STATE OF MARYLAND

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MEMORANDUM

TO: Commissioners

FROM: Kevin R. McDonald
Chief, Certificate of Need

DATE: September 20, 2016

SUBJECT: Sheppard Pratt at Elkridge
Docket No. 15-152367

Enclosed is the staff report and recommendation for a Certificate of Need ("CON") application filed by Sheppard Pratt Health System, Inc.

Sheppard Pratt proposes to replace and relocate its 78 bed inpatient psychiatric hospital from Ellicott City to Elkridge. The immediate impetus to relocate the facility is a lease expiration and the lessor's redevelopment plans, the applicant states that the 47-year old facility has become functionally obsolete and inefficient. Its patient care units no longer meet current design guidelines.

The replacement hospital will have 85 beds in a three-level building of 155,707 gross square feet. The 39.1 acre site is located at the intersection of Route 103 and Route 1 in Elkridge (Howard County), approximately 4 miles from the existing Ellicott City facility. The total estimated project cost is $96,532,907. Sheppard Pratt proposes to fund this project with $14.86 million in cash, $7.5 million in philanthropic gifts, $66.7 million in debt, and $7.5 million in state grant funding, via a requested capital appropriation from the Governor's capital budget for FY 2017 and 2018.

The project, as described, was modified as a result of a status conference with MHCC staff. The application originally filed by Sheppard Pratt was for a 100-bed special hospital with an additional clinical program specializing in treatment of geriatric patients, a patient population that has not been historically served by Sheppard Pratt Ellicott City. The applicant

agreed to reduce the bed capacity of the replacement hospital to 85 beds and chose to do this through elimination of the geriatric component of the project. This eliminated approximately 16,000 GSF and reduced the project cost estimate by approximately $6 million.

Staff recommends APPROVAL of the project based on its conclusion that the proposed project complies with the applicable State Health Plan standards and that the need for the project, its cost effectiveness, and its viability have been demonstrated. Staff also recommends that the Commission find that the project would have negligible impact on existing health care providers and would have a positive impact on the health care delivery system.

IN THE MATTER OF	*	**BEFORE THE**
	*	
SHEPPARD PRATT	*	**MARYLAND**
	*	
AT ELKRIDGE	*	**HEALTH CARE**
	*	
DOCKET NO. 15-13-2367	*	**COMMISSION**
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STAFF REPORT AND RECOMMENDATION

September 20, 2016

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I. INTRODUCTION

A. The Applicant

Sheppard Pratt Health System ("Sheppard Pratt") is a private non-profit psychiatric institution founded in 1891. It is Maryland's largest private provider of mental health, special education, and substance abuse treatment services, with more than 2,700 employees and 34 programs in 38 locations.[1] Among Sheppard Pratt's facilities and programs are two hospitals specializing in the provision of psychiatric services, The Sheppard and Enoch Pratt Hospital, a 322-bed special hospital located in Towson (Baltimore County) and Sheppard Pratt at Ellicott City, a 78-bed hospital located in Ellicott City (Howard County).

Sheppard Pratt at Ellicott City ("SPEC") operates in leased premises at 4100 College Avenue in Ellicott City. The owner of the real estate and buildings is Taylor Service Company (d/b/a Taylor Manor Hospital). The facility was built in 1968 and operated as a private psychiatric hospital known as Taylor Manor until it was acquired by Sheppard Pratt in 2002. The facility is licensed for 92 beds but this license is incorrect. The facility has a physical capacity for 78 beds and MHCC records indicate that it was authorized to scale back to 78 beds but this change was never reflected in the licensed bed capacity acknowledged by the Department of Health and Mental Hygiene on the hospital's license. SPEC also operates psychiatric day hospital, an outpatient behavioral health program. SPEC's lease agreement will expire on December 31, 2018. Relocation of the facility is necessary because the property owner intends to redevelop the site of the current facility and the surrounding property into a residential community,

Sheppard Pratt reports that it accommodates nearly 10,000 inpatient admissions annually at its two special hospitals. Sheppard Pratt at Ellicott City admits nearly 3,000 inpatients annually. (DI#2, p.4)

B. The Project

Sheppard Pratt proposes to relocate SPEC through construction of a replacement special hospital at a site in Elkridge. The replacement hospital will have 85 beds in a three-level building of 155,707 gross square feet. The 39.1 acre site is located at the intersection of Route 103 and Route 1 in Elkridge (Howard County), approximately 4 miles from the existing SPEC.

Although the reported immediate impetus to relocate the facility is the lease expiration and the lessor's redevelopment plans, the applicant states that the 47-year old facility has become functionally obsolete and inefficient. Its patient care units no longer meet current design guidelines. SPEC has renovated portions of the facility during its tenancy to address some of the facility's shortcomings. However, renovation has not been an alternative for addressing the poor configuration, size, or unit design issues in a way that would create a modern psychiatric hospital design or an optimal environment for safety and security. The ability to improve sight-line visibility and electronic surveillance in all areas of the facility is limited by the building and the floor plan options it provides. (DI# 2, p.5)

[1] SP's website is located at https://www.sheppardpratt.org/about/history/sheppard-pratt-health-system-today/

The applicant particularly cites the lack of space for the appropriate amount and variety of on-unit activity, consultation, and visitation space desired for the patient care units. The existing design requires patients and staff to move from one unit to another throughout the day for treatment programs and activities of daily living, which the applicant states can be disruptive to the patient care environment.

The proposed replacement facility is designed to provide five discrete units – adolescent, young adult, general adult, co-occurring (i.e., for adults with a primary psychiatric diagnosis and a secondary substance use disorder), and a unit to serve adults with psychotic disorders (the "Fenton Unit," named for Dr. Wayne Fenton, a local psychiatrist who worked with patients with schizophrenia). Currently SPEC has four discrete units. It does not have a young adult unit. Appendix 1 provides a description of the services proposed for Sheppard Pratt at Elkridge. In several of these service lines, a day hospital referral may provide continued treatment.

A breakdown of the current and proposed room and bed inventory is shown in Table I-1. (DI# 2, pp. 4-6)

Table I-1: Current and Proposed Room and Bed Inventory

	Current Ellicott City Hospital				Proposed Elkridge Hospital			
Service	**Private Rooms**	**Semi-Private**	**Total Rooms**	**Bed Capacity**	**Private Rooms**	**Semi-Private Rooms**	**Total Rooms**	**Bed Capacity**
General Adult	0	10	10	20	15	1	16	17
Adolescent	0	11	11	22	15	1	16	17
Co-occurring	0	9	9	18	15	1	16	17
Fenton	0	9	9	18	15	1	16	17
Young Adult	--	--	--	--	15	1	16	17
Total	**0**	**39**	**39**	**78**	**75**	**5**	**80**	**85**

Source: DI#2, Table A

The total estimated project cost is $96,532,907. Sheppard Pratt proposes to fund this project with $14.86 million in cash, $7.5 million in philanthropic gifts, $66.7 million in debt, and $7.5 million in state grant funding, via a requested capital appropriation from the Governor's capital budget for FY 2017 and 2018.

The project, as described, was modified as a result of a status conference with MHCC staff. The application originally filed by Sheppard Pratt was for a 100-bed special hospital with an additional clinical program specializing in treatment of geriatric patients, a patient population that has not been historically served by SPEC. The applicant agreed to reduce the bed capacity of the replacement hospital to 85 beds and chose to do this through elimination of the geriatric component of the project. This eliminated which eliminated approximately 16,000 GSF and reduced the project cost estimate by approximately $6 million.

C. Background

In Maryland there are currently 29 general hospitals with acute psychiatric units, and a total of 740 licensed acute psychiatric beds. There are five special hospitals for acute psychiatric care

licensed for 601 beds. These latter hospitals reported staffing only 497 beds in 2015. [2] Inpatient admissions have declined approximately four percent over the time period shown in the table. However, the average length of stay for acute care patients has increased by more than ten percent over this same period, which has led to an increase in the average daily census of acute psychiatric patients of about 5.7% from 2010 to 2015.

Table I-2: Key Statistics: Acute Inpatient Psychiatric Hospitalization, CY 2010-2015

	2010	2011	2012	2013	2014	2015
Discharges	48,499	49,963	49,839	48,725	48,198	46,489
Patient-days	334,070	350,681	353,740	347,462	356,788	353,415
Average length of stay	6.90	7.02	7.10	7.13	7.40	7.60

Sources: HSCRC Inpatient and Psychiatric Files

Long-term inpatient care for psychiatric disorders is primarily handled by five State psychiatric hospitals.

D. Summary of Recommendation

Staff recommends approval of the project based on its conclusion that the proposed project complies with the applicable State Health Plan standards and that the need for the project, its cost effectiveness, and its viability have been demonstrated. Staff also recommends that the Commission find that the project would have negligible impact on existing health care providers and would have a positive impact on the health care delivery system.

