STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-03	BOARD MEETING: May 4, 2021	PROJECT NO: 20-044	PROJECT COST: $61,142,058
FACILITY NAME: Quincy Medical Group		CITY: Quincy	
TYPE OF PROJECT: Substantive			HSA: III

PROJECT DESCRIPTION: The Applicants (Quincy Medical Group Hospital, Inc., Quincy Physicians & Surgeons, S.C. d/b/a Quincy Medical Group) propose to establish 28-bed hospital in Quincy, Illinois. The proposed hospital will have 25 med-surg beds and 3 obstetric beds and an emergency department. The cost of the project is $61,142,058 and the expected completion date is September 30, 2025.

The purpose of the Illinois Health Facilities Planning Act is to 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. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process. (20 ILCS 3960/2)

Information received by the State Board regarding this project can be found at https://www2.illinois.gov/sites/hfsrb/Projects/Pages/Quincy-Medical-Group-Hospital,-Quincy--20-044.aspx or in the packet of material forwarded to the Board Members.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Quincy Medical Group Hospital, Inc., Quincy Physicians & Surgeons, S.C. d/b/a Quincy Medical Group) are asking the State Board to approve the establishment of a 28-bed acute care hospital located in Quincy, Illinois. The proposed not-for profit hospital will be approximately 68,000 square feet and have 25 med-surg beds 3 LDRP (labor, delivery, recovery, and postpartum) rooms, a C-section suite, a basic service emergency department with 10 bays (8 emergency department bays and 2 observation bays), 3 operating rooms and 1 procedure room, a Post-Anesthesia Care Unit (PACU) with 13 bays, a laboratory, pharmacy, and imaging department which will include an MRI, CT scan, ultrasound, and x-ray. The cost of the project is $61,142,058.

STAFF COMMENTS:

- Applications for Permit for a Hospital are subject to the **need figures** set forth in the most recent update to the Inventory of Health Care Facilities and Services and Need Determinations as adjusted by HFSRB decisions in effect prior to the date HFSRB takes action on the application[77 IAC 1130.620(d)(3)].
- State Board rules do NOT consider the market share of any health care provider in a Health Planning Area or the effect a proposed project will have on the economic development in a community when evaluating an Application for Permit.
- State Board rules do NOT have jurisdiction over real estate development companies and are not considered co-applicants on Applications for Permit before the State Board. The Real Estate Development company (Quincy Cullinan, LLC) for this project is the owner of the real estate, the building, and the equipment.
- State Board rules do NOT allow for the "redeployment of beds" from one hospital to a proposed hospital. This Application for Permit included two letters from two hospitals [Memorial Hospital Association-Carthage and Sarah D Culbertson Memorial Hospital – Rushville] stating should the proposed project be approved Memorial Hospital Association-Carthage will discontinue 6-8 beds and Sarah D. Culbertson will discontinue 7-10 beds. Only one of these two hospitals are in the E-05 Health Planning Area – Memorial Hospital Association-Carthage and those 6-8 beds would have had to be discontinued by March 2021 the most recent update to the Bed Inventory to be considered as part of Board Staff's analysis of this Application for Permit. Sarah D. Culbertson Hospital - Rushville is in the E-01 Health Planning Area and would never be considered in any analysis of bed need or excess in the E-05 Health Planning Area.
- The Applicants refer to the proposed acute care hospital as a "small format hospital". Small format hospitals have been established in other states and focus on treating low-acuity patients and providing surgical, ambulatory, and emergency services, leaving more complex surgeries and service lines for the larger hospitals. The small format hospitals are in large metro areas and not small rural communities. States that have small format hospitals are Texas, Colorado, Nevada, and Arizona.
- This "small format hospital" must meet **all** federal and State of Illinois licensing and regulatory requirements for an acute care hospital. The proposed hospital does not meet

the requirements for a critical access hospital[1] and will not be designated as a "necessary provider" by the Illinois Department of Public Health.

- Quincy Medical Group has deemed their audited financial statements with some information redacted for the years 2019 and 2018 as well as a market study as proprietary information. The proprietary information has been included in the State Board's packet of material that has been forwarded to all Board Members. However, because the information was deemed proprietary it has not been used in the State Board's Staff analysis of this Application for Permit.

PUBLIC HEARING/COMMENT:

- A **VIRTUAL** public hearing was conducted by the State Board Staff on January 12, 2021. The transcripts from that hearing are on the State Board's website and have been included in the information forwarded to the State Board. The State Board has received a number of letters of support and opposition as well as emails and these letters and emails can be found on the State Board's website and in the packet of material forwarded to the State Board Members.

PURPOSE:

- According to the Applicants the purpose of this project: *"To ensure all patients in the tri-state region can access high-quality, low-cost care, it is essential to offer patients a choice in where they receive care and a choice in their provider. The proposed state-of-the-art small format hospital will maximize patient choice in the Quincy region and increase accessibility to local, high-quality healthcare. Further, by enabling physicians to better coordinate care and ensure that care is delivered in the most appropriate and cost-effective setting possible, the physician-led and governed Quincy Medical Group Hospital will result in improved health outcomes, increased patient satisfaction, reduced hospital admissions and readmissions, reduced emergency room visits, and reduced overall healthcare costs."*

SUMMARY:

- The proposed hospital is in Health Planning Area ("HPA") E-05. The Geographical Service Area ("GSA") for this project is a 21-mile radius from the proposed hospital. The Illinois Department of Public Health Population Projections (2014 Edition) is estimating a decrease in the population in the **E-05 Health Planning Area** for the period 2017 to 2022 of **4.6%.**
- There are 25 zip codes and an estimated population of 97,280 residents in the 21-mile Geographical Service Area. Based upon the Applicants' referral letter [Appendix A of the Application for Permit] approximately 14% of the inpatients referred by QMG physicians in 2018 and 2019 to Blessing Hospital came from within the 21-mile GSA.

[1] To achieve critical access designation a hospital must meet these requirements.

- Have 25 or fewer acute care inpatient beds.
- Be located more than 35 miles from another hospital
- Maintain an annual average length of stay of 96 hours or less for acute care patients.
- Provide 24/7 emergency care services.

- The State Board has calculated **an excess of 75 medical surgical/pediatric beds and 14 obstetric beds** in the E-05 Health Planning Area as of March 2021. The table below outlines the number of excess beds should this project be approved.

Executive Summary
TABLE ONE
March 2021 Calculated Bed Need

Category of Service	Current Number of Beds (March 2021)	Calculated Bed Need	E-05 Excess Beds (March 2021)	Project #20-044 Proposed Addition	**If Project is Approved Excess Beds**
Medical Surgical/Pediatric	213	138	75	25	**100**
Obstetric	27	13	14	3	**17**

- There are two hospitals within the **E-05 Health Planning Area**. Blessing Hospital – approximately 3.5-miles from the proposed hospital and Memorial Hospital – Carthage an 18-bed critical access hospital approximately 43-miles from the proposed hospital. The utilization of the bed services proposed by this project for the two hospitals in the E-05 HPA is outlined below.
- There is one hospital within the 21-mile radius of the proposed hospital– Blessing Hospital. As shown below Blessing Hospital is not at the target occupancy of 85% for medical surgical beds or 75% target occupancy for obstetric beds. Based upon 2019 information, Blessing Hospital can justify 141 medical surgical beds [119.7 ADC ÷ 85% = 141 beds] at the target occupancy of 85% and 9 obstetric beds at the target occupancy of 75% [6.6 ADC ÷ 75% = 9 obstetric beds].

Executive Summary
TABLE TWO
E-05 Hospitals and 2019 Utilization

Facilities	Distance (Miles) (2)	Medical Surgical		Obstetric	
		M/S Beds	Utilization (1)	OB Beds	Utilization (1)
Memorial Carthage	43	15	20.6%	2	37.3%
Blessing Hospital	3.5	178	67.2%	25	26.2%
Total		193		27	

1. Utilization taken from 2019 Hospital Profile Information
2. Miles from MapQuest

- The Applicants' expected payor mix is Medicare 47%, Managed Care 44%, Medicaid 5% and Other 4%.

