance verification, scheduling
  - Cross-trained in billing, coding

Current State vs QMG Hospital

Staffing the Same Episode of Care

Blessing Hospital		QMG Hospital
Patient to Nurse Ratio: **8:1**	vs.	**Patient to Nurse Ratio: 4:1**
• Large number and variety of staff caring for same patient • Patient leaves room for testing • Nurse expected to cover broad geography throughout hospital		• RN provides all care to patient including; transfer, bathing, medication administration and others • Nurse available/accessible to patients and caregivers

The Truth About Retaining Nurses

The Illinois Hospital Report Card's "hours per patient day" examines the supply of nursing staff relative to patient work load. Studies have shown that higher total nursing care hours and/or a greater percentage of RNs providing the nursing care hours have been linked to better patient outcomes. Med-surg vacancy rate refers to open positions

Measure	Blessing	State of Illinois
RN Turnover Rate in Med-Surg	40.79%	19.81%
Med-Surg Staff Vacancy Rate	29.40%	7.75%

Source: IDPH. (n.d.). *Illinois Hospital Report Card - Blessing Hospital*.

QMG Hospital
Designing Care to Address Health Care Inequities

- QMG Hospital & Foundation to design programs, deliver services, and direct resources to promote access for all
- Continued commitment to diversity and inclusion
- Assessing social determinants of health to identify resources most needed
- Transportation solutions, evening mobile canteen, on-site vaccines, back-to-school help fairs for students, events designed for men's health and lifting minorities
- Community health worker role to educate, advocate for and navigate on behalf of vulnerable patients

EXHIBIT A

QMG Hospital Project: Assessing Whether Health Cost Savings will be Sufficient to Offset Project Costs

JULY 2021

EXECUTIVE SUMMARY

- Given the high cost of inpatient care in the Quincy area, the costs of constructing, financing and equipping a 28-bed, small-format hospital could pay for itself with the savings generated over a 20-year period
- Price savings alone would generate sufficient savings to patients, employers and other payers to offset the project costs in less than 9 years. Looked at another way, the project would generate savings of $2.27 for every $1 in project costs over a 20-year period. (Table 1)
- Significant additional savings could be realized through QMG's implementation of a patient-centered, physician-led clinical care system that could generate sufficient savings to the community that would offset the cost of the project in 2 to 3 years

TABLE 1. RETURN ON INVESTMENT FOR QMG HOSPITAL

SCENARIO	ESTIMATED SAVINGS OVER 20 YEARS	PROJECT COSTS	NET SAVINGS	SAVINGS GENERATED PER $1 OF PROJECT COSTS OVER 20 YEARS	YEARS NEEDED FOR SAVINGS TO COVER PROJECT COSTS
Savings from Price Differential between QMG Hospital and Blessing Hospital	$138,963,766	$61,242,058	$77,821,708	$2.27	8.8
Price Differential + Reductions in Emergency Department Visits and Inpatient Admissions to State Average	$448,397,202	$61,242,058	$387,255,144	$7.33	2.7
Price Differential + Reductions in Emergency Department Visits and Inpatient Admissions to QMG Hospital Targets	$629,452,188	$61,242,058	$568,310,130	$10.29	1.9

EXHIBIT B

BACKGROUND

- It is well established that Blessing Hospital has significantly higher costs than other hospitals in the region
- Blessing Hospital's own consulting firm, Guidehouse, estimated that Blessing's inpatient commercial rates were 57% higher than the market average for rural Illinois hospitals[1]
- In its analysis for QMG Hospital's CON application[2], BSG Analytics LLC concluded that:
  - Blessing charges 26% more for inpatient charges and 33% more for outpatient charges than other area hospitals
  - Blessing charges commercial payers 31% to 112% more for newborn deliveries, depending on the type of delivery
  - Blessing charges commercial insurers almost a third more on average for imaging procedures (CAT scans, MRIs, X-Rays, ultrasounds and nuclear medicine procedures) and its cash price for people without insurance was 20% higher on average
- Given Quincy's high hospital prices, the introduction of an alternative acute-care inpatient facility in Quincy would provide significant cost relief for employers, government payers and community residents
- QMG has proposed a privately financed, small-format hospital that would not use public funds
- BSGA was tasked with determining whether there would be sufficient savings generated by QMG Hospital to offset its project costs based on BSGA's prior analysis of Blessing's hospital prices and the pro forma prepared by Erdman for the project
- The analysis focused on four distinct areas:
  - Savings due to the inpatient price differences between Blessing Hospital and the proposed QMG Hospital
  - Savings due to the emergency department price differences between Blessing Hospital and the proposed QMG Hospital
  - Savings achieved by reducing the number of emergency department visits
  - Savings achieved by reducing the number of admissions originating in the emergency department

PRICE SAVINGS

- This analysis focused on the savings that would be achieved exclusively due to the price differential between the two hospitals
- Assumptions included in the analysis:
  - Total project costs of $61.1 million

[1] QMGH CON Evaluation Report (Guidehouse Memorandum, March 31, 2021)
[2] *Assessing the Potential for Competition to Improve Inpatient Health Care Costs in Quincy, Illinois* (BSG Analytics LLC, April 2021)

EXHIBIT B

- QMG inpatient market share of 20%[3]
- QMG Hospital emergency department and imaging volume based on Erdman pro forma prepared for QMG Hospital
- QMG Hospital's net commercial rates set at 230% of Medicare
- Blessing's inpatient commercial rates estimated at 264% of Medicare[4]
- Blessing's ED imaging rates estimated based on Medicare payments from hospital cost reports (American Hospital Directory) and the median allowed amount commercial insurers pay based on the information Blessing Hospital posted on its website pursuant to federal hospital pricing transparency regulations that took effect Jan. 1, 2021
- Medicare savings based on QMG receiving Medicare reimbursement rates 7% lower than the enhanced rate Blessing Hospital receives due to its Sole Community Hospital Designation

- The analysis found that:
  - Price-differential savings alone would generate sufficient savings to offset the cost of the project in approximately 9 years
  - Over a 20-year period, the price differential would generate $138,963,766 in savings for patients and payors (Table 2). This would include:
    - $110 million in savings for patients and commercial payers, which would make health care costs in the region more competitive
    - $28.9 million in savings for Medicare
  - There would be a net savings of $77.8 million after subtracting the project costs

TABLE 2. PRICE-DIFFERENTIAL SAVINGS GENERATED BY QMG HOSPITAL	
CATEGORY	**ESTIMATE**
Savings over Amortization Period (20 Years)	$138,963,766
Project Costs	$61,142,058
Savings Generated per Dollar Invested	$2.27
Total Annual Savings	$6,948,188
Capital Costs Per Year ($61,142,058 over 20 years)	$3,057,103
Annual Savings in Excess of Capital Costs	**$3,891,085**
Annual Inpatient Admissions Savings – Commercial	$4,312,357
Annual Outpatient Emergency Department Imaging Savings – Commercial	$1,189,941
Total Annual Price-Differential Savings Commercial	**$5,502,298**
Annual Inpatient Admissions Savings – Medicare	$1,425,060
Annual Outpatient Emergency Department Imaging Savings – Medicare	$20,830
Total Annual Price-Differential Savings Medicare	**$1,445,890**

[3] Based on estimated 3,144 QMG Hospital admissions and a total of 15,778 admissions in 2019 for Planning Area E-05 (Quincy area)
[4] Blessing's percent-of-Medicare was calculated using charge and Medicare payment information from hospital cost reports (American Hospital Directory) and the median allowed price for commercial insurers as reported by Blessing Hospital on its website pursuant to the federal hospital pricing transparency regulations that took effect Jan. 1, 2021

EXHIBIT B

- BSGA believes these are conservative estimates because its analysis did not include the following factors likely to generate additional savings for the Quincy community:
  - Lab tests and other ancillary services provided during emergency department encounters. Accurately measuring the savings is difficult given the variation in medical services provided during an emergency department visit.
  - Outpatient services not provided in the emergency department.
  - The impact of QMG Hospital's pricing on the Quincy market. The savings estimated in this analysis is limited to the price savings generated for services performed at QMG Hospital.