A summary of the basis for staff's recommendations is as follows:

Criteria/Standard	Conclusions
Need	The applicant made a strong case for the need to replace an old facility that has become functionally obsolete. It does not meet contemporary expectations for inpatient care delivery and patient and staff expectations with respect to hospital space and physical facilities. It does not meet current guidelines for hospital design. Finally, its lease is coming to an end and its owner has redevelopment plans that do not include the hospital.
Cost Effectiveness	The applicant demonstrated that it considered alternatives. Although it is proposing much more space than it currently operates, the increased space results from changing concepts about the best approaches for creating a therapeutic environment. The replacement facility will also have more functional space and more space for grouping patients in ways intended to improve patient care. Finally, it will have more space for outpatient programming, which it plans to grow aggressively.
Financial Feasibility and Viability	The financial resources to execute the project should be available. Cash equity is 15% of the total project cost and another 15% is anticipated to come from philanthropy and state funding. The applicant has

[2] Annual Report on Selected Maryland General and Special Hospital Services, FY2016

	demonstrated that it has the equity, fund-raising capability, and debt capacity to fund the project as proposed. Its utilization projections and revenue and expense assumptions are reasonable. HSCRC staff concluded that the overall assumptions regarding the financial viability of the project are reasonable and achievable.
Impact	This project will provide a modern psychiatric hospital as a replacement for an old and obsolete facility in Howard County, expanding the hospital's ability to provide outpatient services. While bed capacity will only expand by about nine percent, the effective inpatient capacity will expand more, because the existing facility will more than double the number of patient rooms. This project is not likely to have a substantive negative impact on use of other Maryland facilities. All of the general hospitals in Anne Arundel and Howard counties stated that there is a need for the replacement hospital. One letter noted that a recent community health needs assessment identified the need for increased access to mental health services as one of the top health concerns in Howard County.

II. PROCEDURAL HISTORY

A. Record of the Review

Please see Appendix 2, Record of the Review.

B. Interested Parties and Participating Entities in the Review

There are no interested parties or participating entities in the review.

C. Local Government Review and Comment

No comments were received from the local Health Department or local government.

D. Community Support

Letters supporting the project were received from:

- Victoria Bayless, President and Chief Executive Officer of Anne Arundel Medical Center.
- Steven Snelgrave, President, Johns Hopkins Howard County General Hospital
- Karen E. Olscamp, President and Chief Executive Officer, University of Maryland Baltimore Washington Medical Center

- Sarah Bums, Chair - Maryland Advisory Council on Mental Hygiene/PL 102-321 Planning Council
- Kate Farinholt, Executive Director, National Alliance on Mental Illness- Maryland
- Allan H. Kittleman, Howard County Executive
- Senator Guzzone and Delegate Turner on behalf of the Howard County Delegation to the General Assembly
- Doris Fuller, Executive Director, Treatment Advocacy Center in Arlington, VA
- Delegate Clarence Lam (District 12, Baltimore County & Howard County)

III. REVIEW AND ANALYSIS

The Commission is required to make its decisions in accordance with the general CON review criteria at COMAR 10.24.01.08G(3)(a) through (f). The first of these six general criteria require the Commission to consider and evaluate this application according to all relevant State Health Plan ("SHP") standards and policies.

A. The State Health Plan

COMAR 10.24.01.08G(3)(a) State Health Plan.
An application for a Certificate of Need shall be evaluated according to all relevant State Health Plan standards, policies, and criteria.

The relevant State Health Plan chapter is COMAR 10.24.07, Psychiatric Services ("Psychiatric Services Chapter").

COMAR 10.24.07 State Health Plan for Facilities and Services: Overview, Psychiatric Services, and Emergency Medical Services

Many of the standards in the Psychiatric Services Chapter are out of date due to the dramatic changes in use of hospital psychiatric beds (especially with respect to average length of stay) and changes in the role and scope of State psychiatric hospital facilities that have occurred since its development. This section reviews standards that are still relevant and applicable.[3]

Among the still-relevant and applicable standards are several that prescribe policies, facility features, and staffing and/or service requirements that an applicant must meet, or agree to meet prior to first use. Staff has reviewed the CON application and confirmed that the applicant provided information and affirmations that demonstrate the proposed relocation and replacement of SPEC complies with Standards:

AP3a, Array of services
AP4b, Physical separations and clinical/programmatic distinctions
AP5, Availability of services

[3] Standards AP 1a-d and AP 10 are outdated and no longer applicable.

AP6, Quality assurance programs, program evaluations, and treatment protocols
AP12a, Supervision by a psychiatrist
AP12b, Staffing requirements
AP12c, Staffing requirements for child and adolescent services
AP13, Discharge planning

The text of these standards can be found in Appendix 3.[4] Staff has confirmed that the application provided information and affirmations demonstrating that the proposed relocation and replacement of Sheppard Pratt at Ellicott City complies with these standards, concluding that the relocated hospital will operate with appropriate procedures for:

- Screening and evaluating patients' psychiatric problems on intake;
- Admitting patients;
- Arranging for transfer of patients when appropriate; and
- Planning for the discharge of patients with appropriate referral for post-hospital treatment.

That it will also:

- Provide the minimally-required array of services, which includes drug therapy, individual psychotherapy, group therapy, family therapy, social services, and adjunctive therapies, such as occupational and recreational therapies;
- Provide appropriate physical separation for age-specific patient populations
- Maintain separate written quality assurance programs, program evaluations and treatment protocols for the adult and adolescent patient populations it plans to serve.

And that the applicant has demonstrated it will appropriately staff the relocated hospital, i.e.:

- Clinical service provision will be supervised by a qualified psychiatrist;
- The hospital's staff will include therapists for patients without a private therapist and aftercare coordinators to facilitate referrals and further treatment; and
- Staff with training and experience in adolescent acute psychiatric care will be employed for this specialty program.

Standard AP 1a

The projected maximum bed need for child, adolescent, and adult acute psychiatric beds is calculated using the Commission's statewide child, adolescent, and adult acute psychiatric bed need projection methodologies specified in this section of the State Health Plan. Applicants for Certificates of Need must state how many child, adolescent, and adult acute psychiatric beds they are applying for in each of the following categories: net acute psychiatric bed need, and/or state hospital conversion bed need.

The applicant states, correctly, that there is no current or recent Commission statewide child, adolescent and adult need projection. This is because this bed need projection methodology is obsolete. The subject of need will be addressed under the need criterion later in this staff report.

[4] The applicant's responses to these standards can be found between pages 20 and 32 of the CON application and in SPEC's response to completeness questions on the application. Specific docket item and page numbers for responses to each standard are referenced in Appendix 3. The application can be found on the MHCC website at: http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/hcfs_con_sheppard_pratt_elkridge.aspx

The following three standards are not applicable, as the applicant is not an acute general hospital.

Standard AP 2a

All acute general hospitals with psychiatric units must have written procedures for providing psychiatric emergency inpatient treatment 24 hours a day, 7 days a week with no special limitation for weekends or late night shifts.

Standard AP 2b

Any acute general hospital containing an identifiable psychiatric unit must be an emergency facility, designated by the Department of Health and Mental Hygiene to perform evaluations of persons believed to have a mental disorder and brought in on emergency petition.

Standard AP 2c

Acute general hospitals with psychiatric units must have emergency holding bed capabilities and a seclusion room.

Standard AP 3b

In addition to the services mandated in Standard 3a, inpatient child and adolescent acute psychiatric services must be provided by a multidisciplinary treatment team which provides services that address daily living skills, psychoeducational and/or vocational development, opportunity to develop interpersonal skills within a group setting, restoration of family functioning and any other specialized areas that the individualized diagnostic and treatment process reveals is indicated for the patient and family. Applicants for a Certificate of Need for child and/or adolescent acute psychiatric beds must document that they will provide a separate physical environment consistent with the treatment needs of each age group.

Sheppard Pratt does not offer inpatient child acute psychiatric services at SPEC, nor does it intend to do so at the proposed new facility in Elkridge. SPEC does have an adolescent unit and will continue to provide services for this patient population at the relocated facility. Adolescents are treated by a multidisciplinary team that is led by child psychiatrists or by adult psychiatrists who have additional training and/or experience in child psychiatry. All programming and physical spaces for adolescents and adults are separate and discreet. (DI#2, pp.22-24)

Standard AP 3c

All acute general hospitals must provide psychiatric consultation services either directly or through contractual arrangements.

Not applicable. The applicant is not an acute general hospital.

Standard AP 4a

A Certificate of Need for child, adolescent or adult acute psychiatric beds shall be issued separately for each age category. Conversion of psychiatric beds from one of these services to another shall require a separate Certificate of Need.

SPEC currently has non-elderly adult and adolescent beds and would continue to serve this same patient population in the relocated hospital. It does not have a program specializing in treatment of elderly patients and, historically, has served very few patients over the age of 65.

Standard AP 7

An acute general or private psychiatric hospital applying for a Certificate of Need for new or expanded acute psychiatric services may not deny admission to a designated psychiatric unit solely on the basis of the patient's legal status rather than clinical criteria.