CONCLUSION:

- Based upon a review of the information submitted the referrals to the proposed hospital are being redirected from an existing underutilized hospital to a proposed new hospital. No unmet need has been identified by the Applicants and the proposed project will result in an unnecessary duplication of service in the E-05 Health Planning Area.
- At the end of this report are following Appendixes:
    - Applicants' Comment on Construction Costs
    - Emergency Department Classifications
    - Minimum requirements for a Hospital in the State of Illinois
    - Cost Space Requirements
    - Pro-Forma Ratio Information
    - Pro-forma Financial Statements

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
77 IAC 1110.530(c)(1) – Planning Areas Need (formula calculation)	There is a calculated excess of 75 M/S beds and 14 obstetric beds in the E-05 Health Planning Area.
77 IAC 1110.530(c)(2) – Service to Planning Area Residents	The geographical service area for this project is a 21-mile radius. Within that 21-mile radius the Applicants have identified 25 zip codes with a population of 97,280 residents. From within that 21-mile radius the physicians from Quincy Medical Group have referred 13,537 individuals in 2018 and 2019 for inpatient care or approximately 14% of the inpatient referrals for those two years came from within the 21-mile GSA. As evidence of serving the area residents the State Board requires at a minimum 50% of the patients must come from within the 21-mile GSA.
77 IAC 1110.530(c)(3) - Service Demand Establishment of Bed Category of Service	The Applicants have provided one referral letter documenting the historical referrals for CY 2018 and CY 2019. The Applicants are estimating they will refer approximately 3,144 patients to the proposed hospital by the second year of operation. (See Appendix A of the Application for Permit). The Applicant are estimating approximately 7,300 patient days. All the 2018 and 2019 historical inpatient referrals were to Blessing Hospital. In 2019 Blessing Hospital had 178 medical surgical beds and 25 obstetric beds with an average daily census of 119.7 and 6.6. This census justifies 141 medical surgical beds at the target occupancy of 85% and 9 obstetric beds at the target occupancy of 75%. The proposed 3,144 referrals to the new hospital can be accommodated at Blessing Hospital.
77 IAC 1110.530(c)(5) - Service Accessibility	There is no absence of medical surgical or obstetric services in the E-05 Hospital Planning Area. There are two hospitals in the E-05 Hospital Planning Area: Blessing Hospital – Quincy and Memorial Association Hospital – Carthage providing medical surgical and obstetric services. Both hospitals are currently underutilized for medical surgical and obstetric services. No access limitations have been identified by the Applicants and no restrictive admission policies at either hospital has been provided by the Applicants. The area population and existing care system have not exhibited indicators of medical care problems. Finally, neither Hospital is at target occupancy for medical surgical or obstetric beds.
77 IAC 1110.530(d), (1), (2) and (3) – Unnecessary Duplication of Service	There will be an unnecessary duplication of service with the establishment of this hospital. Blessing Hospital is approximately 3-miles from the proposed Hospital and is not operating at 85% target occupancy for medical surgical beds or 75% for obstetric beds.
77 IAC 1110.530(d) (2) – Maldistribution of Service	There is no surplus of medical surgical or obstetric beds in the 21-mile GSA.
77 IAC 1110.530 (d) (3) – Impact on Other Providers	Based upon the data reported to the State Board Blessing Hospital has seen a 3% decrease in medical surgical patient days, a decrease in obstetric days of 7.5%, a decrease in births of 5.3%, a decrease in emergency

State Board Standards Not Met	
Criteria	**Reasons for Non-Compliance**
	department visits of 4.5%, and a decrease in total patient revenue of 1.5% from CY2018 to CY2019.
77 IAC 1110.3030 (c) (3) – Clinical Services Other than Categories of Services	The Applicants projections for surgery, emergency department, C-Section, and diagnostic radiology ALL meet the State Board Standards. However, all the visits, procedures, and hours are being redirected from an underutilized Hospital to a proposed new Hospital.
77 IAC 1120.130 – Financial Viability	The Hospital does not meet the projected debt service coverage and cushion ratio for all years presented.
77 IAC 1120.140 (c) – Reasonableness of Project Costs	New Construction and Contingency Costs are $26,521,051 or $602.75 per GSF ($26,521,051 ÷ 44,000 GSF = $602.75 per GSF). The State Board Standard is $419.05 per GSF. The Applicants exceeded the State Board Standard by $8,082,000.

STATE BOARD STAFF REPORT
Project #20-044
Quincy Medical Group Hospital

APPLICATION/SUMMARY CHRONOLOGY	
Applicant(s)	Quincy Medical Group Hospital, Inc., Quincy Physicians & Surgeons, S.C. d/b/a Quincy Medical Group
Facility Name	Quincy Medical Group Hospital
Location	3347 Quincy Mall, Quincy, Illinois
Permit Holder	Quincy Medical Group Hospital, Inc., Quincy Physicians & Surgeons, S.C. d/b/a Quincy Medical Group
Operating Entity/Licensee	Quincy Medical Group Hospital, Inc.,
Owner of Site	Quincy-Cullinan, LLC
Gross Square Feet	68,000 GSF
Application Received	December 10, 2020
Application Deemed Complete	December 14, 2020
Financial Commitment Date	May 4, 2023 (24 months after Approval)
Anticipated Completion Date	September 30, 2025
Review Period Ends	April 12, 2021
Review Period Extended by the State Board Staff?	No
Can the Applicant request a deferral?	Yes
Expedited Review	No

I. Project Description

The Applicants (Quincy Medical Group Hospital, Inc., Quincy Physicians & Surgeons, S.C. d/b/a Quincy Medical Group) propose to establish 28-bed hospital in Quincy, Illinois. The proposed hospital will have 25 med-surg beds and 3 obstetric beds and an emergency department. The cost of the project is $61,142,058 and the expected completion date is September 30, 2025.

II. Summary of Findings

A. State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1110 (77 ILAC 1110).

B. State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1120 (77 ILAC 1120).

III. General Information

The Applicants are Quincy Medical Group Hospital, Inc., and Quincy Physicians & Surgeons, S.C. d/b/a Quincy Medical Group. Quincy Medical Group Hospital, Inc. is a newly establish Illinois non-stock not-for profit corporation. Quincy Physicians and Surgeons Clinic, SC is a Medical Group that has 24 practice medical offices located in 3

states (Iowa, Illinois, and Missouri) and 12 cities. Quincy Physicians & Surgeons Clinic, S.C., d/b/a Quincy Medical Group has been serving the population of western Illinois, southeast Iowa, and eastern Missouri for more than 80 years. The Applicant is a large multi-disciplinary practice and has 115 physicians, 40 advanced physician practitioners, and over 875 employees. The Applicant has 12 office locations, serves a population of 400,000 people, and is a significant source of primary, specialty, and sub-specialty rural health care. It is physician-owned and governed; all eight members of its board are physicians

UnityPoint Health owns approximately 40% of Quincy Medical Group. UnityPoint Health is a network of hospitals, clinics and home care services in Iowa, Illinois, and Wisconsin. The system began in 1993, when Iowa Lutheran Hospital and Iowa Methodist Hospital in Des Moines merged, forming the Iowa's largest provider of hospital and related health services. UnityPoint Health owns Methodist Hospital and Proctor Hospital in Peoria and Unity Point Health–Trinity Moline and UnityPoint Health–Trinity Rock Island.

Quincy Medical Group is the sole corporate member of Quincy Medical Group Hospital, Inc. Quincy Medical Group Hospital, Inc. was organized on December 4, 2020, pursuant to the Illinois Benefit Corporation Act, 805 ILCS 40, et seq. Quincy Medical Group Hospital shall be organized and operated for any purpose under the Illinois General Not For Profit Corporation Act of 1986, as may be amended, including, but not limited to the following purposes: establishing. owning, supporting, maintaining, and operating a hospital. Quincy Medical Group Hospital shall not be operated for the primary purpose of carrying on a trade or business for profit.

Cullinan Properties, LTD. (the owner of the real-estate) is a full-service real estate/development company offering commercial brokerage, asset and construction management, investment services, acquisition services, market analysis, site selection, and financial analysis. Founded in Peoria, IL in 1988, Cullinan also has offices in Chicago, IL and St. Louis, MO. The State Board does not have jurisdiction of a real estate development company.

The proposed project is a substantive project subject to a Part 1110 and Part 1120 review.

