

Illinois Health Facilities & Services Review Board's Staff finds the Proposed QMG Surgery Center Does Not Comply with State Standards

The Illinois Health Facilities & Services Review Board ("Review Board") today received a formal report from its staff ("Staff Report") finding that the proposed project is not in compliance with the Review Board's criteria. Specifically, the Staff Report found that the project failed to meet applicable criteria as it: (1) constitutes an unnecessary duplication of healthcare services, and adversely impacts Blessing Hospital and Blessing ASTC (ambulatory surgical treatment center); (2) does not improve access to care in the area; (3) fails to meet State criteria for financial viability, and; (4) fails to meet criteria on the reasonableness of project costs. These criteria are especially important as the purpose of the Illinois Health Facilities Planning Act is to promote "the orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of such facilities" and to assure that an applicant has "financial resources to adequately provide a proper service for the community." 20 ILCS 3960/2.

The Staff Report also references Blessing Hospital's analysis that the proposed project would result in financial losses to Blessing of up to \$41 million and in the loss of 400 jobs, and that "the proposed project would curtail Blessing Hospital's ability to cross-subsidize emergency services, behavior[al] health and safety net services. (Staff Report at 4)." This is also significant as a central tenet of the Certificate of Need process is to maintain "support for safety net services." 20 ILCS 3960/2.

Key Findings of Non-Compliance in the Staff Report

1. QMG's proposed ASTC is an Unnecessary Duplication of Health Care Facilities

As noted on pages 20 of the Staff Report, an "applicant must document that the project will not result in an unnecessary duplication" and "will not lower the utilization of other area providers below the utilization standards" specified by the Review Board. The Staff Report finds that these criteria were not met by QMG. The Staff Report specifically rejected QMG's assertion that the project would not impact Blessing Hospital and Blessing ASTC, stating, "Based upon the Staff's analysis the proposed ASTC will impact the two Blessing facilities (Staff Report, Page 24)." In fact, the Staff Report documents that the QMG surgery center would reduce the combined utilization of the existing hospital and ASTC by half: from 14 surgical and procedure rooms to only 7 rooms based on 10,712 surgical cases that QMG would re-direct from the Blessing facilities to the proposed project. Staff Report, Page 23.

The CON Board's staff finds that proposed QMG surgery center is not needed and will adversely impact Blessing Hospital and the Blessing ASTC. The Board's staff found that the proposed project was not in conformance to the State Board's criteria prohibiting the unnecessary duplication of health care facilities (Staff Report, Page 24), and, contrary to QMG's statement that the project would not impact Blessing, the Board's staff concluded that the proposed project would redirect half of Blessing's surgical volume and reduce utilization at the Blessing facilities from 14 rooms to 7 rooms (Staff Report, Page 23). The Staff further noted that Blessing Hospital

estimated the project would cost Blessing up to \$41 million of revenue annually with a loss of up to 400 jobs (Report, Page 4). The Staff Report concludes:

“STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION UNNECESSARY DUPLICATION/MALDISTRIBUTION (77 ILAC 1110.235 (C) (7) (A) THRU (C) (Staff Report, Page 24).”

2. QMG’s proposed ASTC is Not Needed to Improve Access to Area Residents

Page 18 of the Staff Report quotes the Review Board’s criteria that a new ASTC is “necessary to improve access for residents” of the proposed service area, and that the applicant shall document that at least one of four conditions exist in the area, namely, (1) there are no other ASTCs in the other; (2) all existing ASTCs and hospital surgical/procedure rooms are at target utilization; (3) existing facilities have restrictive admissions policies, or the proposed projects offers new procedures not currently available, or; (4) the proposed project is a cooperative venture with an existing hospital. The Staff Report states: “As stated above the Applicant was unable to document one of the four conditions outlined in 77 ILAC 1110.235(c)(6) above. Based upon that analysis the Applicant has not met this criterion.” Staff Report at 20. The Staff Report then concludes:

“STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION SERVICE ACCESSIBILITY (77 ILAC1110.235 (c) (6)) (Staff Report, Page 20).”

3. QMG’s proposed ASTC does not conform with financial viability standards

Page 33 of the Staff Report quotes the requirement that “Applicants that are responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization.” The Staff found that: “The Applicant does not meet the Net Margin % and days cash on hand for all the years presented and the cushion ration for years 2015 thru 2023. (Staff Report, Page 34).” The Staff Report concludes:

“STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 ILAC 1120.130) (Staff Report, Page 34).”

4. Project costs of QMG’s proposed ASTC do not conform with reasonableness standards

The Staff Report notes on page 36 that “an Applicant must document that the project costs are reasonable.” The Staff found that the project’s equipment costs “appear HIGH when compared to the State Board Standard of \$551,212 per room.” The Staff Report concludes:

“STATE BOARD STAFF FINDS THE PROPOSED PROJECT NOT IN CONFORMANCE WITH CRITERION REASONABLENESS OF PROJECT COSTS (77 ILAC 1120.140 (c)) (Staff Report, Page 37).”