The applicant states that it routinely accepts patients who are admitted on an involuntary, emergency basis. Such a patient is considered to be in observation status until s/he has a hearing before an administrative law judge, who considers the continued appropriateness of the involuntary admission. If the judge orders that the involuntary admission should continue because a patient presents a danger to himself or others, the patient will be retained until the involuntary admission is no longer warranted, and will have additional hearings before a judge who considers appropriateness of the continued retention. Sheppard Pratt will continue to accept certified patients in the new facility. (DI#2, p.26)

Standard AP 8

All acute general and private freestanding psychiatric hospitals must provide a percentage of uncompensated care for acute psychiatric patients which is equal to the average level of uncompensated care provided by all acute general hospitals located in the health service area where the hospital is located, based on data available from the Health Services Cost Review Commission for the most recent 12-month period.

Sheppard Pratt reported that the Sheppard and Enoch Pratt Health System provided total uncompensated care equivalent to 6.9% of total gross patient revenue in FY 2014. This percentage was greater than the weighted average of 5.9% reported for a selected group of general acute care hospitals located in Central Maryland.

MHCC staff consulted Health Services Cost Review Commission source material to construct a more complete picture. Table III-1 provides the FY 2014 information on total gross patient revenue (regulated), total uncompensated care, and the ratios referenced in the standard for all central Maryland general hospitals, SPEC, and Sheppard Pratt Health System.

Table III-1: Selected Hospital Revenue and Uncompensated Care, FY 2014

General Hospital	Jurisdiction	Total Uncompensated Care (UCC) $000s	Total Gross Patient Revenue (GPR) $000s	UCC/ GPR
Anne Arundel	Anne Arundel	$28,030.1	$554,132.4	5.1%
Bon Secours	Baltimore City	18,907.7	129,714.3	14.6%
Carroll	Carroll	11,185.6	251,985.4	4.4%
Greater Baltimore	Baltimore County	14,448.6	426,965.0	3.4%
Howard County General	Howard	15,495.0	281,805.6	5.5%
Johns Hopkins Bayview	Baltimore City	53,366.0	605,106.3	8.8%
Johns Hopkins	Baltimore City	90,418.8	2,172,517.9	4.2%
MedStar Franklin Square	Baltimore County	28,840.8	486,467.0	5.9%
MedStar Good Samaritan	Baltimore City	15,945.0	299,250.0	5.3%
MedStar Harbor	Baltimore City	12,385.0	205,146.3	6.0%
MedStar Union Memorial	Baltimore City	23,163.9	415,164.3	5.6%
Mercy	Baltimore City	39,462.9	489,187.3	8.1%
Northwest	Baltimore County	19,327.6	249,134.5	7.8%
Saint Agnes	Baltimore City	25,327.1	410,191.1	6.2%
Sinai of Baltimore	Baltimore City	42,571.6	69,9430.0	6.1%
UM Baltimore Washington	Anne Arundel	41,793.9	393,181.9	10.6%
UM Harford Memorial	Harford	5,242.6	53,719.1	9.8%
University of Maryland (UM)	Baltimore City	111,752.5	1,498,575.5	7.5%
UMMC Midtown Campus	Baltimore City	33,531.6	222,427.6	15.1%
UM St. Joseph	Baltimore County	22,836.1	362,415.7	6.3%
UM Upper Chesapeake	Harford	8,242.7	157,472.1	5.2%
UM Rehabilitation & Orthopaedic	Baltimore City	8,436.2	118,262.2	7.1%
TOTAL		**$671,161.3**	**$10,482,251.5**	**6.4%**
Sheppard Pratt Health System – Towson and Ellicott City	**Baltimore and Howard County**	**$9,611.1**	**$139,935.3**	**6.9%**
Sheppard Pratt at Ellicott City	**Howard County**	**$3,133.1**	**$28,719.6**	**10.9%**

Source: (1) HSCRC, FY 14 PDA Schedule: (2) CON Application (Reported SPEC GPR for FY 2014); and (3) Completeness response, p. 9

As shown in the table, the weighted average uncompensated care reported by all the general hospitals in central Maryland in FY 2014 was 6.4%. Thus, the ratio reported by both SPEC and the Sheppard Pratt Health System compare favorably with the average general hospital in the region. The project is consistent with this standard.

Standard AP 9

If there are no child acute psychiatric beds available within a 45 minute travel time under normal road conditions, then an acute child psychiatric patient may be admitted, if appropriate, to a general pediatric bed. These hospitals must develop appropriate treatment protocols to ensure a therapeutically safe environment for those child psychiatric patients treated in general pediatric beds.

SPEC is not proposing to have a child psychiatric program in the relocated hospital. It will continue to treat adolescent patients ages 12 through 17.

Cost

Standard AP10

Expansion of existing adult acute psychiatric bed capacity will not be approved in any hospital that has a psychiatric unit that does not meet the following occupancy standards for two consecutive years prior to formal submission of the application.

Psychiatric Bed Range (PBR)	Occupancy Standards
PBR <20	80%
20≤ PBR <40	85%
PBF ≥40	90%

SPEC, with a current physical capacity of 78 beds would have needed an average daily census of 70.2 patients in the two years preceding its application filing to reach the occupancy threshold in Standard AP10. In those two years, its average annual occupancy rate was approximately 74%.

The applicant responded to this standard by maintaining it was inapplicable because "the project does not include a request that the Commission approve more beds than the number of licensed beds at Sheppard Pratt at Ellicott City," which is 92, plus eight "waiver beds." SP contended in its application that it seek approval of eight waiver beds prior to opening the new facility[5] pursuant to COMAR 10.24.01.02A(3)(a), which "will bring Sheppard Pratt's total number of licensed beds for the Elkridge facility to 100."

The statement that the facility is licensed for 92 beds but has a physical capacity for only 78 beds led staff to research this discrepancy, after which Sheppard Pratt was informed that its licensed bed capacity was incorrect. Staff informed SPEC as follows:

> It is apparent that the current license for this facility for 92 beds is incorrect, given its inconsistency with the physical bed capacity of 78 beds reported by SPEC. There should be no discrepancy between the physical bed capacity that a special hospital can set up and staff and the number of licensed beds it is authorized, at a maximum, to operate. I raise this issue because the application appears to be represented, at least to some extent, as the relocation and replacement of a 92-bed special hospital that is also seeking to construct a replacement hospital with eight additional beds. It is important to be clear that this is actually the relocation of a hospital with 78 beds and the larger replacement hospital being proposed will increase existing bed capacity by 22 beds, rather than eight beds [MHCC staff is] asking Sheppard Pratt Health System, Inc. to correspond with the Office of Health Care Quality, with copy to MHCC, and request that it correct the hospital's license to the correct 78-bed complement.

After discussions that included a request to amend this standard in the State Health Plan (to allow for an applicant to explain why this standard should not apply in its case), staff concluded

[5] COMAR 10.24.01.02A(3)(a) allows "a health care facility that is not an acute general hospital, does not exceed ten beds or 10 percent of the facility's total bed capacity, whichever is less" to add beds without a CON.

that this standard is obsolete and no longer applicable because of the reduction in acute psychiatric patient average length of stay. In making this determination, staff noted in a February 26, 2016 letter to counsel for the applicant:

> This standard no longer provides an appropriate bed occupancy rate benchmark for assessing full capacity use of acute psychiatric beds. This is primarily because of the dramatic decline in the average length of stay of acute psychiatric patients. Between 1980 and 1990, the era in which Standard AP 10 was established, the average length of stay for acute psychiatric patients discharged from general hospitals in Maryland, the setting accounting for most of the state's acute psychiatric patient days, fell from 17.8 to 13.1 days. By 2000, this ALOS had dropped by more than half, to 6.6 days. In FY 2015, acute psychiatric ALOS in all Maryland settings, both general and special hospitals, was 6.1 days….. For this reason, staff concludes that Standard AP 10 is obsolete and should not be used in the Maryland Health Care Commission's consideration of a proposed relocation and replacement of Sheppard Pratt at Ellicott City with a hospital that has more bed capacity than the existing hospital. MHCC does not need such a standard in order to determine whether SPEC has demonstrated a need for the bed capacity it proposes for the relocated hospital. Amendment of this standard as proposed is not warranted because the standard itself is obsolete.

Thus, the applicant was informed that the path was clear to apply for 100 beds, with the burden of proof lying with the applicant to demonstrate need for that number of beds. This will be addressed under the Need criterion in this staff report.

Standard AP 11

Private psychiatric hospitals applying for a Certificate of Need for acute psychiatric beds must document that the age-adjusted average total cost for an acute (≤ 30 days) psychiatric admission is no more than the age-adjusted average total cost per acute psychiatric admission in acute general psychiatric units in the local health planning area.

The applicant stated that it compared the cost of CY-14 psychiatric discharges from acute general hospitals in Maryland with psychiatric units to discharges for the same period from SPEC. For adult patients (aged 18-64) SPEC used the following discharge codes:

- DX AHRQ 651 – Anxiety disorders
- AHRQ 663 – Screening and Hx of Mental Health
- AHRQ 659 – Schizophrenia and other psychotic disorders
- AHRQ 662- Suicide and self-inflicted injuries
- AHRQ 657 – Mood disorders (encompasses 103 psychiatric diagnoses)

For adolescents, the applicant used Discharge Codes: DX AHRQ 663, 662, 659, 657, 651, 652 (Attention Deficit Disorder), and 650 (Adjustment disorders).