V. Health Planning Area

The proposed project will be in the E-05 Health Planning Area[2]. The **E-05 Health Planning Area** includes Adams and Hancock Counties; Schuyler County Townships of Birmingham, Brooklyn, Camden, and Huntsville; Brown County Townships of Pea Ridge, Missouri, Lee, Mount Sterling, Buckhorn and Elkhorn. The population in the E-05 Health Planning Area is expected **to decrease by 4.6% by 2022.**

[2] There are 40 medical-surgical and pediatric care planning areas that have been delineated by HFSRB contained within six regions established for the State of Illinois. [77 ILAC 1100.520]

TABLE ONE Population Estimate E-05			
	2017	**2022**	**Change**
<14	16,410	15,320	-6.64%
15-44	32,120	30,380	-5.42%
45-64	23,950	21,490	-10.27%
65-74	9,490	10,370	9.27%
75+	8,640	8,920	3.24%
Total	90,610	86,480	-4.56%

The State Board also considers the need for the proposed project within **a 21-mile radius** of the proposed hospital. There are 25 zip codes and a population of approximately 97,280 individuals in this 21-mile GSA. There is one hospital in this 21-mile GSA: Blessing Hospital in Quincy.

IV. Project Uses and Sources of Funds

The proposed project is being funded by a 30-Year lease with four 5-Year options. The Fair Market Value of the Lease is $61,142,058. The estimated start-up cost and operating deficit is estimated to be $23 million. This $23 million will be funded with a 10-year working capital loan.

TABLE TWO Project Uses and Sources of Funds				
Uses of Funds	Reviewable	Non-Reviewable	Total	% of Total Costs
Site Preparation	$1,057,692	$192,308	$1,250,000	2.04%
New Construction Contracts	$24,460,267	$4,724,135	$29,184,402	47.73%
Contingencies	$2,060,784	$271,634	$2,332,418	3.81%
Architectural/Engineering Fees	$1,945,534	$256,443	$2,201,977	3.60%
Consulting and Other Fees	$2,397,263	$412,651	$2,809,914	4.60%
Net Interest Expense During Construction	$1,492,487	$196,727	$1,689,214	2.76%
Fair Market Value of Leased Equipment	$17,125,000	$4,549,133	$21,674,133	35.45%
Total Uses of Funds	$50,539,027	$10,603,031	$61,142,058	100.00%
Source of Funds				
Leases (fair market value)	$50,539,027	$10,603,031	$61,142,058	100.00%
Total Sources of Funds	$50,539,027	$10,603,031	$61,142,058	

VI. Background of Applicants, Purpose of the Project, Safety Net Impact Statement, Alternatives to the Proposed Project.

The four criteria below are informational only.

A) Criterion 1110.110 (a) - Background of the Applicant

The Applicants have attested that neither the Centers for Medicare and Medicaid Services nor the Illinois Department of Public Health ("IDPH") has taken any adverse action involving civil monetary penalties or restriction or termination of participation in the Medicare or Medicaid programs against any Illinois health care facilities owned or operated by the applicants, directly or indirectly, within three years preceding the filing of this application. [Application for Permit page 59-61]

B) Criterion 1110.110 (b) - Purpose of the Project

The Applicants have stated that the purpose of this project is to ensure all patients in the tri-state region (Illinois, Iowa, and Missouri) access to high-quality, low-cost care. Accordingly, the Applicants propose this small format hospital to maximize patient choice in the Quincy region and increase accessibility to local, high-quality healthcare. *"This small format hospital will enable physicians to better coordinate care and ensure that care is delivered in the most appropriate and cost-effective setting possible, the physician-led and governed Quincy Medical Group Hospital will result in improved health outcomes, increased patient satisfaction, reduced hospital admissions and readmissions, reduced emergency room visits, and reduced overall healthcare costs."*

The problems to be corrected by this Application are:

- Lack of Competition and Accessibility to Local, Affordable Care
- Need and Desire for Improved Care Coordination and Alternative, Physician-Led Hospital
- Shortage of Beds and Efficient Emergency Services Resulting in Delays for Patients.
- Maldistribution of Healthcare Resources in the Planning Area and Health Services Area.
- Need for Stimulation of Economic Development in Quincy
- Ongoing Need for Enhanced Recruitment and Retention of Skilled Medical Providers.

See pages 63-102 of the Application for Permit for a complete discussion of the purpose of the project.

C) Criterion 1110.110 – Safety Net Impact Statement

A safety impact statement must address the following:

A) *The project's material impact, if any, on essential safety net services in the community.*

B) *The project's impact on the ability of another provider or health care system to cross-subsidize safety net services;* and

C) *How the discontinuation of a facility or service might impact the remaining safety net providers in each community.*

A safety net impact statement has been provided as required.

The Applicant's stated the following:
"Once operational, the proposed hospital will enhance access to safety net services to residents within the proposed hospital's service area. The hospital will provide exceptional care to all patients, regardless of ability to pay. Patients with limited means may also qualify for charity care. The applicant does not believe that the establishment of the hospital will impact another provider or health care system's ability to cross-subsidize safety net services. As discussed throughout this application, there is only one hospital within the proposed hospital's GSA – Blessing Hospital. According to Blessing Hospital's certificate of need application to build out shell space and add two floors to one of its buildings, its 2017 average daily census exceeded 85% occupancy on 118 days. (Project. No. 18-013 App. p. 60). Blessing Hospital's med-surg growth rate for the four-year period (2015-2018) was 5.5%. Continuing that trend, there will be a projected 65,508 inpatient days by 2025 (when the proposed hospital becomes operational), which is sufficient to justify 211 med-surg beds, operating at 85% occupancy. Blessing Hospital currently staffs 178 med-surg beds. Accordingly, the proposed hospital will not affect Blessing Hospital's ability to cross-subsidize safety net services."

A table showing the projected Charity Care and Medicaid care to be provided by the Applicants for the first two years after project completion is provided below.

TABLE THREE
Projected Charity Care and Medicaid Care

Net Patient Revenue	$27,246,996	$55,698,557
Charity Care # of Patients	71	142
Charity Care Cost	$1,147,974	$2,346,698
% of Charity Care Cost to Net Patient Revenue	4.21%	4.21%
Medicaid # of patients	162	324
Medicaid Revenue	$628,538	$1,281,169
% or Medicaid Revenue to Net Patient Revenue	2.31%	2.30%

D. Comment Received on Safety Net Impact Statement.

My name is Patrick Gerveler and I am the Chief Financial Officer for the Blessing Health System. I was part of the health system 28 years ago when Blessing Hospital and St. Mary's Hospital merged to form one hospital entity in Quincy, IL.

Pursuant to that merger, the Center for Medicare, and Medicaid Services (CMS) approved Blessing Hospital's designation as a Sole Community Hospital (SCH)). CMS designates rural hospitals that meet certain criteria (one of which is no other like hospital is located within 25 miles) as a Sole Community Hospitals. Blessing Hospital's SCH status is vital to the organization and community.

As discussed by the Rural Hospital Coalition, SCH's localize care, minimize the need for referrals and travel to urban areas, and provide services that normally would be incurred in urban areas. SCH's also commonly establish satellite sites and outreach clinics to provide primary and emergency care services to surrounding underserved communities, a function which is becoming increasingly important as economic factors force many small rural hospitals to close. SCHs are vital to their local economies. These hospitals typically are significant employers, generating considerable cash outflow into the area economy and boosting the area tax base. For these and other reasons, Congress has long appreciated the special role of SCHs in the rural health care community. Congress also has recognized that SCHs have above-average costs for the mix of patients they serve. Congress has sought to buttress SCHs and ensure their continued viability by establishing special Medicare payment provisions. QMG Hospital is required in Section IX (Safety Net Impact Statement) to assess the impact of safety net services to other health care systems because of QMG Hospital's approval. Unfortunately, to avoid any transparent and open conversations with Blessing Hospital, QMG Hospital's senior leadership and board kept its application a secret from Blessing, but instead involved Memorial Hospital in Carthage and Culbertson Memorial in Rushville in their planning. Had QMG leadership contacted Blessing we would have immediately informed them that this application would be devastating to our Sole Community Hospital designation (amongst other detrimental impacts), and immediately cut our reimbursement by an average of $6,900,000 based on the last two year's cost reports. It is irrefutable that losing SCH status will materially impact the safety net services provided to the community, as Blessing Hospital will lose irreplaceable federal funding to support safety net services. QMG falsely states in Attachment 37 of its application that "The applicant (QMG Hospital) does not believe that the establishment of the hospital will impact another provider or health system's ability to cross-subsidize safety net services". We trust the Health Facilities and Services Review Board and staff to judge for themselves how inconsistent and misleading the applicant's statements are on this issue and how truly devastating a $6,900,000 loss would be to a SCH like Blessing.