SELECT INPATIENT AND IMAGING COSTS

- Newborn delivery and imaging costs are major cost drivers for employers
- BSGA was tasked with calculating the savings that would be generated by QMG Hospital for these categories
- BSGA concluded that:
  - Newborn deliveries performed at QMG would generate annual savings of $2.2 million
  - ED imaging performed at QMG would generate annual savings of $1.2 million for commercial payers

TABLE 3. ANNUAL COMMERCIAL SAVINGS

	Commercial Volume[5]	Blessing[6]	QMG (230% of Medicare)	Savings
INPATIENT – NEWBORN DELIVERY				
Vaginal Delivery	228	$7,583	$5,699	$429,552
C-Section	151	$19,215	$7,256	$1,805,809
EMERGENCY DEPARTMENT IMAGING				
X-rays	1,260	$319	$220	$124,773
Ultrasound	193	$693	$284	$78,795
CT Scans	570	$2,017	$552	$834,870
MRIs	41	$4,574	$910	$151,503

SAVINGS FROM AVOIDABLE ED UTILIZATION & INPATIENT ADMISSIONS

- While the price differential between the two hospitals would be sufficient in itself to cover the project costs within nine years, the most substantial reduction in health care costs in the Quincy area would come from a reduction in hospital admissions and emergency department visits

[5] Erdman Pro Forma for QMG Hospital
[6] Blessing's commercial rates are the median allowed amount for commercial payer as posted on the Blessing Hospital website pursuant to the federal transparency regulations that took effect Jan. 1, 2021

EXHIBIT B

- QMG Hospital has proposed a patient-centered, physician-led clinical care delivery system designed to lower costs, improve outcomes and enhance the patient experience by navigating patients to the most appropriate setting for care
- This approach can result in significant additional savings to the community by:
  - Reducing avoidable emergency department visits by providing care in more appropriate, lower-cost settings
  - Reducing expensive hospital admissions by diagnosing and providing care early
- Blessing Hospital stands out – unfavorably – in two important areas:
  - The number of Blessing admissions that originate in the emergency department is 50% higher than both the state average and other planning areas (Table A-1). For every 1,000 admissions in 2019, 900 originated in the emergency department, which is 280 more than the Illinois average and 320 more than the median of similar planning areas (Peoria, Bloomington-Normal, Decatur and Carbondale).
  - 34.9% of emergency department patients are admitted to the hospital, which is double the state average and other planning areas (Table A-2). For every 1,000 patients who enter Blessing's emergency department, 349 are admitted to the hospital, which is 190 more than the state average and 200 more than the median of similar planning areas.

    The high number of admits could be justified if the care provided in the emergency department was reserved for more severe cases. This would reduce the number of people using the emergency department resulting in a lower-than-average emergency department utilization rate. The Quincy area, however, has a rate that is higher than both the Illinois average and the median of the other planning areas (Table A-3).
- BSGA was tasked with estimating the additional savings the Quincy community could realize if:
  - QMG Hospital achieved emergency department utilization similar to the Illinois average (410 emergency department visits per 1,000 residents and 15% of emergency department visits resulting in inpatient admissions)
  - QMG Hospital achieved a 30% reduction in emergency department utilization from Quincy's current rate and kept its ED-to-admission rate at 5% as specified in the Erdman pro forma.
- Table 4 outlines the result of that analysis:
  - $15.5 million in additional annual savings could be realized if QMG Hospital achieves the state average: 410 emergency department visits per 1,000 residents and 15% of emergency department visits resulting in inpatient admissions
  - $24.5 million in annual savings could be realized if QMG Hospital achieves a 30% reduction in emergency department visits (to 344 per 1,000) and 5% of emergency department visits resulting in inpatient admissions

EXHIBIT B

TABLE 4. ADDITIONAL ANNUAL SAVINGS FROM REDUCING ED VISITS AND ADMISSIONS					
	Annual Savings to Community Due to Price Differential	Annual Savings to Community Due to Reduction in Emergency Department Visits	Annual Savings to Community Due to Reduction in Admissions	Total Annual Net Savings to Community (After Project Costs)	Years of Savings Needed to Offset Project Costs
Reduction to State Average (1,243 fewer ED visits and 1,414 fewer hospital admits)	$6,948,188	$1,095,804	$14,375,868	$19,362,757	2.7
Reduction to QMG Targets (2,193 fewer ED visits and 2,222 fewer hospital admits)	$6,948,188	$1,933,771	$22,590,650	$28,415,506	1.9

CONCLUSIONS

- The proposed QMG Hospital would pay for itself in 9 years through the savings generated by the price differential between Blessing Hospital and the proposed QMG Hospital
- Significant additional savings could be realized with the implementation of QMG's integrated clinical care program. Savings would cover the project costs in:
  - Less than three years if QMG Hospital achieved state averages for emergency department utilization and inpatient admissions
  - Less than two years if QMG Hospital achieved the targets outlined in the Erdman pro forma for the project
- QMG Hospital's clinical care management program would be expected to achieve similar reductions in emergency department utilization for the state's Medicaid patients
- Even though no public money will be used to finance the project, the savings generated by the hospital would be returned to the residents, employers and payers through lower health care costs that would improve the region's economic competitiveness and reduce government deficits
- QMG Hospital also could potentially return millions of dollars in medical care that is now leaving Quincy. A BSGA analysis estimated that upwards of $60 million of medical care for Quincy residents is being provided in other cities. If one-third of that care was returned to Quincy, it would return $20 million to the community, which would be equal to 4,468 inpatient days and 1,787 inpatient admissions.[7]

[7] Assumptions: QMG Hospital's commercial allowed rate at 230% of Medicare with an average length of stay of 2.5 days

APPENDIX

TABLE A-1. PERCENT OF ALL INPATIENT ADMISSIONS THAT ORIGINATE IN THE EMERGENCY DEPARTMENT						
	2015	**2016**	**2017**	**2018**	**2019**	**5-YEAR MEDIAN**
Planning Area C-01 (Peoria)	60.3%	49.1%	48.1%	57.0%	59.6%	57.0%
Planning Area D-02 (Bloomington-Normal)	48.8%	50.6%	54.0%	55.7%	56.3%	54.0%
Planning Area D-04 (Decatur)	64.9%	73.1%	110.9%*	73.5%	76.9%	73.5%
Planning Area F-07 (Carbondale)	46.6%	49.3%	52.7%	45.1%	45.7%	46.6%
Median of Select Planning Areas	54.5%	49.9%	50.4%	56.3%	**57.9%**	**50.4%**
State of Illinois	58.7%	59.6%	59.9%	60.8%	**61.6%**	**59.9%**
Blessing Hospital	**83.5%**	**84.3%**	**79.8%**	**87.2%**	**90.5%**	**84.3%**
*Suspected data anomaly Source: 2019 Hospital Profiles, Illinois Health Facilities and Services Review Board						

TABLE A-2. PERCENT OF EMERGENCY DEPARTMENT ENCOUNTERS THAT RESULT IN INPATIENT ADMISSIONS						
	2015	**2016**	**2017**	**2018**	**2019**	**5-YEAR MEDIAN**
Planning Area C-01 (Peoria)	17.4%	14.4%	14.7%	18.3%	19.6%	17.4%
Planning Area D-02 (Bloomington- Normal)	11.1%	11.8%	13.0%	14.2%	14.0%	14.0%
Planning Area D-04 (Decatur)	13.7%	13.9%	21.2%	13.8%	14.0%	13.8%
Planning Area F-07 (Carbondale)	8.3%	8.7%	9.6%	8.2%	7.9%	8.3%
Median of Select Planning Areas	13.7%	13.9%	13.0%	14.2%	**14.0%**	**14.0%**
State of Illinois	15.2%	15.1%	15.2%	15.5%	**15.9%**	**15.2%**
Planning Area E-05 (Blessing/Quincy)	**20.8%**	**26.7%**	**28.6%**	**32.2%**	**34.9%**	**28.6%**
Source: 2019 Hospital Profiles, Illinois Health Facilities and Services Review Board						

TABLE A-3. EMERGENCY DEPARTMENT VISITS PER 1,000 RESIDENTS			
Planning Area	**Population**	**ED Visits**	**ED Visits/1000**
C-01 (Peoria)	376,230	160,713	427.2
D-02 (Bloomington/Normal)	229,590	71,920	319.3
D-04 (Decatur)	157,450	86,830	548.6
F-07 (Carbondale)	153,840	81,461	529.5
Median of Select Planning Areas (not including Quincy)			**478.3**
State of Illinois	12,812,508	5,252,480	**409.9**
Planning Area E-05 (Blessing/Quincy Area)	89,300	43,939	**492.0**
Source: 2019 Hospital Profiles, Illinois Health Facilities and Services Review Board			

Updated analysis of Medical/Surgical Utilization
At Blessing Hospital – Historic and Projected –
and Supporting Justification for the Proposed QMG Hospital
Project 20-044
Ralph Weber, CON Consultant; Anne Cooper, Polsinelli
July 23, 2021

1. Overview

Permit application 20-044 presented analysis of historic and projected utilization of medical/surgical services at Blessing Hospital, and how Blessing's historic growth and projected utilization justifies the planned 25 bed unit at the proposed QMG Hospital. The historic growth analyzed in the permit application covered the 5-year period 2015 to 2019. This revised analysis is submitted as new information, and includes documentation of Blessing's utilization in year 2020, allowing for an extended time period of historic utilization.

