



Community News from Blessing's Communications Dept.
PO Box 7005 * Quincy, IL 62305

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For further information, contact:

Steve Felde

External & Internal Communications Coordinator

217-223-8400, ext. 4191

BLESSING STATEMENT ON REPORTED REJECTION BY QMG OF JOINT VENTURE PROPOSAL

Blessing Health System first became aware that Quincy Medical Group (“QMG”) was interested in establishing a second Ambulatory Surgical Treatment Center (“ASTC”) in Quincy when it learned of the filing of QMG’s Certificate of Need (“CON”) application. An analysis by Blessing indicated that this proposed ASTC would have very substantial and permanent negative impacts on healthcare and quality of life in the greater Quincy area. A description of those impacts is contained in the attached letter from Blessing CEO, Maureen A. Kahn.

To avoid these profoundly negative impacts, and in light of the long positive history of collaboration between Blessing and QMG, the Blessing Board of Trustees formally approved an offer of a joint venture proposal with QMG on February 11, 2019. That same day, Blessing leadership formally presented the joint venture proposal to representative members of the QMG board and its executive leadership. In the perception of those Blessing representatives in attendance, the reception was positive. Two days later, without any direct communication from QMG, Blessing first learned through an on-line news story that the proposal had been rejected and that QMG “will continue to dialogue” with Blessing.

“For the benefit of the greater Quincy community, and in light of the long history of collaboration between Blessing and QMG, we made a very sincere joint venture proposal to QMG,” said Maureen Kahn. “Furthermore, such collaboration is strongly encouraged by applicable CON regulations, reflecting the public policy of existing healthcare providers working together when possible,” Kahn continued.

“Obviously, it is disappointing to learn of a ‘rejection’ in the press,” Kahn noted, “but we note QMG’s press statement regarding ‘continuing dialogue’ with hope that Quincy can preserve the critical safety net services and existing jobs that are so vital to our community.”

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February 13, 2019

By Hand Delivery

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

Re: **CON Application #18-042**
Quincy Medical Group Proposed Surgery Center
Analysis of Rules Non-Compliance in Human Terms

Dear Ms. Avery,

Blessing Hospital is located in Quincy, Illinois and is the only hospital in Adams County – indeed, it is the only full-service acute care hospital with 100-miles in every direction. We are a true community hospital with a community Board. Our facilities and income are devoted to the Quincy region and dedicated to improve the health care of the communities we serve. While we have a longstanding and positive relationship with the physicians who comprise Quincy Medical Group (“QMG”), Blessing strongly opposes the QMG proposal to establish a second ambulatory surgical treatment center (“ASTC”) in Quincy due to the profound and permanent negative impacts such a duplicative facility would have on the greater Quincy community. Betty Kasparie is submitting our technical analysis of the permit application’s substantial non-conformance with applicable Review Criteria. I am supplementing that document with this letter to describe the adverse impacts in more human terms.

At the outset, I must emphasize that Blessing Hospital believes it is in the best interests of the greater Quincy community, and consistent with the applicable laws and regulations, for the Illinois Health Facilities and Services Review Board (“Review Board”) to **defer action on this Certificate of Need (“CON”) application until QMG and Blessing Hospital fully explore a cooperative venture** as a means of avoiding the substantial negative impacts that would result from a second surgery center in Quincy; if final action is instead deemed necessary, then Blessing Hospital respectfully urges denial of Project #18-042 as an unnecessary duplication of health care facilities.

As specified by QMG in its permit application, **all of the patient volume for this proposed new ambulatory surgical treatment center (“ASTC”) will come from Blessing Hospital and the existing surgery center in Quincy (now owned by Blessing and managed by QMG) – the very type of “duplication of services” that the CON process is designed to avoid.** The broad range of services that QMG seeks to redirect away from Blessing Hospital and the existing ASTC include outpatient surgeries, cardiac catheterization procedures, and (as QMG has now acknowledged to the Review Board staff) oncology radiation treatments.