BKD also assessed the impact to Blessing Hospital's recently approved 340B program. Because of our SCH status, Blessing safely qualifies for 340B. However, if Blessing loses SCH status our ability to qualify annually for 340B becomes more difficult. If Blessing's loses its 340B status the community will lose over $7,800,000 in pharmacy savings that will go towards helping lower costs to patients, Medicaid, employers, and the payers. The 340B calculation was based on a study performed by the Advis group. Because QMG has not engaged in

meaningful health planning with the providers in the area, they are either unaware of this negative impact or they are not concerned with lowering drug costs for this community.

If QMG Hospital would have properly communicated its plans for a Certificate of Need for a second hospital in our small community, Blessing Hospital would have been able to provide them with the very real losses it will suffer if this application is approved. To recap, these losses include a guaranteed loss of $6,320,736 based on 2020 and as much as

$7,510,144 based on 2019 cost reports. Also, the loss of Sole Community Hospital has a very real potential to eliminate Blessing's 340B status, and with it $7,800,000 in pharmacy savings that further support safety net services. For example, 340B savings support our comprehensive cancer program and our chronic diabetic program for our Medicaid and indigent patients, where effective management of managing multiple chronic diseases requires multiple medications and extra resources. We know today that the social determinants of health impact patient's success to achieving their health goals greater than 60% of the time, and that Medicaid and indigent patients are often at higher risk. Medications and easy access to health care regardless of one's ability to pay is key.

Section IX (Safety Net Impact Statement) in the Illinois Health Facilities and Services Review Board application is more than enough evidence that QMG Hospital application #20-044 must be denied to save the community's safety net services provided by Blessing Hospital. Our town didn't need two hospitals 28 years ago and there is not a demonstrated need this new hospital today, let alone one that is only 3.5 miles away today.

I've outlined the significant financial impact that this ill-conceived project would have on Blessing, but I'd be remiss if I didn't note that those financial losses would inevitably translate into diminishing our ability to provide all of the services our community needs and deserves. The proposed second hospital isn't equipped to serve our most vulnerable patients; they wouldn't be filling any gaps in care. If approved, this project would do the opposite, it would harm our entire region, leaving all our patients with less care, and higher healthcare costs.

E) Criterion 1110.110 (d) – Alternatives to the Proposed Project

The Applicants considered three alternatives to the proposed project.

1. **Maintain Status Quo/Do Nothing**.
2. **Establish a Smaller 12-Bed Small Format Hospital or Larger 60-Bed Hospital.**
3. **Establish a Hospital Outside Quincy.**

The **first alternative** was rejected because the Applicants believe *"Blessing Hospital has higher inpatient and outpatient charges in comparison to a majority of area hospitals. As a result, if Quincy residents and QMG patients want a choice of where to receive inpatient and emergency care and a more affordable option, the only "alternative" is to leave Quincy and Adams County. Due to the higher than average costs, many area employees and residents travel to Springfield, Illinois, and St. Louis, Missouri to access services that they could otherwise receive locally, resulting in outmigration for hospital services. Patients, local employers, and commercial payors have acknowledged the higher than average pricing in the area and a need for, and interest in, a new healthcare model."*

The **second alternative** was rejected because *the Applicants believe the proposed* 28-bed *hospital option was selected based upon the applicant's goals of (1) providing high quality, efficient, and cost-effective care to QMG patients; (2) operating a financially viable and sustainable facility; and (3) minimizing adverse impact to other local health care providers. The 12-bed hospital was determined to be too small to accommodate the projected patient volume, and, as a result, was not a good short-term or long-term option for the community or applicant. While the projected patient volume adequately supported the 60-bed hospital, the option was rejected because the planning area did not support the need for 60 beds and due to the potential impact, a larger facility could have on area providers. The total project cost for the 12-bed small format hospital option was estimated at approximately $41 million and the total project cost for the 60-bed small format hospital option was estimated at approximately $91.5 million.*

The **third alternative** was rejected because the Applicants believe *the other sites were not pursued as they were not the best option in relation to applicant's goals of improving care coordination, improving patient accessibility and convenience, and investing in the local Quincy community and economy. The total project cost for this option would likely be similar to, but potentially less than, the total project cost for the proposed hospital in Quincy.*

VII. Size, Project Utilization and Assurances

A) Criterion 1110.120 (a) – Size of the Project
B) Criterion 1110.120 (b) – Projected Utilization

A) Size of the Project

The State Board has developed size standards for certain Departments/Categories in which the Applicants are required to meet. The State Board has the developed standards for the following services the Applicants are proposing. As shown in the Table below the Applicants have met all the size requirements of the Board for the services proposed. [See Section 1110 Appendix B]

TABLE FOUR
Proposed Size of the Project

Department	Beds/Rooms/Stations/Units	Proposed GSF	State Standard		Met Standard
			Beds/Rooms/Stations/Units GSF	Total	
Medical Surgical	25 beds	15,500	500-600 per bed	15,000	Yes
LDRP	3 Beds	6,500	1120-1600 per bed	4,800	Yes
C-Section Suite	1		2,075 per room	2,075	Yes
Emergency	8 stations	6,400	900 per station	7,200	Yes
Diagnostic Imaging		4,500			Yes
X-Ray	1		1,300	1,300	
CT	1		1,800	1,300	
MRI	1		1,800	1,300	
Operating Room	3	5,875	2,750 per room	8,250	Yes
Procedure Room	1	830	1,100 per room	830	Yes
Phase 1 Recovery	5	660	180 per room	3,300	Yes
Phase 2 Recovery	8	1,035	400 per room	1,035	Yes
Lab		1,900	No Standard		
Pharmacy		800	No Standard		

B) Projected Utilization

The State Board has developed utilization standards for certain Departments/Categories in which the Applicants are required to meet. As shown in the Table below the Applicants have met all the Boards utilization standards for the services proposed. (See Section 1110 Appendix B)

TABLE FIVE Projected Utilization					
		State Board Standards	**Year 1**	**Year 2**	**Met Standards**
Medical Surgical	25	80% (1)	3,650 days	7,300 days	Yes
Obstetrics	3	60% (1)	466 days	931 days	Yes
X-Ray	1	6,500 procedures per unit	4,511	9,004	Yes
Ultrasound	1	3,100 visits per unit	752	1,501	Yes
CT	1	7,000 visits per unit	1,958	3,907	Yes
MRI	1	2,500 procedures per unit	223	446	Yes
Emergency	8	2,000 visits per station	8,045	16,035	Yes
Operating Rooms	3	1,500 hrs. per room	2,514	5,019	Yes
C-Section	1	800 procedures	225	453	Yes
Procedure Rooms	1	1,500 hrs. per room	760	1,586	Yes

1. Occupancy Targets for the Addition of Beds.
   Medical Surgical Beds 1-99 beds – 80% -(77 ILAC 1100.520)
   Obstetric Beds 1-10 beds – 60% - (77 ILAC 1100.530)
2. All Diagnostic and Treatment utilization numbers are the minimums per unit for establishing more than one unit, except where noted in 77 Ill. Adm. Code 1100. HFSRB shall periodically evaluate the guidelines to determine if revisions should be made. Any revisions will be promulgated in accordance with the provisions of the Illinois Administrative Procedure Act. (See Section 1110 Appendix B)

3. Assurances

The Applicants have provided the necessary assurance that the proposed project will be at target occupancy within two years after project completion. [Application for Permit page 120]

VIII. Medical/Surgical, Pediatric, Obstetric and Intensive Care

Criterion 1110.200 (b)(1) - Planning Area Need – 77 Ill. Adm. Code 1100 (formula calculation)
Criterion 1110.200 (b)(2) − Planning Area Need – Service to Planning Area Residents
Criterion 1110.200 (b)(3) − Planning Area Need – Service Demand − Establishment of Category of Service
Criterion 1110.200 (b)(5) − Planning Area Need − Service Accessibility
Criterion 1110.200 (c)(1) − Unnecessary Duplication of Services
Criterion 1110.200 (c)(2) − Maldistribution
Criterion 1110.200 (c)(3) − Impact of Project on Other Area Providers
Criterion 1110.200 (e) − Staffing Availability
Criterion 1110.200 (f) − Performance Requirements
Criterion 1110.200 (g) − Assurances

A) Planning Area Need

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

1) 77 Ill. Adm. Code 1100 (formula calculation)

Medical Surgical

1. Formula Need Calculation
   The Applicants are proposing 25-medical surgical beds in the E-05 Health Planning Area. As of March 2021, there is a calculated excess of 75 medical surgical beds in the E-05 Health Planning Area.