2. Conclusion

This analysis uses Blessing's Medicare Cost Report information to derive a year 2020 surrogate for Blessing's medical/surgical bed utilization reported to HFSRB in their Annual Hospital Questionnaire (AHQ). That information has been submitted to the State, but is not yet publicly available.

Using a reliable estimate for 2020 medical/surgical information and Blessing's HFSRB profile data from 2015 through 2019 supports an analysis that Blessing's 198 medical/surgical beds will be fully utilized (85%) in year 2026 (when the proposed QMG Hospital opens) and for subsequent years. In addition, the 25 bed med/surg unit at the proposed QMG Hospital will be fully utilized in year 2028, two years after project completion. The analysis shows that the proposed QMG Hospital does not result in a duplication of service and will not have a negative impact on the utilization of area hospitals.

3. Methodology

The methodology has two main steps: a) estimating 2020 med/surg inpatient days at Blessing Hospital, using Blessing's 2020 Medicare Cost Reports; and b) projecting future utilization of med/surg services at Blessing Hospital and the proposed QMG Hospital.

a) Estimate of 2020 med/surg inpatient days at Blessing Hospital

Year 2019 was a year that saw a drop in med/surg days at Blessing Hospital, from 45,028 days in year 2018 to 43,686 days in 2019 (HFSRB Profiles, Blessing Hospital). The State Board report used this information as the key factor in evaluating utilization and capacity at Blessing and concluded that Blessing was underutilized. Blessing's own actions (invoking the 20 bed rule to increase its med/surg authorized bed counts from 158 to 178 in November, 2018 and again from 178 to 198 in May, 2021) demonstrate that 2019 was not a typical year, and that utilization has been and continues to grow.

Efforts were made to obtain additional information on Blessing's growth in year 2020, to present a more complete picture of med/surg utilization at Blessing. As stated above, the HFSRB profile on Blessing Hospital for year 2020 is not yet available and is anticipated to be published in the fall of 2021. As a

EXHIBIT C

result, QMG investigated other sources of utilization information, specifically Blessing's Medicare Cost Reports.

The following table extracts summary information from the Medicare Cost Reports.

Historic Utilization - Blessing Hospital - Medicare Cost Reports

		2015	2016	2017	2018	2019	2020
Med/Surg/Peds Inpatient Days		34,610	37,611	39,938	43,174	39,656	47,897
Med/Surg/Peds Observ Days		8,143	6,667	6,340	6,499	6,256	5,579
Med/Surg/Peds Total Days		42,753	44,278	46,278	49,673	45,912	53,476

The table shows that total med/surg/peds days increased in 2020 by 7,564 patient days, from 45,912 days in 2019 to 53,476 days in 2020. That is a significant increase, 16.5%. This fact shows that using 2019 as a base year for analysis is inappropriate. 2019 is the only year in the table that showed a decrease in utilization. Using a 16.5% factor in projecting future utilization beyond 2020 would significantly overestimate future year utilization increases, and would be a mis-use of the one year patient volume increase.

The next step in the methodology is to use the above information to derive a reliable estimate of Blessing's HFSRB profile 2020 med/surg days. Using the increase from 2019 to 2020 would most definitely overestimate future year utilization. A more conservative and reliable approach is to apply the 7.7% increase reported in Medicare Cost Report days from 2018 to 2020 as an appropriate increase in Blessing's HFSRB profile med/surg days from 2018 to 2020. Blessing's HFSRB profile for year 2018 reported 45,028 med/surg days. An increase of 7.7% yields an estimated **year 2020 utilization of 48,495 med/surg inpatient days.** This number can be used with confidence to compare to Blessing's prior year HFSRB profile data. Note: The use of 7.7% is not applied to projecting future years, but is merely the factor used to estimate Blessing's year 2020 volume based on Blessing's year 2018 data.

Comments about the use of Medicare Cost Report data: In the above analysis, Medicare Cost Reports are used for one purpose only – to develop an estimate of Blessing's year 2020 med/surg volumes that can be used to compare to prior year HFSRB profile data. The volume of days reported in the Cost Reports differs from the HFSRB profile data in two ways: a) it includes pediatric days in the count, and b) the Cost Reports apply to Blessing's fiscal years, which end September 30. As a result, the actual patient day counts cannot compare directly to the information in the HFSRB profiles. However, the case can be made that using the percentage change from one year to another (in our case from 2018 to 2020) results in a valid surrogate for the anticipated 2020 HFSRB profile data of med/surg patient days. It is important to note that Blessing Hospital is the source of all of its numbers in the Medicare Cost Reports and the HFSRB Profiles.

b) Projected future med/surg utilization based on Blessing's historic utilization levels

The following table shows historic volumes of med/surg days at Blessing Hospital from Blessing's HFSRB profile reports for years 2015 through 2019, and the comparable year 2020 volume of 48,495 med/surg days for Blessing derived from Blessing's Medicare Cost Reports.

Historic and Projected Utilization - Blessing Hospital Medical/Surgical Beds

	Historic						Projections							
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Med/Surg days, incl observation	38,649	42,430	44,858	45,028	43,686	48,495	50,747	53,103	55,569	58,150	60,850	63,675	66,632	69,726
Med/surg beds - Blessing	158	158	158	158	178	178	198	198	198	198	198	198	198	198
Med/surg beds - QMG Hospital												25	25	25
Occupancy (percent)	67.0	73.6	77.8	78.1	69.3	74.6	70.2	73.5	76.9	80.4	84.2	88.1	92.2	96.5
Blessing @ 198 beds														
patient days												61,429	61,429	62,425
occupancy (percent)												85.0	85.0	86.4
QMG Hospital @ 25 beds														
patient days												2,246	5,203	7,301
occupancy (percent)												24.6	57.0	80.0

Notes:

Source: Blessing Hospital Annual Hospital Questionnaires, as reported in HFSRB Profiles, 2015 - 2019
Year 2020 estimate is based on Blessing Hospital's Medicare Cost Report information
Blessing added 20 med/surg beds on November 5, 2018, increasing bed complement to 178 med/surg beds
Blessing added 20 med/surg beds the week of May 25, 2021, increasing bed complement to 198 med/surg beds
QMG Hospital is planned to open in February, 2026; 2028 is two years after project completion
Projections are based on 4.6% CAGR

Conclusions from the table are as follows:

1) Increases in historic utilization demonstrate a 4.6% CAGR (compound annual growth rate).

2) Using this rate results in 63,675 med/surg patient days in year 2026, the year the proposed QMG Hospital opens. 61,429 of these med/surg days are at Blessing (85% occupancy of 198 beds), and 2,246 days are provided at QMG Hospital (25% occupancy for the partial year).

3) In 2028, two years after project completion, the total patient day volume is 69,726 med/surg days. 62,425 days at Blessing are 86.4% occupancy of its 198 beds. 7,301 days at QMG Hospital are 80% occupancy of its 25 med/surg beds.

As a result, the proposed project does not reduce occupancy at Blessing Hospital below the State standard of 85% for med/surg units of its size. And moreover, in year 2028, two years after project completion, the 25 beds at the proposed QMG Hospital are fully utilized at 80%, the State standard for med/surg units of its size.

4. Conservative features of the methodology.

There are several assumptions and features of the methodology that are conservative:

- The methodology uses 6 years of historic utilization to support the projections for future years. The projections use a 4.6% CAGR. The actual average annual growth rate for the 5 year period 2015 to 2020 is 5.1%

  (48,495 – 38,649 = 9,846; 9,846 divided by 38,649 = 25.5%, or 5.1% annual)

  The methodology prefers the 4.6% growth rate.