Why the QMG Proposal Is Not In the Best Interests of the Greater Quincy Community

For these reasons and others, a second, unneeded ASTC in Quincy is not in the best interests of the community:

- **\$41 Million Annual Negative Financial Impact:** The 13,283 annual cases (not counting oncology radiation cases) that QMG’s application says it will redirect from Blessing to the proposed new ASTC will have a \$41 million *annual* negative financial impact on Blessing and severely impair its ability to cross subsidize and maintain safety net services. Over a 20 year period this has an impact of over \$800 million, with a crippling impact on safety net services. Clearly something must give – and the human price of QMG’s proposal will be significantly diminished health care services in Quincy by the existing hospital and ASTC, especially in areas of health care that are most heavily subsidized. This will significantly impact people who live within a 50 to 100-mile radius of Quincy.
- **Subsidizing of Safety Net Service Severely Impacted:** Blessing’s total contribution to the region’s safety net, in terms of dollars, amounts to approximately \$17 million annually, not including government-pay shortfalls and bad debt (at cost) which totaled \$46 million in 2018 alone. Blessing’s safety net services directly benefitted over 33,000 patients last year through its trauma and emergency departments and financial assistance program. Each of those patients each represents a family, and collectively they comprise many communities. This impacts the quality of life for the greater Quincy area. **QMG, as a for-profit entity, does not and will not provide or subsidize such safety net services.**
- **400 Permanent Job Losses:** A second ASTC in Quincy will result in at least 400 permanently lost jobs within the Blessing Health System; many of these workers currently provide safety net services, and every one of our employees represents a family. This permanent job loss will be felt throughout the greater Quincy area, forever.
- **Behavioral Health Services Jeopardized:** Among the safety net services that will be put at risk is inpatient behavioral care – Blessing is the only provider of such care in a 100-mile radius. Patients who need these services will be forced to travel long distances, and be away from the support of their families during treatment. Some will never get the care they need. People of every age group will be impacted.
- **Trauma, Emergency, Obstetrics and AMI Services Threatened:** Blessing is the sole hospital in Adams County and the region’s only provider of emergency, trauma, inpatient obstetric, and inpatient mental health services. Blessing is certified to care for pediatric emergencies, victims of sexual assault, and stroke and chest pain victims, among other things. Blessing annually provides over \$6.0 million in charity care for more than 9,000 area residents; more than \$6.0 million annually in support for the education of health care professionals; and more than \$500,000 annually for Emergency Medical Services (“EMS”) training. All this is put at risk by the proposed new ASTC. Every lost service to an individual will impact a patient, employee, family member and

friend, and collectively a large community. **As a for-profit entity that does not provide safety net services, QMG will not fill the void – whatever is lost will not be replaced.**

- **Unprecedented and Questionable Remote Cath Lab Proposed:** QMG proposes a first-ever cardiac catheterization facility that is not located within a hospital or adjacent to a hospital campus; this will put patients who end up needing immediate open-heart surgery at extreme risk due to unavoidable delays in getting to surgery. Such a remote cardiac catheterization service has never before been proposed or approved in Illinois. In fact, the only cardiac catheterization facility not in a hospital (Prairie Diagnostic Center at St. John's Hospital in Springfield) was permanently closed last year (Exemption #E-18-21). QMG delayed for three months after the filing of its CON application to request a transfer agreement with Blessing Hospital. Instead of responding to Blessing's clinical and legal concerns about the remote cardiac cath lab, QMG went out and obtained transfer agreements with hospitals over 100-miles away from the proposed ASTC (one is about two hours away, and the other about 2-1/2 hours away). Certainly the absence of ASTC cardiac cath facilities in Illinois reflects serious concerns over patient safety and liability.
- **Betrayal of Commitment to Quincy Community Regarding Cancer Center:** Upon questioning by Review Board staff, QMG has acknowledged its intention to eventually redirect oncology radiation treatments away from the Blessing Cancer Center and to its for-profit ASTC. The Quincy community donated \$8.3 million of the \$12 million needed to make the cancer center a reality. **It is an affront to the many generous donors in our community – who dug deep into their pockets because they believed the message of QMG and Blessing about cancer patients needing convenient care in Quincy – if this investment were demised in the interest of a for-profit ASTC.** Letters have been submitted to the Review Board in opposition to this CON application that include pictures of QMG and Blessing leadership at the dedication of the Blessing Cancer Center, with these leaders acknowledged as having led the community fundraising drive. They promised something different than what is now before the Review Board. Our community deserves better than to retroactively make that worthy cancer center effort meaningless.