The results – appearing in Table III-1 below – show Sheppard Pratt at Ellicott City to have been a lower cost setting in CY14. (DI#2, p.28) Staff finds that the applicant has met this standard.

Table III-1: Comparative Cost of Inpatient Psychiatric Care

	Charge/Episode: Adults	Charge/Episode: Adolescents
SP-Ellicott City	$8,877.59	$9,116.17
Central Maryland General Hospital Psychiatric Units[6]	$10,584.16	$11,501.56

Source cited by applicant: CY14 HSCRC discharge data

Acceptability

Standard AP 14

Certificate of Need applications for either new or expanded programs must include letters of acknowledgement from all of the following:

(i) the local and state mental health advisory council(s);
(ii) the local community mental health center(s);
(iii) the Department of Health and Mental Hygiene; and
(iv) the city/county mental health department(s).

Letters from other consumer organizations are encouraged.

The application included letters of support for the project from:

- The Mental Health Association of Maryland
- The Howard County Mental Health Authority
- The National Alliance on Mental Health - Maryland
- State of Maryland Behavioral Health Advisory Council
- Howard County Executive Allan H. Kittleman
- The Anne Arundel County Delegation to the Maryland General Assembly
- Delegate Clarence Lam (District 12 – Howard County and Baltimore County)
- Howard County General Hospital
- UM Baltimore Washington Medical Center
- Anne Arundel Medical Center
- Way Station (a Howard County public mental health clinic affiliated with Sheppard Pratt)
- Treatment Advocacy Center (DI#2, Exhibit 14)

[6] Adult data for UM Baltimore Washington Medical Center, Bon Secours Hospital, Carroll Hospital Center, MedStar Franklin Square Medical Center, Harford Memorial Hospital, Howard County General Hospital, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, UMMC Midtown Campus, Northwest Hospital Center, Sinai Hospital, UM St. Joseph Medical Center, MedStar Union Memorial Hospital, University of Maryland Medical Center. Adolescent data for Johns Hopkins Hospital, MedStar Franklin Square Hospital and Carroll Hospital Center; Sheppard Pratt used age bands 10-14 and 15-17, which may include some children. However, Sheppard Pratt believes very few patients younger than 12 are included.

The applicant also provided a letter from DHMH Secretary Van Mitchell, who noted that "Sheppard Pratt officials have met with us and briefed us on their plans." (DI#11, Exhibit 26)

The applicant meets this standard.

B. Need

COMAR 10.24.01.08G(3)(b) Need.
The Commission shall consider the applicable need analysis in the State Health Plan. If no State Health Plan need analysis is applicable, the Commission shall consider whether the applicant has demonstrated unmet needs of the population to be served, and established that the proposed project meets those needs.

The State Health Plan does not have an applicable need analysis. In this case, there is established population demand, given that a psychiatric hospital has operated at the location under Sheppard Pratt ownership and operation, or, earlier, as Taylor Manor, for several decades.

SPEC receives referrals from throughout the State of Maryland, and maintains that a move from Ellicott City to Elkridge (about 4 miles) would not dramatically impact its market share. Its FY 2015, 78% of its admissions came from general hospitals, 18% came from other Sheppard Pratt programs (such as the Crisis Walk-In Clinic), and 4% came from direct referrals from outside professionals.

In developing a project needs assessment, SPEC assumed a statewide service area. As one of only five special hospitals for psychiatric care in Maryland and one that has operated since the late 1960's on this site, SPEC receives patients from throughout the State. SPEC calculated a statewide use rate for psychiatric hospitalization for four patient populations, the three it currently serves (adolescents, young adults, and middle-aged adults), and a fourth population that it has not historically served, the elderly population. It projected demand (cases or discharges) for a target year of 2022 by applying this calculated use rate **to the target year population.**

That methodology resulted in the following projected discharges for FY2022.

Table III-2: Baseline Projected Discharges Calculated by Sheppard Pratt

Adolescent	Young Adult	Adult	Geriatric	Total
714	710	1,300	16	2,739

DI#2, p.37

This was a "baseline" projection that Sheppard Pratt modified by accounting for the "impact of additional factors." These included:

- Addition of a dedicated geriatric program and unit which is not offered currently at SPEC;

- Referrals that cannot be accepted. Sheppard Pratt keeps a log to track the calls received for referrals that could not be admitted because SPEC did not have an appropriate bed available.

- Sheppard Pratt Health System has engaged in ongoing conversations with principals of the Behavioral Health Administration about the availability of psychiatric beds in the State for both forensic and civil cases. Sheppard Pratt's Towson campus is being considered as a possible site for a forensic unit for competency assessment or restoration of patients. This would require conversion of an existing adult unit; under this scenario it is likely that additional patients would be treated at Sheppard Pratt at Elkridge.

The applicant factored an additional 1,075 cases, an increase of 39%, into its baseline case volume projection using these other factors. The following table breaks down this adjusted case forecast by patient age and compares this adjusted forecast with the 2014 experience at SPEC.

Table III-3: Adjusted Case Forecast, Replacement SPEC

Ages	Actual Discharges, CY2014	Projected Discharges, FY2022
12-17	812	734
18-29	685	737
30-64	1,355	2,110
65+	8	233
Total	2,860	3,814

DI#2, p.41

MHCC staff performed its own demand forecast. However, instead of using a statewide use rate and statewide market share as did the applicant, MHCC staff projected future need for the primary and secondary service areas of SP-Elkridge, assuming that the new campus at Elkridge will have the same service area as SPEC. The primary service area of SP at Ellicott City includes seven jurisdictions accounting for about 84% of its total discharges – the counties of Anne Arundel, Baltimore, Howard, Montgomery, Prince George's, and Frederick, as well as Baltimore City. The secondary service area was defined as the balance of Maryland jurisdictions, which accounted for 11% of SPEC's patient origin. About 5% of total SPEC discharges are patients from other states or unidentified locations in Maryland. Service area use rates were used to forecast total demand and historic market shares experienced by SPEC were used to predict demand at SPEC. A market share was assumed for geriatric patients comparable to what SPEC has historically achieved in the younger adult population. The results are shown in Table III-4 below.

Table III-4 MHCC Staff Bed Need Projection – SP at Elkridge

	CY2014	MHCC Projection CY2024							
Age Group	Actual Discharges	Primary Service Area Discharges	Secondary Service Area Discharges	Discharges	ALOS	Patient Days	ADC	Bed Need at occupancy rate of 85%	Bed Need at occupancy rate of 80%
12-17	812	741	121	862	7.60	6,547	18	21	22
18-29	685	597	115	712	6.94	4,944	14	16	17
30-64	1,355	1,187	222	1,410	7.78	10,965	30	35	38
65+	8	224	41	265	20.89	5,534	15	18	19
	2,860	2,749	500	3,249		27,989	77	90	96

However, while MHCC staff would agree that SPEC would have the ability to attract geriatric psychiatric admissions with a new hospital and its substantial presence and brand power in the market, this does not prove that an additional geriatric psychiatric hospitalization program is needed.

MHCC staff concluded that SPEC did not show that program expansion into operation of a dedicated geriatric program, requiring a 15-bed unit, was needed. There are five psychiatric hospital programs in the three "surrounding" jurisdictions of Howard, Anne Arundel, and Montgomery County that treat geriatric patients and each had a statewide market share of geriatric patients in excess of two percent in CY 2015. A sixth facility, a general hospital without a psychiatric program, also had a statewide market share of geriatric psychiatric patients in excess of two percent in CY 2015.[7] Table III-4 below identifies the geriatric psychiatric patient discharge experience of these hospitals since 2004.

One of these hospitals has authorization to expand its psychiatric bed capacity and the general hospital without a program is currently seeking approval to establish a psychiatric hospital. Over the last twelve years, these hospitals have only seen an 11% increase in geriatric discharges, an increase of 56 patients, lagging well behind growth in the geriatric population in these jurisdictions and reflective of the declining population use rate for geriatric hospitalization identified by SPEC in its CON application and by MHCC in its analysis. The largest programs, Adventist Behavioral Health and Suburban Hospital, on a combined basis, saw only 9 more discharges of geriatric patients in 2015 than they experienced in 2004. This background information on the key areas from which SPEC is anticipating to draw patients for its new program, Anne Arundel, Howard, and Montgomery Counties, does not support the view that 15 additional dedicated geriatric psychiatric hospital beds are needed in Howard County. In fact, Sheppard Pratt at Towson, Maryland's leading psychiatric hospital for geriatric patients (based on volume), saw only a 10.7% increase in geriatric discharges between CY 2004 and CY 2015. It actually experienced an 11.4% decline in its geriatric discharges between its peak in CY 2011 (586 discharges) and CY 2015 (519 discharges).