- The methodology does not rely upon the commitment by Memorial Hospital Association (MHA) in Carthage, Illinois (located in Planning Area E-05) to contribute 6-8 medical/surgical beds from its own bed inventory if the project is approved. That commitment was formalized in a letter submitted to the HFSRB at the time the application was filed stating that MHA's Board of Directors had passed a resolution affirming the redeployment of 6 to 8 of its medical/surgical beds to QMG Hospital and that the redeployment will occur at or near the time QMG Hospital commences operations. The redeployment would consist of MHA discontinuing 6-8 medical/surgical beds in accordance with 77 Ill. Admin. Code § 1130.240 and the State would adjust its inventory accordingly. We understand State Board Staff will not consider MHA's written commitment to discontinue beds because it is conditioned upon QMG Hospital receiving HFSRB approval and the beds have not yet been discontinued. MHA's commitment to discontinue its medical/surgical beds is <u>not</u> factored into this analysis as it is not needed to support the projected full utilization of Blessing Hospital and QMG Hospital as shown in the above table.

- The methodology uses historic utilization only, not supplemented by outmigration volumes associated with certain patients who will choose with their employers to remain in the future in Quincy for medical/surgical services as a result of lower charges at QMG Hospital.

  The BSGA analysis, submitted with this additional information packet, estimated the value of revenues lost to the Quincy area **due to outmigration to be approximately $60,000,000 annually**. This amount is associated with commercially insured patients. Some of these patients leave to receive certain tertiary services not available in Quincy. **The majority are leaving the area, some incentivized by their employers, to receive care at a lower cost**. **<u>To be conservative, a lower cost care option in Quincy could serve 1/3 of the total outmigrating cases and keep them local</u>**. Using cost factors to convert the lost revenues to commercially insured admissions and patient days, there are 1,787 inpatients (4,468 inpatient days) that could be served at QMG Hospital. This is over 50% of the 8,232 medical/surgical and OB inpatient days that are planned at the proposed QMG Hospital. Keeping these patients in Quincy would be a significant part of the utilization of the QMG Hospital. These patients would not be diverted from Blessing Hospital.

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July 26, 2021

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Illinois Health Facilities and Services Review Board ("State Board")
525 W. Jefferson Street, Second Floor
Springfield, IL 62761

Re: Quincy Medical Group Hospital - Project No. 20-044

Dear Chairwoman Savage:

This letter addresses the discussion and procedure that took place at the May 26, 2021 State Board meeting regarding the proposed Quincy Medical Group Hospital ("QMG Hospital"), the purposes and objectives of the Illinois Health Facilities Planning Act ("Planning Act") (including, among others, to improve the financial ability of the public to obtain necessary health care services), and the State Board's authority and responsibilities (including the mandate that projects consistent with the Planning Act be approved, that all information submitted must be considered, and that members have the authority to exercise discretion to approve a project despite negative findings if they deem it to be consistent with the Planning Act and in the best interest of the public).

This letter also includes the Applicants' respectful requests that counsel for the State Board provide complete instructions to State Board members regarding all objectives and purposes of the Planning Act, their duty to evaluate projects holistically and take into consideration all information submitted (including commitments or representations to reduce health care prices), and their discretion to approve projects despite negative findings in the Staff Report. The Applicants further request that the State Board's customary practice in relation to State Board meetings be followed.

I. SUMMARY OF KEY COMMENTS OF STATE BOARD MEMBERS AND CONCERNS REGARDING STATE BOARD PROCESS.

During the May 26, 2021 State Board meeting, there was a robust and thoughtful discussion between State Board members, the Applicants, and representatives of the Applicants regarding how the proposed QMG Hospital would transform and improve the delivery of health care in Quincy and the surrounding communities.[1] State Board members referred to the project as "innovative" and a "breath of fresh air." Questions were asked regarding the proposed care delivery model and how it would be different than the model followed in traditional hospitals and so-called "micro-hospitals." There were questions regarding whether and how the small format hospital would lead to reductions in health care costs, and

[1] See May 26, 2021 Transcript, pp. 99-130.

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whether approval of the hospital would result in an unnecessary duplication of services according to State Board review criteria. The Applicants provided detailed responses to every question asked by State Board members.

Toward the end of the discussion, Member Dr. Murray asked whether the State Board Staff would be commenting regarding its findings "as they usually do," noting it was "unusual" that the comments had not already been made.[2] In response, a State Board Staff member ("Staff Member") was asked if he had any questions or statements. The Staff Member provided the following comments:

> I think we've gone off – the statute does not mention rates, commercial insurance, Medicare and Medicaid. ***The only cost this Board has ever had jurisdiction over are capital costs***. That is the only cost. Not expenses. It's capital costs. ***We deviated so much when we allow an applicant to come before the Board and say they're going to reduce price***. ***We have nothing to verify it with***. I can't verify what they're telling us. I couldn't when they submitted the application. So ***I don't know how we've moved so far away from what the statute allows this Board to do***. And that's my comment.[3]

While the Staff Member raised a legitimate question about verifying price reductions, as discussed in greater detail below, we feel that some of the Staff Member's comments to the State Board members were inconsistent with the Planning Act, State Board regulations, and the State Board's practice. We also feel that the Staff Member's comments may have unintentionally come across as an instruction to the State Board members that they could never consider proposed price reductions.

There were no further questions after the Staff Member's comments. The Staff Member called the roll, and the State Board members voted on the project.[4] Two State Board members voted in favor of the project, finding that the proposed hospital would bring a new competitive model to the area and lead to a significant reduction in utilization and expense, capital included.[5] Four State Board members voted to deny the project – primarily referencing the negative findings in the Staff Report and citing concerns of potential unnecessary duplication of services. At least one State Board member, however, appeared to question her authority to consider the information that had been presented, commenting that "while I'm supportive of innovative models, I think our statute does limit us in terms of what we can consider at the present time."[6]

While we recognize that the Staff Member's comment was in response to a question from a State Board member, we are concerned that the Staff Member's response might have unintentionally constrained

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[2] Id. p. 131.
[3] Id. p. 132 (emphasis added).
[4] Id. pp. 133-136.
[5] Id. p. 134.
[6] May 26, 2021 Transcript, p. 134-35 ("[w]hile I'm supportive of innovative models, I think our statute does limit us in terms of what we can consider at the present time."

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the review of State Board members and potentially influenced their votes. We also question whether the comment given by the Staff Member exceeded the authority granted to State Board Staff under the Planning Act.[7]

As Dr. Murray alluded, it has been the practice of the State Board Staff to provide a report, even if brief, on whether a project received any negative findings *prior to* an applicant's presentation to the State Board, not at the end and certainly not immediately before State Board members vote on a project. This deviation in procedure adversely affected the fairness of the proceeding and placed the Applicants at a disadvantage by limiting their ability to adequately respond and rebut the comments made by the Staff Member, particularly due to the limited time that remained before a State Board member (necessary to maintain the quorum) would be unavailable and the reconvened meeting would need to be continued again.

We respectfully ask that the State Board's past practice and customary procedures be followed, including that State Board Staff provide any report on the project's compliance with review criteria and other relevant comments *before* the Applicants begin their presentation and that State Board Staff's comments be consistent with the authority granted to the Staff under the Planning Act. Further, in the event a change in procedure is expected that could impact the ability of the Applicants to fairly and fully have their project heard and considered, the Applicants request that advance notification of such change and the reasoning for such change be provided to State Board members and the Applicants.

II. THE STATE BOARD CAN AND SHOULD CONSIDER ALL PURPOSES AND OBJECTIVES OF THE PLANNING ACT, INCLUDING HOW A PROJECT WILL IMPROVE THE FINANCIAL ABILITY OF THE PUBLIC TO OBTAIN NECESSARY HEALTH CARE SERVICES.

Put simply, the State Board is **not** limited to consideration of capital costs alone. While capital cost is a key focus of the Planning Act and State Board regulations, nothing in the Planning Act nor State Board regulations prohibits the State Board from considering other costs, such as reductions in health care charges. In fact, the Planning Act authorizes the State Board to consider such costs.

Section two of the Planning Act lists purposes of the Planning Act and several objectives added in 2009. While the purposes were listed in the Staff Report, the objectives were omitted. The entire purpose section is set forth below with relevant objectives highlighted in yellow, including: "***to improve the financial ability of the public to obtain necessary health care services***; ***to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public***; ***to maintain and improve the provision of essential health care services and increase***

[7] See 20 ILCS 3960/12.2 (listing the powers and duties of the State Board Staff).