Obstetric

1. Formula Need Calculation
   The Applicants are proposing 3 obstetric beds in the E-05 Health Planning Area. As of March 2021, there is a calculated excess of 14 obstetrical beds in the E-05 Health Planning Area.

2. Service to Planning Area Residents

Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.

The geographical service area for this project is a 21-mile radius. Within that 21-mile radius the Applicants have identified 25 zip codes with a population of 97,280 residents. From within that 21-mile radius the physicians from Quincy Medical Group have referred 13,537 individuals in 2018 and 2019 for inpatient care or approximately 14% of the inpatient referrals for those two years came from within the 21-mile GSA. As evidence of serving the area residents the State Board requires at a minimum 50% of the patients would be coming from within the 21-mile GSA.

3. Service Demand

The number of beds proposed to establish a new category of service is necessary to accommodate the service demand experienced annually by the existing applicant facility over the latest 2-year period, as evidenced by historical and projected referrals, ***or, if the applicant proposes to establish a new hospital, the applicant shall submit projected referrals.***

The Applicants have provided one referral letter documenting the historical referrals for CY 2018 and CY 2019. The Applicants are estimating they will refer approximately 3,144 patients to the proposed hospital by the second year of operation. (See Appendix A of the Application for Permit). The Applicant are estimating approximately 7,300 patient days. All the 2018 and 2019 historical inpatient referrals were to Blessing Hospital. In 2019 Blessing Hospital had 178 medical surgical beds and an average daily census of 120. This census justifies 142 medical surgical beds at the target occupancy of 85%. The proposed number of referrals to the new hospital can be accommodated at Blessing Hospital.

5. Service Accessibility

The Applicants shall document **one** of the restrictions below:

i) *The absence of the proposed service within the* ***planning area.***

ii) *Access limitations due to payor status of patients, including, but not limited to, individuals with health care coverage through Medicare, Medicaid, managed care, or charity care.*

iii) *Restrictive admission policies of existing provider.*

iv) *The area population and existing care system exhibit indicators of medical care problems, such as an average family income level below the State average poverty level, high infant mortality, or designation by the Secretary of Health and Human Services as a Health Professional Shortage Area, a Medically Underserved Area, or a Medically Underserved Population;*

v) *For purposes of this subsection (b)(5) only, all services within the established radii outlined in 77 Ill. Adm. Code 1100.510(d) meet or exceed the utilization standard specified in 77 Ill. Adm. Code 1100.*

There is no absence of medical surgical or obstetric services in the E-05 Hospital Planning Area. There are two hospitals in the E-05 Hospital Planning Area: Blessing Hospital – Quincy and Memorial Association Hospital – Carthage providing medical surgical and obstetric services and as shown below. Both hospitals are currently underutilized for medical surgical and obstetric services. No access limitations have been identified and no restrictive admission policies have been identified by the Applicants in the E-05 Planning Area. The area population and existing care system have not exhibited indicators of medical care problems. Finally, neither Hospital is at target occupancy for medical surgical or obstetric beds.

TABLE SIX E-05 Utilization					
Facilities	Distance	Medical Surgical		Obstetric	
	(Miles)	M/S Beds	Utilization	OB Beds	Utilization
Memorial Carthage	43	15	20.6%	2	37.3%
Blessing Hospital	1	178	67.2%	25	26.2%
1. Information taken from 2019 Hospital Profile Information					

B) Unnecessary Duplication/Maldistribution

1) *The applicant shall document that the project will not result in an unnecessary duplication.*

2) *The applicant shall document that the project will not result in maldistribution of services.*

3) *The applicant shall document that, within 24 months after project completion, the proposed project:*

   A) *Will not lower the utilization of other area providers below the occupancy standards specified in 77 Ill. Adm. Code 1100; and*

   B) *Will not lower, to a further extent, the utilization of other area hospitals that are currently (during the latest 12-month period) operating below the occupancy standards.*

1. The Applicants are proposing 25 medical surgical and 3 obstetric beds in the 21-mile GSA. There is one hospital within the 21-mile GSA – Blessing Hospital. As the table below demonstrates Blessing Hospital is not at the target occupancy of 85% for medical surgical beds. Also as shown Blessing Hospital's obstetric beds are not at the target occupancy of 75%.

TABLE SEVEN Blessing Hospital's Utilization 2019							
Category	Authorized	Admissions	Days	ALOS	ADC	Occ.	Target Occupancy
Medical Surgical	178	9,541	43,686	4.6	119.7	67.20%	85%
Obstetrics	25	1,096	2,392	2.2	6.6	26.20%	75%

2. There are 25 zip codes and a population of 97,280 residents in the 21-mile GSA with 178 medical surgical beds and 25 obstetric beds. The ratio of medical surgical beds in this GSA is one medical surgical bed for every 547 residents. The ratio of obstetric beds to population in this GSA is one obstetric bed for every 3,892 residents in this GSA.

3. The population in the State of Illinois is estimated to be 12,667,017 (2019 estimate). There were 20,124 authorized medical surgical beds in the State of Illinois in 2019, which equates to one bed for every 630 residents in the State of Illinois. There are 2,458 authorized obstetric beds in the State of Illinois, which equates to one obstetric bed for every 5,154 residents. To have a surplus

of beds in this GSA the ratio of beds to population must exceed one and one-half times the State average. Based upon this ratio there is not a surplus of medical surgical beds or obstetric beds in this GSA.

4. The Applicants stated the following:
   "Within 24 months after project completion, the proposed hospital will not lower the utilization of existing providers below the occupancy standard. Based on the growth rate of the four-year period (2015 -2018) of 5.5%, Blessing Hospital is projected to exceed the State Board's 85% occupancy standard by the end of 2020 and will reach 113.6% utilization by 2025, when the proposed hospital is projected to become operational. Assuming the growth trend continues through 2027 (two years after QMG Hospital becomes operational), Blessing Hospital will reach 72,915 patient days, which is sufficient to justify 235 med-surg beds. As previously discussed, up to 8 med-surg beds from Memorial Hospital Association in Carthage and up to 10 med-surg beds from Sarah D. Culbertson Memorial Hospital in Rushville will be relocated to the proposed hospital. As a result, the project will only include a modest increase of med-surg beds to HSA 3. Therefore, the project will not lower the utilization of existing providers below the State Board's occupancy standard.

   Within 24 months after project completion, the proposed hospital will not lower, to a further extent, the utilization of other area hospitals that are currently operating below the occupancy standard. As noted above, Blessing Hospital's growth rate for the four-year period (2015 -2018) is 5.5%. Applying this growth rate, Blessing Hospital is projected to exceed the State Board's 85% occupancy standard by the end of 2020. Further, Blessing Hospital will reach 113.6% utilization by 2025, when the proposed hospital is projected to become operational. As shown in the table in the Historical Utilization of Existing Providers section, the 2027 projected utilization (two years after QMG Hospital becomes operational) justifies an additional 57 med-surg beds in the geographic service area. This project prudently addresses, and plans for, the projected shortfall in med-surg beds. As previously discussed, up to 8 medical surgical beds will be relocated from Memorial Hospital in Carthage and up to 10 beds from Sarah D. Culbertson Memorial Hospital in Rushville. Therefore, the proposed project will not lower, to a further extent, the utilization of other area hospitals that are currently operating below the State Board's occupancy standard."

As mentioned at the beginning of this report the Memorial Hospital Association and Sarah D. Culbertson are not considered in this analysis.

Based upon the data reported to the State Board Blessing Hospital has seen a 3% decrease in medical surgical patient days, a decrease in obstetric days of 7.5%, a decrease in births of 5.3%, a decrease in emergency department visits of 4.5%, and a decrease in total patient revenue of 1.5% for from CY 2018 to CY 2019. The

proposed Hospital will impact Blessing Hospital as all the referrals to the new hospital are being redirected from Blessing Hospital.