Why the QMG Proposal Does Not Satisfy the Legal Requirements for Approval

In some ways, the QMG application represents a textbook example of why the CON process exists. Among the clear deficiencies of CON Application 18-042 are these:

- **Unnecessary Duplication of Services:** Contrary to legal requirements, this CON application represents a definitive duplication of services. There is no improved access for area residents (the proposed new ASTC is less than three miles from the current one), and no new services for the Quincy area that have been proposed (all are presently provided in the current ASTC and hospital). The proposed new facility would have more restrictive admission policies than the current facilities (as a for-profit enterprise, the new ASTC has no obligation to accept the uninsured or under-insured, and is unlikely to treat them). The essence of the QMG proposal is to redirect and cannibalize, not to create something new.
- **Excessive Reduction of Utilization at Existing Facilities:** By rule, a CON applicant must document that it will not lower the utilization of existing facilities. QMG states that, to meet target utilization, it must redirect a combined 13,283 surgical and catheterization cases from the two existing facilities in the area to the proposed project – significantly reducing utilization at both facilities, contrary to Review Board requirements. In 2017, the existing Blessing ASTC only had 10,804 such cases. QMG's proposed facility would require the *entire* case load of the Blessing ASTC plus an

additional 2,479 cases from Blessing Hospital. Consequently, in order for QMG's new ASTC to be viable, the existing Blessing ASTC would have to close.

- **Sufficient Surgical Capacity Already Exists in the Service Area:** There is no demonstrated need for a second ASTC in Quincy, particularly because the existing surgery center is operating *below* the State of Illinois utilization standard.
- **Failure to Disclose UnityPoint's Interest in Illinois Hospitals:** On a transparency level, the CON application fails to make required disclosures about QMG's 40% equity owner, the Iowa-based UnityPoint Health, which owns and operates numerous hospitals, *including hospitals located in Illinois*. We at Blessing well understand that the technical requirements of a CON filing are not optional, and must be fulfilled.
- **Failure to Meet Approximately 20 CON Review Criteria:** A review of the QMG's permit application for Project #18-042 reveals that it fails to satisfy some 20 Review Board regulations for a new ASTC and cardiac catheterization. This substantial non-conformance with Review Board's criteria is addressed in detail under separate cover that is being submitted by Ms. Kasparie contemporaneously with this letter.

Pattern of Misleading in the QMG Proposal

While Blessing has long had a positive relationship with QMG, we do feel disappointed over the pattern of misleading information contained in the CON application, including:

- **QMG's False Representation Regarding Joint Venture:** QMG falsely represented in its CON application that it had proposed an ASTC joint venture with Blessing that had been rejected (Appl. at 68). QMG was thereafter compelled to retract that false statement via formal amendment to its application (Replacement Page 68, submitted on Dec. 3, 2018). Clearly QMG recognized the importance of a front-end, good-faith effort at collaboration – something that Blessing has formally commenced and believes is in the best interest of the greater Quincy community. Indeed, such collaboration reflects the letter and spirit of the Planning Act and its regulations. Until those efforts are fully pursued, we respectfully suggest, this CON application is premature and should be deferred.
- **QMG Complains of Management Deficiencies for which QMG itself is Responsible:** In its application, QMG describes purported management deficiencies with the existing ASTC, even though *QMG itself* is under contract to manage that facility. Having first become aware of these concerns (over scheduling of surgeries, availability of equipment, care coordination, and medical records) by reviewing the CON application, Blessing served on QMG a "notice to cure." QMG responded by asking for a discussion/negotiation process to resolve these matters, and Blessing readily agreed. That process should be allowed to occur, especially since a favorable resolution will eliminate much of the purported basis for this CON application. Again, Blessing respectfully suggests that this CON application is premature and should be deferred.
- **QMG Equivocates on UnityPoint's Ownership of the ASTC:** QMG has submitted conflicting information regarding UnityPoint's ownership interest in the proposed ASTC: the CON application states that UnityPoint will have a 40% interest in the ASTC, while QMG provided public hearing testimony denying that UnityPoint, an Iowa-based corporation, will have a 40% interest in the ASTC. QMG submitted a letter reconfirming that UnityPoint is an equity owner (with preferred stock) yet continues the confusion by suggesting that this equity interest should be understood as debt. Certainly more clarity is warranted.