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the accessibility of those services to the medically underserved and indigent[.]" The section provides that these actions are ***"deemed to be in the best interests of the public."***[8]

These objectives allow the State Board to consider how a project, such as QMG Hospital, will reduce health care costs in a community and make local health care services more affordable. When care is more affordable, the financial ability of the public to obtain necessary health care undeniably improves, access to quality health care services improves, and costs can be more effectively contained.

> Sec. 2. Purpose of the Act. This Act shall establish a procedure (1) which requires a person establishing, constructing or modifying a health care facility, as herein defined, to have the qualifications, background, character and financial resources to adequately provide a proper service for the community; (2) that promotes the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities; and (3) that promotes planning for and development of health care facilities needed for comprehensive health care especially in areas where the health planning process has identified unmet needs.
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> The changes made to this Act by this amendatory Act of the 96th General Assembly are intended to accomplish the following objectives: to improve the financial ability of the public to obtain necessary health services; to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public; to maintain and improve the provision of essential health care services and increase the accessibility of those services to the medically underserved and indigent; to assure that the reduction and closure of health care services or facilities is performed in an orderly and timely manner, and that these actions are deemed to be in the best interests of the public; and to assess the financial burden to patients caused by unnecessary health care construction and modification. Evidence-based assessments, projections and decisions will be applied regarding capacity, quality, value and equity in the delivery of health care services in Illinois. The integrity of the Certificate of Need process is ensured through revised ethics and communications procedures. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.

The State Board's regulations, along with its prior practice of approving projects where commitments to reduce health care charges were primary factors in the approval of the project, further support the authority of the State Board to consider price charges in determining whether to approve a project. In relation to ambulatory surgical treatment centers, reducing health care costs is a major driver in the State Board's determination of whether a project should be approved.[9] One way in which an ASTC applicant is permitted to document that ASTC services are needed to improve access for residents of a geographic service area is to document that "[t]he proposed charges for comparable procedures at the ASTC

[8] 20 ILCS 3960/2.
[9] See generally Project No. 18-042; Project No. 19-001; Project No. 20-37.

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will be lower than those of the existing hospital."[10] Within the past few years, State Board Staff have requested that ASTC applicants supplement applications and submit Medicare ASTC and HOPD charges for their top five procedures, referencing the charges in the Staff Report.

The State Board's regulations also mandate that ASTC applicants submit a statement of all charges and a commitment that charges will not increase for the first 2 years of operation unless a permit is obtained. The regulation states that this requirement is in place "[i]n order to meet the objectives of the [Planning] Act, which are *to improve the financial ability of the public to obtain necessary health services; and to establish an orderly and comprehensive health care delivery system that will guarantee the availability of quality health care to the general public; and cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process."*[11] We strongly believe this explicit statement of purpose applies even more strongly to projects like the proposed QMG Hospital. These purposes are not limited solely to ASTCs as they are embodied in the Planning Act and applicable to all health care facilities. State Board regulations regarding birth centers also explicitly state that the "purpose of the demonstration project is to evaluate the birth center model for quality factors, access and the ***impact on health care costs***."[12]

While we do not believe it was the Staff Member's intent, prohibiting or not allowing State Board members to consider representations reduce health care costs or charges is not only inconsistent with the law, but would result in the State Board entirely failing to consider an important aspect of the problem and likely render a State Board decision denying a project where such representations were made as arbitrary and capricious. Additionally, suggesting that only "verified" price reductions can be considered by the State Board is wholly inconsistent with the Planning Act, State Board's prior practice, and State Board's regulations. The State Board's regulations require State Board members to consider **all** information coming before the State Board in determining whether to approve a project.[13] There is simply no requirement that representations on price reductions be "verified" before they can be considered by the State Board. Arbitrarily imposing such a requirement would constitute a sudden and unexplained change to the State Board's practices.

The Applicants have submitted overwhelming evidence to date demonstrating that the community's access to quality, affordable care has been restricted due to unreasonably high costs charged by Blessing Hospital. Below are just a few examples:

[10] 77 Ill. Admin. Code § 1110.235(c)(6).
[11] 77 Ill. Admin. Code § 1110.235(c)(9).
[12] 77 Ill. Admin. Code § 1110.275(a)(5).
[13] 77 Ill. Admin Code. § 1130.660 ("HFSRB shall consider the application and any additional information or modification submitted by the applicant, HFSRB staff reports, the public hearing testimony and written comments, if any, and other information coming before it in making its determination whether to approve a project.").

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- Jim Rubottom, Vice President of Human Resources for Knapheide Manufacturing for more than 30 years, testified that "Knapheide operates in 20 locations across the country, and ***when it comes to hospital costs, Quincy is [its] highest cost center***"; that "[***m]edical costs are a serious issue to [its] employees and company[;***]" and that he had "***no doubt" that QMG Hospital would improve quality, lower health care costs for patients, and reduce outmigration***.[14]

- Richard McNay, President of McNay Truck Line in Quincy and Board Member of Quincy Public School, testified that he had to "discontinue [McNay's] profit-sharing program and shift those dollars to pay for ***ever-increasing health insurance[,]***" that ***when Quincy "had two hospitals, there was a competitive motivation for each hospital to keep their costs down, but that ended when Blessing purchased and closed St. Mary's Hospital[***,]" that with approval of QMG Hospital, "***competition will return to the marketplace and the rise in hospital costs will slow, if not decline[,]"*** that "***QMG has stood by their word***" with its new ASTC because "***the minute it opened, patients and employers began experiencing reduced costs[***,]" and that "it's ***not a question of what is best for QMG or Blessing Hospital. The question is what is best for the people of our community***."[15]

- A nationally recognized health care data analytics firm, Benefit Services Analytics, LLC ("BSGA"), conducted seven separate analyses using multiple data sets to compare Blessing's commercial pricing and charges to market averages. In each of the analyses, Blessing was significantly higher than the market median. Specifically, ***Blessing Hospital's billed inpatient charges were, on average, 26% higher than area hospitals when measured as a percentage of Medicare reimbursement, and its costs for newborn deliveries were 31% to 112% higher***.[16] Overcharging for services is a characteristic of monopolistic behavior; a situation enjoyed by Blessing Hospital. BSGA concluded that lowering unit prices and improving the efficiency of health care delivery would have a multiplier effect that would make health care more affordable for Quincy-area residents, increase the economic competitiveness of Quincy-area employers, and make it easier to recruit and retain businesses and employees in the region.[17]

- Carol Mohr, a Quincy resident, stated in an unsolicited letter of complaint to the State Board in response to its Intent-to-Deny decision: "***Blessing is MORE expensive. Ponder that for just a few moments. MORE EXPENSIVE."*** She further stated: ***"I would not seek to deny you CHOICE in your source of medical care, so why is it that you wish to obstruct mine and the***

[14] May 4, 2021 Transcript, p. 155-157.
[15] Id. at p. 160-161.
[16] April 13, 2021 BSGA Report submitted to the State Board.
[17] Id.

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several thousands who abide in Quincy and the surrounding area? Why can't we have a CHOICE?[18]

Notably, to date, Blessing Hospital itself has not disputed that its prices are higher than the median of comparable hospitals. In fact, Blessing Hospital's retained consultant, Guidehouse, confirmed that Blessing's commercial prices are **50% higher** than the market median for rural Illinois hospital.[19] A hospital charging 50% more than similarly classified hospitals is extremely problematic, especially when that hospital has **95% percent of the market share**.[20]

Prior to submitting the application, the Applicants verified Blessing Hospital's high prices and represented that QMG Hospital will charge less. In response to State Board member and Staff comments regarding whether the proposed hospital will effectively lead to reduced health care costs, the Applicants have gone one step further and elected to perform a detailed cost analysis, inclusive of capital costs, with the assistance of BSGA. **The new analysis, included with the Applicants' additional information submission, unequivocally verifies that QMG Hospital will result in real, demonstrated cost savings to the community.**

The Applicants respectfully ask that the State Board consider *all* purposes and objectives of the Planning Act and all information that has been submitted (including commitments to reduce health care prices) when determining whether to approve the proposed QMG Hospital.