Table III-4: Discharges of Psychiatric Patients Aged 65 and Older, Selected Hospitals, CY 2004-CY2015

HOSPITAL	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ADVENTIST BEHAVIORAL HEALTH	120	113	112	85	69	58	94	88	98	105	152	130
SUBURBAN	122	107	106	109	78	95	105	106	140	137	125	121
ANNE ARUNDEL	28	26	35	42	39	35	60	70	92	77	68	89
UM BALTIMORE WASHINGTON	63	65	78	56	59	91	63	56	48	61	59	77
HOWARD COUNTY GENERAL	38	49	38	48	39	59	71	85	90	111	107	72
WASHINGTON ADVENTIST	131	149	111	144	125	119	93	93	83	83	84	69
Total	502	509	480	484	409	457	486	487	551	589	595	558

Source: HSCRC

[7] Anne Arundel Medical Center currently has a psychiatric hospital facility project under review. UM Baltimore Washington Medical Center is authorized to expand its psychiatric program.

Staff convened a Project Status Conference to inform the applicant that it could not make a positive recommendation to the MHCC for approval of the 100-bed replacement hospital project. It requested that the applicant provide a modified project plan for an 85-bed replacement hospital. While staff's recommendation was based on its need assessment, that found a basis for the number of beds proposed to serve the patient population of adolescents and non-geriatric adults historically served by SPEC but did not find that additional beds were needed to create a specialized program and dedicated unit for a new patient population of geriatric patients, staff did not dictate an allocation of the 85 beds into specific program or unit configuration. SPEC was given the flexibility to program the 85 beds as desired. The applicant responded with a modification stating that it "withdraws those portions of its response to this standard in its April 10, 2015 Application that address need for the geriatric unit." and that it "seek(s) through this modification to construct an 85-bed hospital facility rather than the originally proposed 100-bed facility." Thus, it chose to make the requested project modification by eliminating the proposed 15-bed geriatric unit. It stated, "The Elkridge facility will admit healthy older adults in the 65 to 70 age band who present with affective disorders such as depression or anxiety. Frail elderly adults with complicated medical co-morbidities or those with dementia will be admitted to the existing Towson facility." (DI#33)

Staff concludes that the applicant has made a case for replacement of SPEC and that the Elkridge site proposed for relocation of the hospital is acceptable. Beyond the need to relocate and replace the facility created by the building owner's redevelopment plans for the hospital site, staff is in agreement that SPEC is an old facility that has become functionally obsolete. It does not meet contemporary expectations for inpatient care delivery and patient and staff expectations with respect to hospital space and physical facilities. It does not meet current guidelines for hospital design.

Staff concludes that the 7-bed increase in bed capacity now proposed is justified and a need for the project has been established.

C. Availability of More Cost-Effective Alternatives

COMAR 10.24.01.08G(3)(c) <u>Availability of More Cost-Effective Alternatives</u>.
The Commission shall compare the cost effectiveness of the proposed project with the cost effectiveness of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.

As previously noted, the applicant has stated that renewal of its lease is not being offered by its landlord, or at least not at reasonable lease terms. SP also states that the building is functionally obsolete and inefficient, adversely affecting both patient care delivery and the patient experience and does not offer appropriate space options to add additional services that would contribute to improvements in efficiency. Its patient care units no longer meet current standards and requirements established by the FGI Guidelines for Design and Construction of Hospital and Outpatient Facilities. Among other deficiencies, the hospital has no private rooms.

Sheppard Pratt stated that it began a search for new sites in 2009. It did not pursue existing structures, stating that its experience has been that unless the existing building is a modern one designed to function as a psychiatric facility, the cost of purchasing and then renovating a building to make it safe to operate as a psychiatric hospital is generally not a sound economic investment.

Its parameters for a new site were that it be in Howard County and be zoned to allow a psychiatric hospital as a permitted use, and that the owners would be willing to allow the use. SP ultimately explored three sites:

- the Meadowridge Road site selected;
- a site in Emerson Corporate Center (near Scaggsville Road and Route I-95); and
- a site in Columbia Overlook (near Old Waterloo Road and Maryland Route 175).

Although the first choice was the Emerson Corporate Center parcel, the owners of the property did not find the intended use compatible with collateral land development plans. A key attraction of the Meadowridge Road site is the accessibility it offers, by virtue of its proximity to Maryland Route 100, U.S. Route 1, I-95, the Baltimore Washington Parkway, and the Intercounty Connector. However, it was originally a second choice because a psychiatric hospital was not a permitted use in the site's M-1 zoning category. Subsequently the M-1 zoning category was amended to allow a special hospital-psychiatric as a permitted use in that category. Sheppard Pratt then purchased the property.

SPEC responded to staff questions about its consideration of alternatives, particularly providing the services through existing facilities or in outpatient settings by maintaining that it considered outpatient alternatives to building a replacement hospital, but concluded there is a need for inpatient treatment that cannot be fully satisfied by outpatient alternatives. It also considered relocating to an existing facility, ultimately determining that utilizing space in other facilities was not viable. (DI#11, p.16) (DI#2, p.44)

Staff also asked SP to justify the overall size of the proposed facility, which stood at 1,715 square feet per bed in the original application,[8] which is somewhat larger than staff found to be the norm for psychiatric hospitals in an informal survey of architects and construction managers. SPEC provided a rationale for the project's size grounded in:

- The populations it intends to serve and the resulting subspecialized nature of the inpatient units; (DI#29)
- Information provided by its architect showing that its proposed space per bed, while generally higher than State and private psychiatric facilities (primarily because they do not offer outpatient treatment in addition to treating inpatients), is not out of line with modern academic and private psychiatric hospitals designed for substantial provision of outpatient care. (See Appendix 4.) (DI#29)

Sheppard Pratt stated that its therapeutic model is based on providing all therapeutic activity on the respective patient unit for the distinct patient populations defined in this project.[9] This approach is contrasted with an alternative approach that SPEC stated is sometimes found in

[8] After the modification, SF/bed is 1832.
[9] The original application had six distinct patient populations. The modified application has five.

public hospitals used to provide long-term psychiatric inpatient care, described as a "treatment mall." In a treatment mall arrangement, patients spend their therapeutic time in a centralized location where they can engage in various activities designed for a fairly homogeneous population. SPEC points out that such a model allows the design of the facility to contain less space per bed but it also requires more staffing, as patients cannot be transferred off the inpatient units without a high ratio of accompanying staff, while patients who are unable to leave the unit due to acuity or other issues must have appropriate staff stay with them while other staff are off-unit with patients, thus contributing to higher staffing ratios and operational costs.

In addition, SPEC expressed the view that its "milieu based care" design is essential to its therapeutic approach in which a treatment team consisting of multiple disciplines delivers care that is tailored to the diagnostic and/or age band of the population. Further, the applicant stated that "the concept of a treatment mall may work in a setting with a fair amount of homogeneity among its patient population, but not in a setting (such as Elkridge) where there are varying populations with discrete therapeutic and milieu needs." (DI#29)

As noted earlier, staff questioned the need to expand the hospital by 22 beds, a size driven by addition of a new program, a dedicated geriatric unit that would add a small top floor to the project but for which community need was not confirmed in MHCC staff's analysis. The applicant responded by eliminating this component of the project.

With the change offered by the applicant, staff concludes that the applicant has demonstrated that the proposed project is the most cost effective approach to the needed modernization of the hospital.

D. Viability of the Proposal

COMAR 10.24.01.08G(3)(d) Viability of the Proposal.
The Commission shall consider the availability of financial and nonfinancial resources, including community support, necessary to implement the project within the time frames set forth in the Commission's performance requirements, as well as the availability of resources necessary to sustain the project.

This criterion requires consideration of three questions: availability of resources to implement the proposed project; the availability of resources to sustain the proposed project; and community support for the proposed project.

Availability of Resources to Implement the Proposed Project

The total revised project cost estimate is $96,532,907, including $2,000,000 in financing costs for a 155,707 square foot facility. The applicant is projecting that it will fund the project with $14,857,500 in cash, raise $7,500,000 through philanthropy, obtain a grant from the State for $7,500,000, and authorize bonds of $66,675,407 for total sources of $96,532,907. The applicant provided information from a consultant supporting their ability to raise the $7,500,000 through philanthropy, and also stated that they have had discussions with State officials and have been given verbal assurances that the State is interested in providing financial support for the project

through a grant.

According to the June 30, 2015 audited financial statement, Sheppard Pratt has the cash identified as a source of project funding. Sheppard Pratt reported total long term debt of $108,796,584 and total net assets of $316,088,149 for a ratio of total long term debt to total net assets of .345. Adding the proposed $66,675,407 in authorized bonds along with the acquired assets for the proposed project would increase the ratio of total long term debt to total net assets to approximately .44, assuming that all other factors remained constant. Staff believes that a ratio of total long term debt to total net assets of .44 is reasonable, based on the historic experience of Maryland hospitals and the ratio targets formerly used by HSCRC.