- **QMG’s Implausible Growth Projections:** QMG makes fantastical claims that “growth” will make up for all of the lost volume at both the hospital and ASTC over the next four years, but never explains how surgical volume will purportedly double in the next four years. By contrast, the Review Board’s latest Inventory of Health Care Services shows that the population of Adams County is projected to *decline* by nearly 2.5 percent by 2020. QMG assumes what it refers to as a “conservative” 10% annual growth rate in surgeries at Blessing Hospital and the exiting ASTC; by contrast, the average growth rate from FY 14 to FY 17 was only 5.5%, and in FY 18 there was a 5% *drop* in surgical cases. Real lives are at stake – from patients to employees to their respective families – suggesting that realistic projections be used, not fantastical ones.
- **QMG’s Illusory “Cost Savings”:** QMG touts cost savings that are illusory, speculative and temporary at best and, at worst, will impose tremendous losses to the community by redirecting \$41 million annually away from not-for-profit health care services and the safety net to QMG’s for-profit investors. QMG claims that its proposed facility will provide an average 30% cost savings per procedure compared to Blessing Hospital (Appl. at 58.), while failing to account for several relevant factors. **First, Blessing has formally committed to move from provider-based reimbursement to an outpatient center payment for Medicare at the existing ASTC by this summer** – as a result, the existing ASTC will be charging equivalent rates as those proposed by QMG (yes, the very same 30% reduction). **Second**, QMG has not accounted for duplicate costs of labor in the community due to a duplicative and unnecessary surgical facility. **Third**, QMG’s cost commitment is only valid for two years (and limited to only a small fraction of the total services for which QMG physicians are currently performing). Given QMG’s for-profit status and 40% out-of-state equity owner, QMG can be expected to raise prices to maximize profits as soon as possible.
- **QMG’s Undervaluation of Proposed Cancer Center to Avoid CON Requirements:** Upon questioning by Review Board staff, given the vague statements in the CON application, QMG has finally acknowledged its intention to include oncology radiation treatments *in the same building as the proposed new ASTC*. QMG submitted a Determination of Reviewability that has a cost for the cancer center, including a linear accelerator, vault and installation of only \$3,394,648, which is a mere \$121,000 under the capital threshold that would require a CON permit. QMG submitted no documentation from any vendors indicating that the linear accelerator and vault could be installed for the amount claimed (Blessing has done some quick research which indicates these cost estimates are grossly below normal and expected charges). In addition, radiation treatments require a CT scanner, which QMG did not appear to include in the Determination of Reviewability. Inclusion of the CT scanner would put the project cost well over the capital threshold. It may be that QMG intends to use the CT scanner in the proposed ASTC (costing \$666,375), in which case the two projects are programmatically related and should be combined in a single CON application per the Review Board’s rules against splitting projects to avoid CON regulation.

The CON Application Should be Deferred until QMG and Blessing Fully Explore a Collaboration

I respectfully return to the topic raised at the outset of this “compliance analysis in human term”: namely, why this CON application should be deferred until a collaboration between QMG and Blessing is fully explored. In that regard, we respectfully ask that the Review Board consider the following:

- **Blessing Hospital has Proposed a Joint Venture to QMG:** In pursuit of a mutually beneficial and cooperative endeavor to providing health care services to the community, the board of Blessing

Health System has approved, and Blessing's CEO has conveyed to QMG, an ASTC joint venture proposal. This joint venture proposal was formally given to QMG on February 11, 2019.