III. THE STATE BOARD CAN AND SHOULD CONSIDER HISTORICAL AND PROJECTED GROWTH IN ASSESSING WHETHER THE PROPOSED HOSPITAL WILL RESULT IN AN UNNECESSARY DUPLICATION OF SERVICES.

Several State Board members commented on the Staff Report finding that, based on data reported only for calendar year 2019, there is a current State Board calculated excess of med-surg beds in the planning area and questioned whether the establishment of QMG Hospital would potentially result in an unnecessary duplication of service.

To address these comments, the Applicants updated their analysis of the historic growth and utilization for Blessing Hospital from 2015 – 2020 based on Blessing Hospital's reported data, including data submitted to the State Board for years 2015-2019 and Blessing Hospital's data submitted to the Centers for Medicare & Medicaid Services ("CMS") in its Medicare Cost Reports for 2020.[21] **In sum, the analysis**

[18] **Exhibit 1,** May 26, 2021 Letter of Support from Quincy resident Carol Mohr.
[19] See April 13, 2021 BSGA Report and March 31, 2021 Guidehouse Report, both submitted to the State Board.
[20] Id.
[21] The State Board has not yet approved or made publicly available Hospital Profile Reports for 2020. As such, the Applicants analyzed Blessing Hospital's 2020 Medicare Cost Reports, which were certified as true, correct, and complete by Blessing Hospital prior to submission to CMS, as a reliable substitute for Blessing Hospital's data

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reveals that approval of QMG Hospital will NOT result in an unnecessary duplication of service and will not impact Blessing Hospital's patient utilization. More specifically, the analysis reveals that Blessing Hospital experienced a 4.6% compound annual growth rate from 2015 – 2020. Utilizing this historic growth rate, the Applicants project that in 2026, the year QMG Hospital is projected to open, Blessing Hospital will be fully utilized according to State Board standards. Further, by 2028, two years after QMG Hospital is operational, the analysis reveals that *both* Blessing Hospital and QMG Hospital will be fully utilized according to State Board standards. Of note, the updated analysis does not rely upon the firm commitment made by Memorial Hospital Association ("MHA"), an underutilized hospital located in Planning Area E-05, to discontinue 6 to 8 of its medical/surgical beds if the State Board approves the project, which, once such beds are discontinued, will minimize any impact to the State Board Inventory even further. A copy of the Applicants' updated analysis has been submitted with the Applicants' packet of additional information.

The Staff Report focused solely on data reported by Blessing Hospital for 2018 and 2019 to reach the conclusions that "[a]s of March 2021, there is a calculated excess" of medical surgical and obstetric beds in Planning Area E-05 (based on the State Board's 2019 Inventory - already two years old) and a decrease in inpatient care (based on a limited timeframe from 2018 to 2019).[22] Both the State Board Profiles and Medicare Cost Reports demonstrate, however, that 2019 was an ***anomaly*** – completely out of line with the historic growth Blessing Hospital experienced from 2015 – 2018 and again from 2019 – 2020. Further, the one-year decrease in inpatient care is **not** representative of Blessing Hospital's overall historic growth, and it calls into question why State Board Staff is permitted to consider Blessing Hospital's historic growth from 2018 – 2019 to support its position that another hospital is not needed, while simultaneously refusing to consider a more reliable methodology put forward by the Applicants (and many other applicants before them) which utilizes several years of historic growth to assess need?

The Applicants' utilization of Blessing Hospital's reported data from 2015 – 2020 is a more reasonable and sound health care planning methodology that can be relied upon to determine historic and projected growth and need. This methodology is also in line with State Board's regulations and prior practice. For example, the Project Services Utilization review criterion invites applicants to document their own methodologies justifying how they arrived at utilization projections and allowing applicants to use

reported to the State Board for 2020. In an attempt to obtain Blessing Hospital's 2020 data submitted to the State Board, the Applicants issued a request to the State Board under the Freedom of Information Act ("FOIA") (5 ILCS 140) seeking copies of Blessing Hospital's Annual Hospital Questionnaire for 2020, which is the source of information in the State Board's Hospital Profile Reports and which hospitals were required to submit earlier this year. The State Board responded to the FOIA request, asserting that the completed questionnaires submitted to the State Board were exempt from disclosure. **Exhibit 2,** State Board Response to FOIA Request. The Applicants also requested the 2020 completed questionnaires directly from Blessing Hospital, and, to date, have not received a response. **Exhibit 3,** QMG Request to Blessing Hospital for 2020 Questionnaires.

[22] Staff Report, pp. 6-7, 18, and 21.

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historical growth to project future utilization.[23] The State Board's application instructions further require that applicants complete a table, listing **both** historical utilization **and** projected utilization.[24] The Applicants have followed a similar approach here, utilizing historical growth over a series of years to calculate projected utilization and need. Numerous projects approved by the State Board have implemented a similar methodology, applying historic years of utilization (not just one year) to demonstrate or justify need and lack of unnecessary duplication, including Blessing Hospital's Moorman Pavilion project which was approved by the State Board in 2018.[25]

While the State Board regulations provide that applications are subject to the need figures in the most recent update to the Inventory of Health Care Facilities and Services and Need Determinations,[26] the Applicants are not aware of any statute or regulation prohibiting applicants from utilizing, or the State Board from considering, historical growth over a several-year period. In fact, as mentioned above, the State Board's regulations require that the State Board consider all information submitted to the State Board, in writing or testimony, in determining whether to approve a project.[27]

This project is designed to meet the needs of today and prudently plans for the needs of tomorrow. The State Board can and should consider the Applicants updated analysis utilizing sound health care planning methodology and demonstrating that QMG Hospital will **NOT** result in an unnecessary duplication of service and will **NOT** impact Blessing Hospital's inpatient utilization.

IV. THE STATE BOARD CAN AND SHOULD EXERCISE DISCRETION TO APPROVE INNOVATIVE PROJECTS CONSISTENT WITH THE PLANNING ACT.

As of June 30, 2021, there was a State Board calculated need for 14,517 med-surg and pediatric beds and 21,395 authorized beds, resulting in a Statewide excess of 7,025 med-surg and pediatric beds (or nearly 50% excess). Of the 40 Illinois health planning areas, only four have a calculated bed need, and those planning areas are located around Chicago (McHenry County (A-10), Kane County (A-11), Will and Grundy Counties (A-13), and DeKalb County (B-04)). Within these same planning areas, there is no planning area where all of the hospitals operate within the State Board's standards.

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[23] 77 Ill. Admin. Code § 1110.120(b).
[24] See State Board Application, Attachment 15, p. 13.
[25] Project No. 18-013 (Blessing Hospital Moorman Pavilion), Application p. 85. See also Project No. 19-042 (HSHS St. John's Hospital Springfield), Application p. 87, Staff Report p. 3 ("**As part of the State Board's review, the historical growth of the category of service is considered when justifying the number of beds being modernized**"); Project No. 20-004 (Advocate Condell Medical Center), Application pp. 104-105; Project No. 20-011 (Northwestern Memorial Hospital), Application pp. 69-70, Staff Report p. 8).
[26] 77 Ill. Admin. Code § 11360.620(d)(3).
[27] 77 Ill. Admin Code. § 1130.660 ("HFSRB shall consider the application and any additional information or modification submitted by the applicant, HFSRB staff reports, the public hearing testimony and written comments, if any, and other information coming before it in making its determination whether to approve a project.").

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These facts demonstrate that few, if any, applicants in the State of Illinois can completely satisfy the State Board's review criteria relating to need and unnecessary duplication of services. **Mandating strict compliance with these review criteria will *stifle* innovative care models that are truly in the best interest of the public, like the proposed QMG Hospital**. Only four de novo hospitals have been established in the State of Illinois within the past 10 years,[28] with the most recent hospital (a small format hospital in Crystal Lake) approved in 2017. These projects were each uniquely meritorious, even though they did not fully satisfy the State Board's review criteria. Rather, the then-State Board members considered the innovative model being proposed, the numerous benefits that would result to the community if approved, and found the negative findings in the Staff Report were justified by the overall need for the project and benefits to the community.