Availability of Resources to Sustain the Proposed Project

(a) Finances

The key utilization and operating statistics for Sheppard Pratt-Elkridge (before and after the project completion) are displayed below. (DI#33)

Years ending June 30

	Current	Projected						
	2015	2016	2017	2018	2019	2020	2021	2022
Licensed Beds	78	78	78	78	85	85	85	85
Discharges	2,941	2,970	2,970	2,970	3,046	3,399	3,580	3,580
Patient days	21,375	21,769	21,769	21,769	23,023	26,458	27,930	27,930
Avg. Annual Occupancy	75.1%	76.5%	76.5%	76.5%	74.2%	85.3%	90.0%	90.0%
Day Hospital Outpatient Visits	2,904	3,175	3,175	3,175	9,398	17,780	17,780	17,780
Intensive Outpatient Visits					1,375	2,625	2,625	2,625
Electroconvulsive Therapy					1,370	2,743	2,743	2,743
Equivalent Inpatient Days	25,159	25,623	25,623	25,623	31,371	38,571	40,249	40,263
Payer Mix:								
Medicare	14.8%	14.8%	14.8%	14.8%	18.3%	20.6%	20.0%	21.4%
Medicaid	38.0%	38.0%	38.0%	38.0%	32.2%	28.5%	29.1%	30.0%
Blue Cross	18.8%	18.8%	18.8%	18.8%	20.2%	21.1%	21.0%	19.9%
Commercial Insurance	20.7%	20.7%	20.7%	20.7%	22.4%	23.4%	23.3%	22.0%
Self-pay	5.2%	5.2%	5.2%	5.2%	4.4%	3.8%	4.0%	4.3%
Other	2.5%	2.5%	2.5%	2.5%	2.6%	2.6%	2.6%	2.4%
Ratio of Deductions from Revenue as % of Gross Patient Revenue	20.6%	20.6%	20.6%	20.6%	20.7%	20.6%	20.6%	20.7%

A summary of actual and projected revenue and expense statements for Sheppard Pratt-Elkridge shows a healthy bottom line.

Years ending June 30 (in 000s)

	Current	Projected						
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Net Operating Revenue	$22,805	$23,261	$23,717	$24,173	$31,027	$39,880	$42,090	$42,838
Total Operating Expenses	19,211	19,591	19,970	20,350	27,938	37,311	39,034	39,577
Net Income (Loss)	$3,594	$3,670	$3,747	$3,823	$3,088	$2,569	$3,056	$3,261
Operating Margin	18.7%	18.7%	18.8%	18.8%	11.1%	6.9%	7.8%	8.2%

In November 2015, the applicant filed a rate application for new capital costs associated with this CON Project with the Health Services Cost Review Commission ("HSCRC") requesting a 1.5% increase in system wide rates effective July 1, 2018, which was the anticipated opening date of the new facility. All of the applicant's facilities are under a combined rate structure with the HSCRC. In the CON projected financial statements, the applicant assigned only 25.5% of the revenue from the rate increase requested for the CON project to Sheppard Pratt at Elkridge. The remaining 74.5% of the rate increase was allocated to other regulated services operated by the applicant.

Even without a rate increase, the project appears to be feasible and the viability of the Sheppard Pratt system would not appear to be threatened. A summary of the projected revenue and expense statements excluding the requested rate increase for Sheppard Pratt at Elkridge is provided below:

Years ending June 30 (in 000s)

	Current	Projected						
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Net Operating Revenue	$22,805	$23,261	$23,717	$24,173	$31,027	$39,880	$42,090	$42,838
Total Operating Expenses	19,211	19,591	19,970	20,350	27,938	37,311	39,034	39,577
Net Income (Loss)	$3,594	$3,670	$3,747	$3,823	$3,088	$2,569	$3,056	$3,261
Operating Margin	18.7%	18.7%	18.8%	18.8%	11.1%	6.9%	7.8%	8.2%

HSCRC described the rate increase request associated with this project that is currently before it as one request for an increase in rates of $2,136,852, claimed by SPEC as equal to approximately 50% of the increase in capital costs (principal and interest) associated with the project. It notes that no modification of this request, filed before modification of the project, has been received and that, to date, HSCRC has not approved any increase. HSCRC notes the 63% increase in projected net revenue at SPEC related to projected volume increases and the 85% increase in expenses due to this volume increase, finding that this implies a variable cost factor that is "very high," (133% or 92%, when adjusted for depreciation and interest on the new building). It notes that much of this expense increase is "due to salaries over which the Hospital has significant control."

HSCRC reviews the profit margins, debt service coverage ratio, days of cash on hand, debt to capitalization of Sheppard Pratt Health System and finds them to be acceptable. It stated its concern over whether Maryland's Institutions for Mental Disease ("IMDs"), such as SPEC (defined by the federal government as special hospitals for psychiatric and substance abuse treatment, i.e., freestanding facilities not operated within general hospitals, with more than 16 beds) will continue to obtain adequate funding through the Medicaid program to cover the costs associated with indigent patients who require psychiatric care. This concern is based on the expiration of a waiver that Maryland has had in place for federal participation in Medicaid funding of care in IMDs. Such participation will not continue. HSCRC concludes with an opinion in line with MHCC staff's analysis, that the project is financially feasible even if no additional rate increase in approved, based on volume projections.

(b) Staffing

The applicant has projected that staffing for Sheppard Pratt at Elkridge will increase from the current level of 185.97 full time equivalent employees (FTE's) to 330.05 FTE's in FY 2022[10]. The applicant has projected that FTE's per adjusted occupied bed (AOB) at Sheppard Pratt-Elkridge will increase from the current 2.70 to 2.99 in FY 2022. Salary expense has been projected to increase from $12,624,949 currently to $25,935,035 in FY 2022 according to the inflated financial projections included in the CON application.

The applicant stated that it does not anticipate having any difficulty in recruiting additional staff for the proposed replacement facility.

(c) Community Support

The applicant provided information in the CON application detailing the community support for the project. The applicant stated that they had discussed and received either verbal or written support from 11 state and local government officials. The applicant also obtained letters of support for their proposed project from the CEO's of the three nearest acute care hospitals. The applicant also met with local community representatives to discuss the proposed project.

Summary of Compliance with Viability Criterion

The applicant has demonstrated that it can obtain the resources necessary for project development of the replacement hospital at Sheppard Pratt at Elkridge. The projection of positive operating margins, even without the approval of a requested rate increase from the HSCRC, were based on aggressive outpatient utilization assumptions and reasonable assumptions with respect to unit revenue, expense and staffing, based on volume changes. No unusual changes in payer mix have been projected. For these reasons, staff concludes that the Sheppard Pratt at Elkridge project will have sufficient resources to be implemented and sustained. Staff recommends that the Commission find that the project is viable.

[10] Much of this large increase in staffing is the result of significantly increased outpatient service provision. Outpatient visits are projected to increase eight-fold, from a current 2,904 to 23,148 between 2015 and 2020.

E. Compliance with Conditions of Previous Certificates of Need

COMAR 10.24.01.08G(3)(e), <u>Compliance with Conditions of Previous Certificates of Need</u>.
An applicant shall demonstrate compliance with all terms and conditions of each previous Certificate of Need granted to the applicant, and with all commitments made that earned preferences in obtaining each previous Certificate of Need, or provide the Commission with a written notice and explanation as to why the conditions or commitments were not met.

SP responded that it has successfully implemented three CONs since 2000, complying with all conditions. The CON projects SP listed were:

- Relocation of 17-bed Rose Hill RTC from Montgomery County to Baltimore County – Docket # 01-03-2083; CON granted November, 2001.
- Closure of Sheppard Pratt at Ellicott City RTC Program and Partial Relocation of RTC Beds to Sheppard Pratt – Towson Campus – Docket # 06-03-2180; CON granted September, 2006.
- Construction of new hospital for Sheppard Pratt – Towson – Docket # 02-03-2108; CON granted 2003.

MHCC staff confirmed the applicant's statement. This criterion is met.

F. Impact on Existing Providers and the Health Care Delivery System

COMAR 10.24.01.08G(3)(f) <u>Impact on Existing Providers</u>.
An applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the service area, including the impact on geographic and demographic access to services, on occupancy, on costs and charges of other providers, and on costs to the health care delivery system.

SPEC estimated the impact on existing providers by adjusting the projected 2022 market shares of each inpatient psychiatric facility in the state downward according to the pro-rata share of the Maryland psychiatric market that they would lose by cohort (i.e., adolescent, young adult, adult, geriatric) to SPEC, and comparing that to the volumes they would have had if SPEC would make no market share gains. The steps employed in that calculation are described below:

1. Project the statewide number of psychiatric discharges in 2022 factoring in projected population changes and future use rate projections.
2. Project the volume of 2022 admissions for each inpatient psychiatric facility in the state (by cohort) assuming that their 2022 market share would be the same as their 2014 market share.
3. Adjust (i.e., decrease) the market share of each non-Sheppard Pratt facility by apportioning a share of the total market share loss that would occur to the non-Sheppard Pratt facilities. Calculate the resulting projected volume.
4. The impact of the SPEC project on each facility is calculated by subtracting the result of step 3 from the result of step 2.

For example, assuming that Facility A has a current market share of 5% and that the implementation of the SPEC project earns the relocated hospital a 5% market share gain, and that Sheppard Pratt collectively (i.e., the Towson and SPEC hospitals combined) now have a 20% share of the statewide market, the projected impact on Facility A is calculated as follows:

- Calculate Facility A's share of the non-Sheppard Pratt market (.05/.80 = .0625)
- Multiply Facility A's share of the non-Sheppard Pratt market (.0625) x the total market share lost to SPEC (.05). That calculation yields .003. Thus, Facility A's lost volume due to the projected market shift is 0.3%.