C) Staffing Availability

The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and The Joint Commission staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing a narrative explanation of how the proposed staffing will be achieved.

The Applicants have provided the following narrative as required at page 117 of the Application for Permit.

"The proposed hospital will be staffed to meet physician, patient, and all applicable regulatory requirements, including IDPH staffing requirements. Initial staffing for the proposed hospital will include approximately 144 FTEs.

It is important to note the efficiencies gained through a small-format hospital's operations and the positive impact the efficiencies have on expense management. The small format hospital will implement a shared staffing design, whereby staff will be cross-trained to perform multiple roles to improve efficiencies, increase patient satisfaction, and reduce overall spend (e.g., a patient access representative will be cross-trained in registration, insurance verification, and scheduling; clinical staff will be trained to perform lab draws to eliminate the need for phlebotomy staff; the radiology technician will be trained as a patient care technician to assist in the emergency department when appropriate and as needed). As noted in the application, the applicant has partnered with QMG to provide health care services at the proposed hospital. While the hospital will have an open medical staff, the applicant intends for the majority of medical providers at the proposed hospital to be QMG providers. Filling positions and recruiting staff has not been a problem for QMG. With nearly 900 employees, QMG is an employer of choice in the area for healthcare professionals. Over the past five years, employee satisfaction surveys conducted by the American Medical Group Association (AMGA) showed QMG to be in the top 5% nationally among AMGA participants. There has not been an experienced shortage of RNs seeking employment at QMG. QMG has not found it necessary to use the services of an outside agency to recruit nurses. HR staff and QMG nursing directors have found that specialty nursing positions have the highest volume of applicants. QMG enjoys a very good retention rate, as a result of very selective hiring practices, proven procedures, and a strong culture. The Quincy region has three colleges offering RN education and one offering a surgical technician program. In addition to the current QMG staff who seek ways to use their hospital skills and the current area surgical nurses who seek opportunities to expand their on-call and weekend responsibilities, QMG continues to work with all local colleges to provide educational experiences to their students and recruit new graduates. There is one x-ray technician program in Quincy. QMG's imaging director maintains a list of technicians waiting for openings at QMG. QMG will employ radiology technicians and will assure appropriate staffing to meet all requirements. Staffing practices and protocols will be in place to ensure

the hospital provides the high level of quality care that the community has come to expect from QMG."

The Applicants have documented relevant clinical and professional staffing needs will be met in accordance with licensure and The Joint Commission.

D) Performance Requirements − Bed Capacity Minimum

1) Medical-Surgical

The minimum bed capacity for a new medical-surgical category of service within a Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau, is 100 beds.

2) Obstetrics

A) The minimum unit size for a new obstetric unit within an MSA is 20 beds.

B) The minimum unit size for a new obstetric unit outside an MSA is 4 beds.

The proposed hospital will be in the Quincy IL-MO Micropolitan Statistical Area. There is no minimum unit size for a medical-surgical unit outside of a metropolitan statistical area. The applicant proposes to establish a 25-bed medical-surgical unit and a 3-bed obstetric unit at the hospital.

E) Assurances

The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.

The Applicants have provided the necessary attestation as required by this criterion should this project be approved. (See Application for Permit page 120.

IX. Clinical Services Other Than Categories of Service

These criteria are applicable only to those projects or components of projects (including major medical equipment), concerning Clinical Service Areas (CSAs) that are not Categories of Service, but for which utilization standards are listed in Appendix B.

Surgery

The Applicants are proposing 3 operating rooms, 1 procedure room and 1 C-Section Room at the proposed Hospital. The State Board Standard for Surgery/Procedure rooms is 1,500 hours per room and the standard for a C-Section room is 800 hours per room. Based upon the projected information provided and attested to the Applicants can justify the 3 operating rooms, 1 procedure room and 1 C-Section room.

The Applicants stated the following:
"The majority of outpatient surgical cases will be referred to a lower cost setting, including, by way of example, Quincy Medical Group's ambulatory surgery treatment center which is opening in 2021. Outpatient surgical cases performed at the hospital will be higher acuity patients where the performance of a surgical procedure in a hospital

outpatient department is medically necessary. Based upon an analysis of 2018 surgical volume, approximately 75% of orthopedic cases and approximately 50% of general surgery cases will be performed at Quincy Medical Group Hospital by the second year after project completion. Other projected surgical procedure volume includes surgical cases originating from the emergency department. The applicants project at least 5% of emergency department visits will result in surgical procedures."

TABLE EIGHT
Surgery Projected Utilization

	2018 Cases	Hours per Case	Projected Cases	Hours	Projected Cases	Hours
Inpatient Surgery	1,116	2.6	558	1,462	1,116	2,942
ED Visit with Surgery	813	2.6	402	1,052	802	2,114
Other Surgical Procedures	4,111	1.5	507	760	1,033	1,549
C-Section	151	3.0	75	225	151	453
Total	6,191		1,542	3,499	3,102	7,058

Emergency Services

The proposed emergency department will consist of 8 stations and 2 observation bays. The State Board Standard is 2,000 visits per emergency station. The Applicant can justify the 8 ER stations based upon the projected information provided. According to the Applicants *"the projected volume is based on capturing 8% of the emergent patients, 4% of the patients admitted to the hospital through the emergency department, and 30% of the non-emergent patients during the first two years of operation. As shown in the table below, by the second year after project completion, there will be 16,035 emergency department visits at the proposed hospital."*

TABLE NINE
Emergency Department Projections

	Current Year	Year 1	Year 2
Emergent	46,339	1,892	3,795
Inpatient Admissions	17,195	362	733
Non-Emergent	39,362	5,791	11,507
Total Visits	102,896	8,045	16,035

Diagnostic Imaging

The proposed imaging department will include 1 x-ray, 1 ultrasound, 1 CT scanner and 1 MRI unit. Imaging volumes are based on the inpatient admissions and emergency department visits.

TABLE TEN Diagnostic Imaging Projections						
	State Board Standard per Unit	Procedure per Admission/Visit	Year 1 Admissions	Year 1 Procedures	Year 2 Admissions/Years	Year 2 Procedures
X-Ray - Inpatient		1.28	1,383	1,774	2,766	3,548
X-Ray - ED Visit		0.34	8,045	2,737	16,035	5,456
Total X-Ray	6,500 Procedures			4,511		9,004
Ultrasound - Inpatient		0.24	1,383	334	2,766	667
Ultrasound - ED Visit		0.05	8,045	418	16,035	834
Total Ultrasound	3,100 Visits			752		1,501
CT – Inpatient		0.52	1,383	720	2,766	1,440
CT - ED Visit		0.15	8,045	1,238	16,035	2,467
Total CT	7,000 Visits			1,958		3,907
MRI - Inpatient		0.1	1,383	133	2,766	267
MRI - ED Visit		0.01	8,045	90	16,035	179
Total MRI	2,500 procedures			223		446

Laboratory

Laboratory volume was projected at one test per emergency visit and an estimate of between 100,000 and 213,000 other procedures based on the volume reported by the selected like-sized hospitals. There is no State standard for laboratory services.

Pharmacy

The proposed hospital will have a pharmacy. The outpatient pharmacy volume is based on 1.41 prescriptions per emergency department visit. There is no State Standard for Pharmacy.

Conclusion:

While the Applicants projected hours, visits, procedures meet all the State Board's Standards for surgery, C-Section, emergency services, and diagnostic imaging the hours visits, and procedures are being redirected from Blessing Hospital to the Proposed New Hospital. As can be seen in the Table below Blessing Hospital is not at target occupancy for emergency services, operating rooms, general radiology, and ultrasound.

TABLE ELEVEN Blessing Hospital 5-Year Average Utilization 2015-2019					
Service	Rooms/Units	5-Year Average	Standard	Justified	Met Standard
Emergency Services	31	44,976 visits	2,000 visits	23	No
Operating Rooms	10	10,332 hours	1,500 hours	7	No
Procedure Rooms	1	563 hours	1,500 hours	1	Yes
General Radiology	24	55,531 procedures	6,500 procedures	9	No
Ultrasound	7	10,750 visits	3,100 visits	4	No
CT	2	20,319 visits	7,000 visits	3	Yes
MRI	2	5,225 procedures	2,500 procedures	3	Yes

X. Financial Viability

The Illinois Health Facility Planning Act states that the 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. Cost containment and support for safety net services must continue to be central tenets of the Certificate of Need process.* [20 ILCS 3960/3]

A) Criterion 1120.120 - Availability of Funds

To demonstrate compliance with this criterion the applicants must document that funds are available to fund the project.