The Planning Act mandates that the State Board approve a project if it finds that: (1) the applicant is fit, willing, and able to provide a proper standard of health care for the community; (2) the project is economically feasible; (3) the project is in the public interest; and (4) the project is consistent with the orderly and economic development of such facilities and in accord with State Board standards.[29] "In accord with" does not mean complete compliance, however, and the State Board's regulations and case law are clear that (1) a project does not need to comply with all review criteria to justify approval and (2) no one criterion is more pertinent or important than any other.[30] The State Board is also not required to mechanically accept or follow the State Board Staff's findings.[31] Rather, the State Board is statutorily required to use its independent expert judgment to advance the purposes of the Planning Act and to be the ultimate factfinder and decisionmaker, and to evaluate projects holistically and exercise discretion in determining whether to approve a project.[32]

Notably, it is not the State Board's responsibility to protect market share of individual providers, and competing health care providers do not have a right to be shielded from competition.[33] As one

[28] Mercy Hospital and Medical Center Crystal Lake (Project No. 17-002), Approved 2017; Mercyhealth Javon Bea Hospital -Riverside Campus (Project No. 15-039), Approved 2015; Northwestern Medicine Huntley Hospital f/k/a Centegra Huntley Hospital (Project No. 10-090), Approved 2012; Memorial Hospital – East Shiloh (Project No. 11-017), Approved 2012.
[29] 20 ILCS 3960/6.
[30] 77 Ill. Admin. Code § 1130.660 ("failure of a project to meet one or more of the applicable review criteria shall not prohibit the issuance of a permit"); *Centegra Hospital-McHenry v. Mercy Crystal Lake Hospital and Medical Center*, 2019 IL App. (2d) 180731, ¶ 33; *Mercy Crystal Lake*, 2016 IL App (3d) 130947, ¶ 17; *Provena Health v. Illinois Health Facilities Planning Board*, 382 Ill. App. 3d 34, 42-43 (2008).
[31] *See Cathedral Rock v. Granite City, Inc. v. Illinois Health Facilities Planning Board*, 308 Ill. App. 3d 529, 543 (1999).
[32] 20 ILCS 3960/2; *Highland Park Convalescent Center, Inc. v. Illinois Health Facilities Planning Board*, 217 Ill. App. 3d 1088, 1092 (1991).
[33] *Provena*, 382 Ill. App. 3d at 48.

concerned Quincy resident passionately stated in her unsolicited letter of support following the May 26 meeting, ***"Please remember that I am a tax-paying citizen of the great state of Illinois, and your job is to consider what MY needs are – not the needs of Blessing Hospital."***[34]

The Applicants have made great effort to ensure substantial conformance with the State Board standards and review criteria on a project that is highly consistent with the Planning Act. This project has the overwhelming support of the community, as demonstrated by more than 520 letters of support and testimony submitted to date detailing unmet needs (including the need for more affordable care) and urging the State Board to approve the project. This project is in the best interest of the public, and the benefits to the community outweigh any negatives associated with the State Board's review criteria. It would be contrary to the manifest weight of the evidence to conclude otherwise.

V. APPLICANTS' REQUESTS FOR CONSIDERATION.

The Applicants respectfully ask that counsel for the State Board provide specific, complete instructions to State Board members in advance of the Applicants reappearing before the State Board regarding the following:

1. All objectives and purposes of the Planning Act;

2. The duty of State Board members to evaluate projects holistically and take into consideration ***all*** information submitted in determining whether to approve a project,[35] including commitments to reduce health care prices and sound methodologies demonstrating need for a project; and

3. The discretion afforded to State Board members to approve a project despite negative findings in the Staff Report if they deem the project to be consistent with the Planning Act and in the best interest of the public.

The Applicants further request that the customary procedures in relation to State Board meetings be followed when the Applicants reappear, including that any report on the project's compliance with the review criteria be provided to the State Board members before the Applicants begin their presentation, that Staff comments be consistent with the authority granted to Staff under the Planning Act, and that Staff be instructed not to stray into superfluous comments that could improperly influence votes.

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[34] **Exhibit 1**, May 26, 2021 Letter of Support from Quincy resident Carol Mohr.

[35] 77 Ill. Admin Code. § 1130.660 ("HFSRB shall consider the application and any additional information or modification submitted by the applicant, HFSRB staff reports, the public hearing testimony and written comments, if any, and other information coming before it in making its determination whether to approve a project.").

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While the Applicants have serious concerns that certain events and actions that have taken place during the State Board review process to date may have adversely affected the fairness of the proceedings and ultimately tainted the entire process and outcome related to this project, we are hopeful that if the above instructions are provided and prior practice adhered to, the Applicants will have a fair opportunity to have their project not only heard, but fully and appropriately considered, when the Applicants reappear before the State Board.

We appreciate and look forward to the opportunity to reappear before the State Board.

Sincerely,

Tracey L. Klein

Enclosures – Exhibits 1-3

cc: All State Board Members and Staff
April Simmons, General Counsel for the State Board

May 26, 2021

Dear Members of the Illinois Health Facilities and Services Review Board:

Once again, I take (in years gone by the quote would have been "pen in hand," but let us roll with the times) fingertips to keyboard, to admonish you for your tremendous lack of vision and your apparent bias towards Blessing Hospital. Lest we forget, all that glitters is NOT Blessing Hospital. I shall attempt to be brief and not overly sarcastic:

1. If I remember correctly "duplication of services" was one of your major objections to the QMG Cancer Institute and Surgery Center. That does not have any more validity now than it did then. "Duplication of services" does present a situation called "CHOICE." I would not seek to deny you CHOICE in your source of medical care, so why is it that you wish to obstruct mine and the several thousands who abide in Quincy and the surrounding area? Why can't we have a CHOICE?

2. The concept of the small intimate hospital as proposed by QMG hearkens back to England and the mid-1800s when cottage hospitals were created--literally in cottages. There the local people could get care in familiar surroundings and be quite comfortable. If some major procedure was needed by the patient, then a trip to the closest major facility was made. I do not think QMG plans to do transplants or any other major surgery at the proposed QMG Hospital. I believe the plan is for QMG to provide care for small commonplace procedures. This would free Blessing Hospital's beds, facilities, and staff to devote themselves to much more complicated issues and procedures.

3. Quite frankly I do not give a razzle-dazzle about Blessing's bed count. You should have been here a few months ago! I think if Blessing were being honest, they would agree that a few extra hospital beds at that time would have come in very handy! QMG Hospital could have provided

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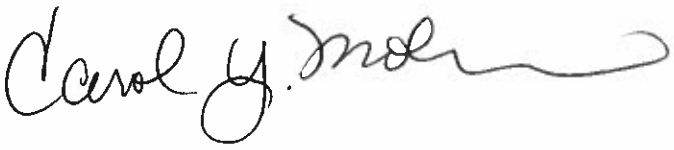
a great place for the lighter cases of COVID-19 to still receive supervised care while Blessing took care of the challenge of keeping people with the most serious conditions alive. And, referencing our pandemic, if you think that COVID-19 is the last pandemic we will ever see, well, let me just repeat my initial observation concerning your lack of vision.

4. And this is much the same argument I sent you when you started in blocking the Cancer Institute. EVERYWHERE I go in the city of Quincy, I trip over Blessing Hospital! Empty lots owned by Blessing Hospital thus indicating their future plans for expansion. Blessing is a fine facility, but it does not have to be the ONLY facility. Why don't I ever see any of their expansion ideas being shut down by you? I was amused when Blessing opened the drive-through clinic in the old Sears Tire Shop. A Tire Shop??? How about that monster Blessing clinic at 48th and Maine? Since when did that not become a duplication of services offered at QMG? I never hear one word of argument from you against any idea that originates at Blessing Hospital.

5. One brief, final observation: Did you read the April article in *The Quincy Herald-Whig*? Blessing is MORE expensive. Ponder that for just a few moments. MORE EXPENSIVE. Please remember that I am a tax-paying citizen of the great state of Illinois, and your job is to consider what MY needs are—not the needs of Blessing Hospital.