Using this methodology, Sheppard Pratt projected that in 2022 the impact of the replacement psychiatric hospital would result in its "taking" an additional 923 discharges from a projected statewide total of 44,817. Table III-5 shows the projected impact on the six facilities projected to absorb the greatest impact. (DI#, p.53 Table 13 and DI#, p2. Table 19)

Table III-7: Example of Impact Calculation

	2014 MD discharges	Population use rate adjustment	2022 MD discharges @ current mkt share	Impact of new Elkridge geriatric service	Impact of Elkridge adult referral recoupment	2022 Discharges @ projected mkt share	#(%) of discharges lost due to Elkridge project *
Johns Hopkins	2,247	102	2,349	(14)	(43)	2291	57 (2%)
Union Memorial	1,683	48	1,731	(6)	(43)	1683	49 (3%)
Bon Secours	1,663	36	1,699	(9)	(36)	1654	45 (2%)
Adventist BH	2,431	93	2,524	(11)	(42)	2472	53 (2%)
UMMS-Midtown	1,442	60	1,502	(10)	(38)	1455	48 (3%)
MedStar Franklin Square	1,988	78	2,066	(9)	(36)	2021	45 (2%)

***** Market shares were not projected to change in the Adolescent and Young Adult cohorts, thus no impact assessed.

SPEC also pointed out that it had received letters of support from all of the hospitals in Anne Arundel and Howard counties that expressed need for the new hospital. The letter from Steven Snelgrave, President of Johns Hopkins Howard County General Hospital noted that a recent community health needs assessment identified the need for increased access to mental health services as one of the top health concerns in Howard County.

MHCC staff's analysis of projected bed demand at the relocated hospital was based on trended use rates for the age bands served by SPEC and maintenance of existing SPEC market share, with no factor for increased market share by SPEC. Thus, staff has projected that, on the inpatient side, reasonable use of an 85-bed replacement hospital can occur with significant shifts in market share from existing facilities. The one new program originally proposed by SPEC, a geriatric program, could have been expected to result in substantive market shifts, but a dedicated program for the elderly is no longer part of the replacement facility program. There is probably more potential for market impact associated with the very large increase in outpatient service delivery projected by SPEC. But to the extent that this may have a moderating influence on growth in demand for hospitalization and hospital patient days, staff believes that this would be a generally positive impact, if these projections are realized.

Staff concludes that the applicant provided a reasonable and adequately documented analysis of impact. The project would not have a substantial negative impact on existing health care providers and will have a very positive impact on the manner in which Sheppard Pratt is able to deliver hospital care in Howard County.

IV. SUMMARY

Based on its review and analysis of the Certificate of Need application, the Commission staff recommends that the Commission find that the proposed capital project complies with the applicable State Health Plan standards, is needed, is a cost-effective approach to meeting the applicant's need to modernize SPEC, is viable, and will have a positive impact on the health care delivery system without adversely affecting other providers of health care services. The project is likely to be viable without a significant increase in rates. The applicant has a good track record in complying with the terms and conditions of previously issued CONs.

Accordingly, Staff recommends that the Commission **APPROVE** the application of the Sheppard Pratt Health System, Inc. for a Certificate of Need for a project that will replace its 78-bed special hospital for psychiatric services in Ellicott City with an 85-bed special hospital for psychiatric services in Elkridge, Maryland.

IN THE MATTER OF	*	**BEFORE THE**
	*	
SHEPPARD PRATT	*	**MARYLAND**
	*	
AT ELKRIDGE	*	**HEALTH CARE**
	*	
DOCKET NO. 15-13-2367	*	**COMMISSION**
	*	

* *

FINAL ORDER

Based on the analysis and findings in the Staff Report and Recommendation, it is this 20th day of September 2016:

ORDERED, that the application for a Certificate of Need by Sheppard Pratt Health System, Inc., Docket No. 15-13-2367, for the relocation and replacement of Sheppard Pratt at Ellicott City with a new 85-bed special hospital for acute psychiatric services, through new construction of 155,707 square feet of built space at an estimated project cost of $96,532,907, is hereby **APPROVED.**

APPENDIX 1: DESCRIPTION OF SERVICES PROPOSED FOR SHEPPARD PRATT AT ELKRIDGE

DESCRIPTION OF SERVICES PROPOSED FOR SHEPPARD PRATT AT ELKRIDGE

The **GENERAL ADULT UNIT** serves adult patients with a range of psychiatric conditions, generally (but not limited to) in the diagnostic realms of mood disorders and anxiety disorders. Admissions are for short term crisis stabilization and referral to ongoing care. Upon discharge, patients may be referred to the Adult Day Hospital for continued treatment.

The **ADOLESCENT UNIT** is a coed unit for patients ages 12 through 17, who require crisis stabilization in an inpatient environment. The unit serves a wide range of general psychiatric diagnoses, although patients with Autism Spectrum Disorders would be referred to the specialized Child and Adolescent Neuropsychiatric unit in Towson. Patients may be referred to the Adolescent Day Hospital for continuation of treatment.

The **CO-OCCURRING UNIT** serves adults with a primary psychiatric diagnosis and a secondary substance use disorder. The latter may be an addiction to alcohol or drugs (illicit or prescription). Patients are admitted for stabilization of their psychiatric condition, attention to their addiction, and referral to ongoing care for both conditions. Upon discharge, patients may be referred to the Co-Occurring track of the Adult Day Hospital for continued treatment.

The **FENTON UNIT**, named in memory of the late Dr. Wayne Fenton (a local psychiatrist who worked with patients with schizophrenia) will be a unit to serve adults with psychotic disorders. These are frequently patients with some form of schizophrenia or thought disordered illness. This unit would have the highest proportion of patients with involuntary status, as their illnesses frequently interfere with their willingness to seek help. Once stabilized, patients from this unit may continue treatment in the Psychotic Disorders day hospital (Sullivan West). Note that the current Fenton Unit is not a psychotic disorders specialty program. Demand for these services has influenced the change.

The **YOUNG ADULT UNIT** will serve patients in the 18 to 27 year old age range with a wide range of psychiatric disorders. Frequently, first psychotic episodes, which may be an indicator of schizophrenia or first indications of bipolar disorder, present in this age range. Grouping patients in this age band together works well in terms of age appropriate therapeutic group topics, and also promotes a strong sense of recovery while insulating young adults from being treated with older patients who may be more advanced in the disease process and present a more chronic outlook.

APPENDIX 2: REVIEW OF THE RECORD

REVIEW OF THE RECORD

Docket Item #	Description	Date
1	MHCC's Ruby Potter acknowledges receipt of letter of intent.	2/9/15
2	Attorney Thomas Dame files Certificate of Need Application (with large plans).	4/10/15
3	Letters of Support: Del. Clarence Lam, Victoria Bayless,	Various Dates
4	Ruby Potter letter to Ms. Bonnie to Katz acknowledging receipt of application for completeness review	4/14/15
5	Staff request to Howard County Times to publish notice of receipt of application	4/14/15
6	Staff requests that the *Maryland Register* publish notice of receipt of the CON application.	4/14/15
7	Notice of receipt of application as published in the Baltimore Sun.	4/22/15
8	Thomas Dame, Esq., adds Exhibit 16 to CON application.	5/27/15
9	Following completeness review, Commission staff requests additional information before a formal review of the CON application can begin.	6/4/15
10	Kevin McDonald email to T.Dame granting an extension until 7/31/15 for responding to completeness questions.	7/16/15
11	Sheppard Pratt responds to completeness letter.	8/3/15
12	Sheppard Pratt provides a supplemental response to their response to completeness letter providing a response to Question 26.	8/18/15
13	MHCC letter requesting additional completeness information.	8/21/15
14	Sheppard Pratt responds to 8/21/15 Request for additional completeness information.	8/26/15
15	MHCC notifies Bonnie Katz that formal Start of Review of application will be 9/18/15.	9/3/14
16	Commission requests publication of notification for the formal start of review in *The Baltimore Sun*.	9/3/15
17	Commission requests publication of notification for the formal start of review in the *Maryland Register*.	9/3/15
18	Staff sends a copy of the CON application to the Howard County Health Department for review and comment.	9/3/15
19	Notice of formal start of review is published in the Baltimore Sun.	9/10/15
20	E-mails – Katz/McDonald/Dame – clarification on response for IMD waiver issues	10/27/15
21	E-mails – Katz/McDonald/Dame – Additional Information	11/18/15
22	Anonymous letter opposing the project received by MHCC.	2/3/16
23	MHCC responds to petition by Thomas Dame seeking amendment to SHP.	2/26/16
24	T.Dame to Steffen – Response to letter of 2/26/16 Regarding of Amendment to SHP	4/1/16
25	McDonald to Katz – Request for additional information on application	4/7/16
26	E-mail – McDonald to Katz – requesting further explanation on answer to Standard AP7	4/11/16
27	T. Dame Response to 4/7/16 request for additional information	4/20/16
28	Katz/McDonald E-mail exchange re: proposed space of new facility– Space Discussion	5/26/16
29	Dame to McDonald – Supplemental submission	7/1/16
30	McDonald to Kinzer/Schmith – Request HSCRC Comments on project	7/19/16
31	Sign-in sheet from Status Conference	7/29/16
32	Dame to Steffen – Applicant will be modifying application by 8/22/16	8/3/16
33	Ella Aiken, Esq. to Potter – Modification Request for Sheppard Pratt	8/22/16
34	MHCC staff requests HSCRC revised opinion re: viability and financial feasibility	
35	HSCRC Comments on application	

APPENDIX 3: EXCERPTED CON STANDARDS FOR PSYCHIATRIC BEDS FROM STATE HEALTH PLAN CHAPTER 10.24.07

EXCERPTED CON STANDARDS FOR PSYCHIATRIC BEDS FROM STATE HEALTH PLAN CHAPTER 10.24.07

Each of these standards prescribes policies, services, staffing, or facility features necessary for CON approval that MHCC staff have determined the applicant has met. Bolding added for emphasis. Also included are references to where in the application or completeness correspondence the documentation can be found.