The proposed hospital is being funded entirely with debt. The project if approved will be funded with a 30-Year lease with four 5-Year options. The Fair Market Value of the Lease is $61,142,058. Additionally, a 10-year working capital loan of $23 million is also being obtained from the Bank of Springfield. Based upon the information provided the Applicants will be able to fund the proposed project with these two debt instruments.

B) Criterion 1120.130 – Financial Viability

To demonstrate compliance with this criterion the applicants must document they are in compliant with the State Board Standards for the financial ratios for three years prior to the filing of the application for permit and the second year after project completion. If evidence of an A or better bond rating is provided the criterion has been successfully addressed.

Quincy Physicians & Surgeons, S.C. d/b/a Quincy Medical Group the parent of the proposed hospital provided audited financial statements for 2019 and 2018 which they considered proprietary. These audited statements are included in the packet of material forwarded to the State Board for review.

Quincy Medical Group Hospital, Inc., is a new entity and no historical financial information is available. Pro-forma financial statements and ratios were provided and are included at the end of this report. Based upon these pro-forma financial statements the hospital does not meet the projected debt service and cushion ratio for all years presented.

XI. Economic Feasibility

A) Criterion 1120.140(a) - Reasonableness of Financing Arrangements

B) Criterion 1120.140(b) - Terms of Debt Financing

To demonstrate compliance with these criteria the applicants must document that they have an 'A" or better bond rating and the debt will be at the lowest net cost available to the applicants.

The Applicants are financing this project through a 30-Year lease with Quincy-Cullinan, LLC and a 10-year working capital loan of $23 million from the Bank of Springfield. A letter from Tom Marantz, Chairman of the Board and CEO of the Bank of Springfield stated "*it is my understanding that QMG Hospital, Inc., wishes to establish a 25-bed small format hospital in Quincy, Illinois. I further understand that QMG Hospital, Inc., will require a 23 million dollar working capital loan to fund start-up expenses and operating expenses in its initial year of operations. We have reviewed the financial projections provided to us and will work closely with the hospital on long-term financial planning. Subject to final plans and the Illinois Health Facilities and Services Review Board's approval of the proposed project, Bank of Springfield is prepared to extend QMG Hospital, Inc., up to $23,000,000 in credit to finance the working capital for the hospital project. As with every loan, it must meet the Bank's underwriting standards, satisfactory due diligence to be performed by Bank of Springfield with the cooperation of QMG Hospital, Inc., and agreement on loan documentation. The term of the loan will be 10 years and will be at a market competitive rate of interest at the time of loan commencement.*"

TABLE TWELVE
Lease Terms

Tenant	Quincy Medical Group Hospital
Landlord	Quincy-Cullinan LLC or designee
Square Footage	68,000 square feet
Term of Lease	30 years with 4 five-year options
Rental Rate	$50.38 per square foot
Annual Adjustment	The lesser of 2% or CPI Adjustment
Estimated Building and Project Operating Expenses	$5.00 Square foot per year adjusted annually
Controllable Operating Expenses	Capped at 3% year over year

C) Criterion 1120.140(c) - Reasonableness of Project Costs

To demonstrated compliance with this criterion the applicants must document that the costs are reasonable and in compliance with Part 1120.Appendix A.

By rule only clinical costs are subject to review.

Site Preparation Cost total $1,057,692 or 3.99% of new construction and contingency costs of $26,521,051. The State Board Standard is 5% or $1,326,053.

New Construction and Contingency Costs are $26,521,051 or $602.75 per GSF ($26,521,051 ÷ 44,000 GSF = $602.75 per GSF). The State Board Standard is $419.05 per GSF.

Contingencies are $2,060,784 or 8.43% of new construction. This appears reasonable when compared to the State Board Standard of 10% or $2,446,027.

Architectural/ Engineering Fees are $1,945,534 or 7.34% of new construction and contingencies cost of $26,521,051. The State Board Standard is 8.07% or $2,140,249.

TABLE THIRTEEN

Reasonableness of Project Costs

Uses of Funds	Reviewable	State Board Standard		Project	Met
	Costs	%/GSF	Total		Standard
Site Preparation	$1,057,692	5.00%	$1,326,053	3.99%	Yes
New Construction Contracts and Contingencies	$26,521,051	$419.05	$18,438,200	$602.75	No
Contingencies	$2,060,784	10.00%	$2,446,027	8.43%	Yes
Architectural and Engineering Fees	$1,945,534	8.07%	$2,140,249	7.34%	Yes
Consulting and Other Fees	$2,397,263				
FMV of Leased Equipment	$17,125,000	No State Board Standard			
Net Interest Expense During Construction	$1,492,487				

1. Site Preparation is 5% of new construction and contingencies.
2. Contingencies are 10% of new construction costs.
3. Architectural and Engineering Fees Standard is taken from Illinois Capital Development Board Handbook.
4. See Part 1120 Appendix A for complete discussion.

D) Criterion 1120.140(d) - Projected Direct Operating Costs

To demonstrate compliance with this criterion the applicants must document the projected operating costs per equivalent patient day for the first year when the project achieves target occupancy but no later than two (2) years after project completion.

Direct Operating Costs are defined as salaries, benefits and supplies for the service.

The applicants noted the Total Direct Operating Costs is $19,783,815 for the proposed hospital for the first year after project completion. The Equivalent Patient Days are 8,229 and the Direct Cost per Equivalent Patient Days is $2,404.16. [$31,327,037/13,326 = $1,153]

Operating Expenses	$19,783,815
Patient Days	8,229
Operating Costs per Patient Day	$2,404.16

E) Criterion 1120.140(e) – Total Effect of the Project on Capital Costs

To demonstrate compliance with this criterion the applicants must document the projected capital costs per equivalent patient day for the first year when the project achieves target occupancy but no later than two (2) years after project completion.

Capital costs are defined as depreciation, amortization, and interest expense. The applicants are estimating $110.74 capital costs per equivalent patient day of 8,229.

Capital Costs	$911,265
Patient Days	8,229
Capital Costs per Patient Day	$110.74

APPENDIX I
The Applicants Comment regarding Construction Costs

The State standard construction cost per building gross square foot is $419.05, and the project estimate is $444.73. QMG enlisted the services of a consultant to assist in the construction cost estimate for the Quincy Medical Group Hospital. There are several factors that contributed to the higher cost per square foot. First, the hospital design recognizes care is shifting from inpatient to an outpatient setting. The hospital is right sized to optimize space, and as such the footprint is much smaller than other recently constructed general acute care hospitals. Although the footprint is smaller than traditional acute care hospitals, it will provide the same services of larger acute care hospitals, e.g., surgical services, emergency department, pharmacy, laboratory, imaging. Unlike larger hospitals the cost to pipe medical gases, equip rooms with negative pressure, build out the operating rooms and procedure rooms are allocated over a smaller number of clinical gross square feet, which results in a higher cost per gross square foot. While the applicant could have chosen to construct a 60-bed hospital, which would be financially viable and would allow the costs to fall within the State standard, the applicant elected the proposed hospital option based upon its goals of (1) providing high quality, efficient, and cost effective care to QMG patients; (2) operating a financially viable and sustainable facility; and (3) minimizing adverse impact to other local health care providers. The design of the hospital not only takes these goals into account but also ensures all the space is utilized to improve operational efficiency and contain costs.

Further, the hospital will be located adjacent to QMG's Cancer Institute and ambulatory surgical treatment center. The project will involve relocation of mall tenants, demolition of existing space, construction of the hospital on the vacated space, and integration of the hospital into the Quincy Mall. This makes the project more complex than a typical ground up construction project. While this will add cost to the overall construction budget, it allows for the redevelopment of a portion of the Quincy Mall, which will improve foot traffic, retail sales, and viability of the mall. The hospital will provide access directly into the mall to support economic growth for many.