- **The Review Board's Rules Promote Joint Ventures as an Alternative:** The Review Board's regulations promote, as an alternative to a proposed project, "pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes." 77 Ill. Adm. Code 1110.110(d)(1). This provision is particularly appropriate here, and a cooperative venture between QMG and Blessing Hospital would be far superior outcome to what is currently being proposed by QMG alone in Project #18-042.
- **The Planning Act Promotes the Use of Existing Facilities as an Alternative:** The Illinois Health Facilities Planning Act allows the Review Board to consider the "availability of facilities which may serve as alternatives or substitutes" to a proposed project. 20 ILCS 3960/12(4)(d). The existing Blessing ASTC and Blessing Hospital currently provide all of the services proposed by QMG, and all of the patients relied on by QMG to support utilization of the project are already being well-served at the existing facilities, which are just three miles from the proposed project.
- **Elected Official Support for a Joint Venture:** State Representative Randy Frese submitted a public comment letter after the public hearing that noted the divided sentiment over the project. While stating that he remained neutral, Rep. Frese requested that "the Review Board very carefully weigh any adverse impact of this project," and he expressed the hope that QMG and Blessing Hospital "could find a way to collaborate now, since a joint venture or partnership may be the best for all concerned."

Blessing and QMG Have a Long History of Collaboration

A joint venture collaboration would reflect the long history of Blessing and QMG working well together to serve the health care needs of the greater Quincy community. Consider the following:

- **Blessing Did Not Object to QMG's Original ASTC Proposal:** In 2000, when QMG applied for a CON to establish a new ASTC in Quincy, Blessing Hospital did not object. QMG opened its ASTC in 2003 at a cost of \$5.8 million.
- **Blessing Stepped Up at a Time when QMG was In Need of Funds:** When QMG became cash-strapped just a few years after it opened the ASTC and sought to sell the existing ASTC "in order to raise funds" (CON Appl. at 67), Blessing stepped up and purchased it in 2006 for \$13 million. Blessing contracted with QMG to manage the facility and kept it within the QMG building; accordingly, in addition to the \$13 million sale price, QMG has made an additional \$17 million from Blessing in facility lease and management payments.
- **Blessing Provided QMG Surgeons with Access to State-of-the-Art Robotics Technology:** Blessing has a long history of working with QMG physicians to provide them with an environment to be successful in providing care for our community. When access to robotic surgery technology became important to QMG for recruitment, Blessing invested in the technology and trained its medical staff. As the surgical world moved to minimally invasive surgery, Blessing built a **Hybrid operating room** so that QMG physicians would have the space and equipment needed to provide this leading-edge care – to provide better care for Quincy-area residents, and to assist QMG in its recruitment of physicians. The hybrid OR and the robotic technology represent a \$9.5 million investment in the surgery department.

- **The Community Funded Cancer Center:** Another example of partnership between Blessing Hospital and QMG involved the two organizations leading the community fundraising campaign to build a cancer center on the Blessing Hospital campus.
- **Ongoing Negotiations to Address Issues Raised in the CON Application:** In response to the Blessing “notice to cure” certain management deficiencies first communicated in the CON application, QMG responded as follows: “QMG requests that the parties meet and confer in good faith and enter into good faith negotiations to resolve the concerns”; in the spirit of collaboration, Blessing has agreed – correcting these concerns will eliminate much of the rationale expressed by QMG for its proposed second surgery center.

Conclusion

Thank you for considering this “human terms” analysis of the rules compliance of the CON Application 18-042. We at Blessing sincerely look forward to exploring a collaboration outcome with QMG, and would welcome Review Board encouragement by way of deferring this matter until those discussions fully occur. In the event that action is taken on this CON application at the March 5 meeting of the Review Board, we would respectfully ask the project be denied.

Sincerely,



Maureen Kahn,
President & CEO

Blessing Hospital and Health System