Thank you once again for your attention,



Carol Y. Mohr
305 Spruce St.
Quincy, Il 62301
217-316-1777
cymohr@hotmail.com

copies to QMG; Governor Pritzker, various and assorted state representatives

EXHIBIT 1

Rebecca Lindstrom

From: DPH.HFSRB.FOIA <DPH.HFSRB.FOIA@Illinois.gov>
Sent: Wednesday, June 30, 2021 11:47 AM
To: Rebecca Lindstrom
Subject: FOIA 21-08 : 2020 Hospital Annual Questionnaire and Communications re Blessing Hospital

EXTERNAL EMAIL **dph.hfsrb.foia@illinois.gov**

Ms. Lindstrom:

On 6/24/21, the Illinois Health Facilities and Services Review Board received your request for records made under the Freedom of Information Act. You requested:

1. *Copies of any and all records or documents pertaining to Blessing Hospital's Annual Hospital Questionnaire for 2020, including, without limitation: (1): the Annual Hospital Questionnaire for 2020 form(s) and/or questionnaire(s) containing Blessing Hospital's reported 2020 hospital data (including the initial questionnaire or form submitted by Blessing Hospital and any updated and/or corrected questionnaire forms submitted by Blessing Hospital) and (2) any and all electronic communications received or sent to Blessing Hospital regarding Blessing Hospital's Annual Hospital Questionnaire for 2020, Blessing Hospital's 2020 bed count and utilization in relation to same, and any attachments to such electronic communications.*

The 2020 Annual Hospital Questionnaire process is currently in the preliminary stage of the HFSRB internal review process. Pursuant to 5 ILCS § 140/7(f), all preliminary drafts and intertwined pre-decisional communications are exempt from disclosure. At the conclusion of the Annual Hospital Questionnaire process, the final data will be located on the HFSRB website. To the extent you consider this response to be a denial of your FOIA request, you may have the right to submit a request for review to the Public Access Counselor at the Office of the Illinois Attorney General to:

Public Access Counselor
Office of the Attorney General
500 South 2nd Street
Springfield, IL 62706
Fax: 217-782-1396
E-mail: publicaccess@atg.state.il.us

If you choose to submit a request for review, you must do so within 60 days after the date of this response letter. The request for review must be in writing, signed by you, and include a copy of your FOIA request and this office's response. 5 ILCS § 140/9.5(a). In addition, you have the right to seek judicial review of this response. 5 ILCS § 140/11(a)&(b).

April R. Simmons
General Counsel & Ethics Officer
Illinois Health Facilities & Services Review Board
69 W. Washington
Chicago, IL 60602
Office: (312) 814-2678
Cell: (312) 771-7489
April.Simmons@illinois.gov

Exhibit 2

Exhibit 2

QUINCY MEDICAL GROUP

July 16, 2021

Via E-Mail
Mr. Patrick Gerveler
Chief Financial Officer
Blessing Health System
P.O. Box 7005
Quincy, IL 62305

Re: Request for Blessing Hospital Completed 2020 Annual Hospital Questionnaire

Dear Mr. Gerveler:

As you are aware, Quincy Medical Group ("QMG") is currently seeking certificate of need ("CON") approval to establish a small format hospital in Quincy. In this regard, QMG is in the process of updating its analysis pertaining to Blessing Hospital's historic utilization through calendar year ("CY") 2020. The Illinois Health Facilities and Services Review Board ("HFSRB") has not yet approved or published its Hospital Profiles for CY 2020.

We understand that all hospitals in Illinois were required to complete an Annual Hospital Questionnaire pertaining to CY 2020 and submit the completed questionnaire to the Illinois Department of Public Health ("IDPH") and/or the HFSRB earlier this year.

In an effort to provide the HFSRB and public with the most accurate and up-to-date information, we kindly ask that you please forward a copy of Blessing Hospital's completed and submitted Annual Hospital Questionnaire for CY 2020. Additionally, in the event any modifications or updates were made to the questionnaire subsequent to submission to IDPH and/or the HFSRB, we would appreciate receiving documentation of such updates.

Due to timing requirements related to the CON process, we would greatly appreciate receiving a copy of the completed questionnaire, and any updates or modifications to the questionnaire, by July 21, 2021.

If you are unable to provide QMG with a copy of the completed questionnaire, please let me know. Additionally, if you have any questions, please do not hesitate to contact me.

Sincerely,

Patty Williamson

Patty Williamson
Chief Financial Officer
Quincy Medical Group

cc: Maureen Kahn, Blessing Health System
Carol Brockmiller, Quincy Medical Group

Exhibit 3

Blessing Hospital's Approved CON Projects from 2011-2020

- HFSRB approved 5 projects with combined total project costs of more than **$181 million** over last 10 years

- **2011** –$70 million to construct patient tower (Project No. 11-018)
- **2018** –$49 million to renovate patient tower and $40 million to construct medical office building (Project Nos. 18-010,18-013)
- **2019** –$21 million to construct ASTC (Project No. 19-029)
- **2020** –$762,000 to build out shell space for ASTC (Project No. 20-037)

*This list includes only HFSRB projects submitted on behalf of Blessing Hospital and does not include HFSRB projects for any other Blessing Health System subsidiary or affiliate.

EXHIBIT E

Blessing Hospital's Reported Capital Expenditures from 2015-2020

- Blessing Hospital reported more than **$150 million** in capital expenditures from 2015-2020 alone, an average of **more than $30 million per year** in capital expenditures

Year	Total Capital Expenditures For Reported Fiscal Year
2019	$50,255,147.00
2018	$25,973,138.00
2017	$30,666,852.00
2016	$15,833,192.00
2015	$27,581,102.00
Total	**$150,309,431.00**

Source: HFSRB Annual Hospital Questionnaire Data File

EXHIBIT E

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $_____
Fair Market Value: $_____

The project involves the establishment of a new facility or a new category of service
☒ Yes ☐ No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is $ $23,000,000 .

Project Status and Completion Schedules

For facilities in which prior permits have been issued please provide the permit numbers.

Indicate the stage of the project's architectural drawings:

☐ None or not applicable ☐ Preliminary

☒ Schematics ☐ Final Working

Anticipated project completion date (refer to Part 1130.140): April 30, 2026

Indicate the following with respect to project expenditures or to financial commitments (refer to Part 1130.140):

☐ Purchase orders, leases or contracts pertaining to the project have been executed.
☐ Financial commitment is contingent upon permit issuance. Provide a copy of the contingent "certification of financial commitment" document, highlighting any language related to CON Contingencies
☒ Financial Commitment will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT 8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals [Section 1130.620(c)]

Are the following submittals up to date as applicable:

☐ Cancer Registry NOT APPLICABLE
☐ APORS NOT APPLICABLE
☐ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted NOT APPLICABLE
☒ All reports regarding outstanding permits

Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

EXHIBIT G

ATTACHMENT 7 – PROJECT COSTS AND SOURCES OF FUNDS

Table 1120.110			
Project Cost	**Clinical**	**Non-Clinical**	**Total**
Site Preparation	$1,057,692	$192,308	$1,250,000
New Construction Contracts	$23,160,267	$4,724,135	$27,884,402
Contingencies	$2,060,784	$271,634	$2,332,418
Architectural/Engineering Fees	$1,945,534	$256,443	$2,201,977
Consulting and Other Fees	$2,397,263	$412,651	$2,809,914
Fair Market Value of Leased Equipment	$18,425,000	$4,549,133	$22,974,133
(The FMV is the total of the following components:)			
Acute Care Beds	$1,875,000		$1,875,000
Labor/Delivery Beds	$600,000		$600,000
Emergency Department Bays	$200,000		$200,000
Clinical Decision Unit	$300,000		$300,000
General Operating Room	$2,500,000		$2,500,000
Multipurpose Operating Room	$1,750,000		$1,750,000
C-Section Operating Room	$1,250,000		$1,250,000
Pre-Operating Room	$200,000		$200,000
Post-Anesthesia Care Unit	$300,000		$300,000
C-Arm	$550,000		$550,000
X-Ray	$400,000		$400,000
Pharmacy	$500,000		$500,000
Laboratory	$600,000		$600,000
Sterile Processing	$500,000		$500,000
R&F	$550,000		$550,000
CT	$2,000,000		$2,000,000
MRI	$2,800,000		$2,800,000
Ultrasound	$250,000		$250,000
Furniture	$560,000	$2,416,280	$2,976,280
Tele/Data Equipment	$350,000	$791,890	$1,141,890
Security System	$41,425	$81,219	$122,644
A/V System		$40,610	$40,610
Nurse Call System	$203,575	$203,575	$407,150
Interior Signs	$42,000	$122,145	$164,145
Exterior Signs		$81,219	$81,219
Artwork/Graphics	$103,000	$203,049	$306,049
Equipment Contingency		$609,146	$609,146
Capitalized Interest	$1,492,487	$196,727	$1,689,214
Total Project Costs	**$50,539,027**	**$10,603,031**	**$61,142,058**

EXHIBIT G