APPENDIX II

ILAC 250.710 - Classification of Emergency Services

a) Each hospital*, except long-term acute care hospitals and rehabilitation hospitals identified in Section 1.3 of* the Hospital Emergency Service *Act* and in subsection (c) of this Section (Section 1 of the Hospital Emergency Service Act), shall provide emergency services according to one of the following categories:

1) Comprehensive Emergency Treatment Services

A) At least one licensed physician shall be in the emergency department at all times.

B) Physician specialists who represent the major specialties and sub-specialties, such as plastic surgery, dermatology and ophthalmology, shall be available within minutes.

C) Ancillary services, including laboratory and x-ray, shall be staffed at all times. The pharmacy shall be staffed or on call at all times.

2) Basic Emergency Treatment Services

A) At least one licensed physician shall be in the emergency department at all times.

B) Physician specialists who represent the specialties of medicine, surgery, pediatrics, and obstetrics shall be available within minutes.

C) Ancillary services, including laboratory, x-ray and pharmacy, shall be staffed or on call at all times.

3*)* Standby Emergency Treatment Services

A) A registered nurse on duty in the hospital shall be available for emergency services at all times.

B) A licensed physician shall be on call to the emergency department at all times.

b) All hospitals, irrespective of the category of services provided, shall provide immediate first aid and emergency care to persons requiring first aid emergency treatment on arrival at the hospital.

c) *General acute care hospitals designated by Medicare as long-term acute care hospitals and rehabilitation hospitals are not required to provide hospital emergency services described in* this Section or *Section 1 of* the Hospital Emergency Service *Act. Hospitals defined in this* subsection (c) *may provide hospital emergency services at their option*.

1) *Any hospital* defined in this subsection (c) *that opts to discontinue or otherwise not provide emergency services shall*:

A) *Comply with all provisions of the federal Emergency Medical Treatment and Labor Act (EMTALA)*.

B) *Comply with all provisions required under the Social Security Act*.

C) *Provide annual notice to communities in the hospital's service area about available emergency medical services; and*

D) *Make educational materials available to individuals who are present at the hospital concerning the availability of medical services within the hospital's service area*.

2) *Long-term acute care hospitals that operate standby emergency services as of January 1, 2011 may discontinue hospital emergency services by notifying the Department. Long-term acute care hospitals that operate basic or comprehensive emergency services must notify the Health Facilities and Services Review Board and follow the appropriate procedures*. (Section 1.3 of the Hospital Emergency Service Act)

3) *Any rehabilitation hospital that opts to discontinue or otherwise not provide emergency services* shall comply with subsection (c)(1), *shall not use the term "hospital" in its name or on any signage, and shall notify in writing the Department, the Health Facilities and Services Review Board*, *and* the Division of Emergency Medical Services and Highway Safety *of the discontinuation*. (Section 1.3 of the Hospital Emergency Service Act)

A) "Signage" means any signs or system of signs affixed to, adjacent to, or directing the public to the hospital, including but not limited to informational road signs.

B) Signage does not include materials for advertising, licensure, certification, or patient referral materials.

APPENDIX III
Hospital Licensing Minimum Requirements

Governing Board (written Constitution and bylaws) Section 250.210
Board hires an Administrator
Medical Staff (written bylaws & Rules/ Regulations) Section 250.310
Medical Staff committees: P&T, IC, UR, QA, MR
Medical Staff Credentials Committee and Process
Human Resource Department with Director Section 250.410
Employee Health Program Section 250.240

Required Departments:

Laboratory – basic service must be available 24hrs a day 7 days a week, may contract the off hours and pathology and blood bank Section 250.510

Radiology- basic service must be available 24 hrs. a day 7 days a week, may contract for extensive services Section 250.610

Emergency service- standby at minimum

Rehabilitation services- must have at least basic service and can be contracted Section 250.820 and 250.830 (if basic then needs to follow Section 860 and 870 for nursing training and Medical direction)

Nursing Service has to have a Director of Nursing who is fulltime
Section 250.910 Nursing personnel 24/7

Process and area for sterilization and processing of supplies (note may have some instruments which are not OR specific) Section 250.1090

Surgical services an **optional** Section 1210

Medical Records Department Section 250.1510

Dietary Department needs at minimum a director preferably a registered dietitian Section 250.1610
Staff on service at minimum 12 hours a day

Housekeeping department under the direction of a competent supervisor Section 250.1710

Laundry Service can be contracted Section 250.1740

Pharmacy Department under the direction of a registered pharmacist Section 250.2110

Social Services may be contracted Section 250.260

APPENDIX IV

	State Standard	Year 1	Year 2	Year 3
Current Ratio				
Current Assets		$15,623,946	$19,975,961	$21,650,921
Current Liabilities		$4,859,277	$7,692,944	$7,960,369
Current Ratio	**>2.0**	**3.22**	**2.6**	**2.72**
Net Margin Percentage				
Earnings/Loss Before Taxes		-$4,019,894	$4,502,592	$4,480,874
Net Operating Revenues		$27,246,996	$55,698,557	$57,069,700
Net Margin Percentage	**>3.0%**	**-14.80%**	**8.10%**	**7.90%**
Long-Term Debt to Capitalization				
Long-Term Debt		$21,136,456	$19,187,301	$17,148,602
Equity		$36,760,402	$39,163,262	$38,799,523
Long-Term Debt to Capitalization	**<50%**	**57%**	**49%**	**44%**
Projected Debt Service Coverage				
Earnings/Loss Before Taxes		-$4,019,894	$4,502,592	$4,480,874
Depreciation/Amortization		$0	$0	$0
Interest Expense		$996,876	$911,265	$821,721
Interest Expense and Principal Payments		$2,860,420	$2,860,420	$2,860,420
Projected Debt Service Coverage	**>2.50**	**-1.06**	**1.89**	**1.85**
Days Cash on Hand				
Cash		$11,426,741	$13,381,540	$14,883,310
Investments		$0	$0	$0
Board Designated Funds		$0	$0	$0
Operating Expense + Interest		$31,266,890	$51,195,966	$52,588,826
Depreciation		$0	$0	$0
Days Cash on Hand	**75 Days**	**133**	**96**	**103**
Cushion Ratio				
Cash		$11,426,741	$13,381,540	$14,883,310
Investments		0	0	0
Board Designated Funds		0	0	0
Interest Expense and Principal Payments		$2,860,420	$2,860,420	$2,860,420
Cushion Ratio	**>7.0**	**3.99**	**4.68**	**5.2**

APPENDIX V

QMG Hospital

PROJECTED INCOME STATEMENT

	Year 1	Year 2	Year 3
Net Patient Revenue	$27,446,996	$55,698,557	$57,069,700
Operating Expenses			
Salaries & Benefits	$8,806,603	$15,213,178	$15,821,705
Surgical Instruments/Supplies	$2,215,669	$4,570,637	$4,717,575
Professional Fees	$50,648	$52,167	$53,732
General Admin	$5,924,714	$11,883,529	$12,207,900
Other Expenses	$13,272,381	$18,565,189	$18,966,192
Total Expenses	$30,270,015	$50,284,700	$51,767,104
Net Operating Income	-$3,023,018	$5,413,857	$5,302,595
Taxes		$945,544	$940,984
Interest	$996,876	$911,265	$821,721
Net Income	-$4,019,894	$3,557,047	$3,539,890

APPENDIX VI

QMG Hospital

Pro Forma Financial Statements

PROJECTED BALANCE SHEET

	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	$11,426,741	$13,381,540	$14,883,310
Other Current Assets	$4,197,205	$6,594,421	$6,767,611
Total Current Assets	$15,623,946	$19,975,961	$21,650,921
Total Assets	$15,623,946	$19,975,961	$21,650,921
Liabilities			
Current Liabilities			
Account Payable	$2,186,292	$4,403,847	$4,527,599
Other Current Liabilities	$2,672,985	$3,289,097	$3,432,770
Total Current Liabilities	$4,859,277	$7,692,944	$7,960,369
Long term Liabilities			
Long term Debt	$19,187,301	$17,148,602	$15,016,246
Total Liabilities	$24,046,578	$24,841,546	$22,976,615
Total Equity	-$8,422,632	-$4,865,585	-$1,325,695
Total Liabilities and Fund Balance	$15,623,946	$19,975,961	$21,650,921

20-044 Quincy Medical Group Hospital - Quincy