STANDARD	**APPLICATION REFERENCE (Docket Item #)**
Standard AP 3a Inpatient acute psychiatric programs **must provide an array of services**. At a minimum, these specialized services must include: chemotherapy, individual psychotherapy, group therapy, family therapy, social services, and adjunctive therapies, such as occupational and recreational therapies.	DI# 2, p.22
Standard AP 4b Certificate of Need applicants proposing to provide two or more age specific acute psychiatric services **must provide that physical separations and clinical/programmatic distinctions are made between the patient groups.**	DI# 2, p.23
Standard AP 5 Once a patient has requested admission to an acute psychiatric inpatient facility, **the following services must be made available:** (i) intake screening and admission; (ii) arrangements for transfer to a more appropriate facility for care if medically indicated; or (iii) necessary evaluation to define the patient's psychiatric problem and/or (iv) emergency treatment.	DI# 2, p.24
Standard AP 6 All hospitals providing care in designated psychiatric units **must have separate written quality assurance programs, program evaluations and treatment protocols for special populations**, including children, adolescents, patients with secondary diagnosis of substance abuse, and geriatric patients, either through direct treatment or referral.	DI# 2, p.25
Standard AP 12a Acute inpatient psychiatric services **must be under the clinical supervision of a qualified psychiatrist.**	DI# 2, p.29

Standard AP 12b **Staffing of acute inpatient psychiatric programs should include** therapists for patients without a private therapist and aftercare coordinators to facilitate referrals and further treatment. Staffing should cover a seven-day per week treatment program.	DI# 2, p.31
Standard AP 12c Child and/or adolescent acute psychiatric units **must include staff who have experience and training in child and/or adolescent acute psychiatric care**, respectively.	DI# 2, p.31
Standard AP 13 Facilities providing acute psychiatric care **shall have written policies governing discharge planning and referrals** between the program and a full range of other services including inpatient, outpatient, long-term care, aftercare treatment programs, and alternative treatment programs. These policies shall be available for review by appropriate licensing and certifying bodies.	DI# 2, p.32

APPENDIX 4: SPACE (SF/BED) BENCHMARKING INFORMATION PROVIDED BY SHEPPARD PRATT

GALLAGHER
EVELIUS & JONES LLP
ATTORNEYS AT LAW

THOMAS C. DAME
tdame@gejlaw.com
direct dial: 410 347 1331
fax: 410 468 2786

July 1, 2016

VIA EMAIL AND U.S. MAIL

Mr. Kevin R. McDonald
kevin.mcdonald@maryland.gov
Chief, Certificate of Need
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215-2299

Re: Sheppard Pratt at Ellicott City
Relocation and Replacement of Special Psychiatric Hospital
Matter No. 15-23-2367

Dear Kevin:

On behalf of Sheppard Pratt Health System, Inc., I write to provide the following supplemental submissions in connection with the above-referenced Certificate of Need review for the proposed replacement and relocation of the special psychiatric hospital known as Sheppard Pratt at Ellicott City:

1. **Revised Behavioral Health Inpatient Unit Program Benchmarking Chart, prepared by Cannon Design.** As you requested, the revised benchmarking chart includes columns showing building gross square footage (BGSF) and BGSF / bed for each comparison facility. Also, Cannon Design added columns showing "off unit inpatient therapy departmental gross square footage (DGSF)" for each facility. Finally, Cannon Design sorted the freestanding psychiatric facilities into "State / County Psychiatric Hospitals" and "Academic / Private Psychiatric Hospitals." The proposed project is most comparable to the facilities in the latter category. Cannon Design provides additional information about the benchmarking chart in the enclosed narrative.

2. **Comparison of Proposed Sheppard Pratt at Elkridge to Weinberg Building – Sheppard Pratt Hospital – Towson (Adjusted BGSF).** To show that the proposed project is sized similarly (proportionally) to the existing Weinberg Building on Sheppard Pratt's Towson campus, Sheppard Pratt presents a chart that shows the adjusted BGSF for the Weinberg Building. As explained in the submission, in order to create an appropriate comparison to the proposed project, the space in the Weinberg Building was adjusted to include building components and services that are not located in the Weinberg Building but are located elsewhere on the Towson

#563553
011000-0005

campus. After accounting for these adjustments, the BGSF / bed of the Weinberg Building is calculated to be slightly greater (1722) than the BGSF / bed for the proposed project (1715).

I hope this information is useful. Thank you for your continued consideration of this matter. If you would like to discuss this matter, please call me at your convenience.

Very truly yours,

Thomas C. Dame

TCD:blr
Enclosures

cc: Paul Parker, Director, Center for Health Care Facilities Planning & Development, MHCC
William Chan, Health Policy Analyst, MHCC
Suellen Wideman, Esq., Assistant Attorney General, MHCC
Jinlene Chan, M.D., Health Officer, Anne Arundel County Health Department
Leana S. Wen, M.D., Health Officer, Baltimore City Health Department
Gregory W. Branch, M.D., Health Officer, Baltimore County Health Department
Henry Taylor, M.D., Health Officer, Carroll County Health Department
Susan C. Kelly, EHS, Health Officer, Harford County Health Department
Maura J. Rossman, M.D., Health Officer, Howard County Health Department
Steven S. Sharfstein, M.D., President & CEO
Bonnie Katz, VP, Business Dev. & Support Operations, Sheppard Pratt Health System
Gerald Noll, VP & CFO, Sheppard Pratt Health System
Thomas D. Hess, Special Assistant to the President, Sheppard Pratt Health System
Scott Thomas, Senior VP, Cannon Design
Ella Aiken, Esq.

Comparison of Proposed Sheppard Pratt at Elkridge to Weinberg Building - Sheppard Pratt Hospital - Towson (Adjusted BGSF)

Building Component / Dept.	BGSF	Narrative
A		The Weinberg replacement hospital building
192 bed Weinberg Bldg (actual)	228,161	was designed and constructed as a 192 bed, all private rooms
Weinberg gym	12,285	facility. It opened in 2005.
B		
Adult Day Hospital	6,024	The hospital building consists of a 228,161 sq. ft. facility
Eating Disorders Day Hospital	6,805	and 12,285 sq. ft. Gymnasium. (A Items)
Eating Dis. Int. Outpatient Program	2,997	
Adolescent Day Hospital	5,534	Listed here are the sq. footage allocations for the clinical
Psychotic Disorders Day Hospital	3,919	services that are projected for Elkridge that are NOT located
		in the Weinberg square footage. (B Items)
C		
Conference Rooms	1,129	The C Items consist of administrative and support services that are
Process Improvement	851	encapsulated in the proposed Elkridge square footage but are
Occupational Safety	221	not located in the Weinberg building in Towson.
Quality Evaluation	1,592	Square footage for each has been adjusted to reflect
Info Systems	8,924	proportionate square footage needed to support 192
Environmental Services	7,712	beds in Towson.
Nutrition Services	14,088	
Communications Tech	2,250	Item D reflects the square footage for physician offices, which
Postal Services	474	are located outside of the Weinberg building in Towson.
Central Duplication	250	
Support Services	599	
Infection Control	126	
Materials Handling	1,613	
Plant Operations and Maintenance	13,171	
D		
Physician offices - Power Plant	11,872	
	330,597	

Building Gross /	# beds	equals	BGSF per bed
330,597	192		1722

CANNONDESIGN

July 1, 2016

RE: Sheppard Pratt Hospital at Elkridge Proposed Space Program and Program Benchmarking

The proposed Sheppard Pratt at Elkridge facility is programmed at 171,490 Building Gross Square Feet (BGSF) or 1,715 BGSF/Bed. This is within the range of benchmarked Private and Academic Psychiatric Hospital facilities. The benchmarked facilities overall BGSF varies due to the amount of outpatient clinics, administration, research and educational space.

- St. Joseph's Hamilton benchmarks at the high end of the scale due to extensive outpatient clinics, a primary care medical clinic, research space and space for the entire Psychology department of McMasters University.
- On the other hand, Lindner Center of HOPE benchmarks on the low end due to limited outpatient services offered.

Outpatient services and clinic sizes are driven by service line demand and volumes rather than bed counts, best practices and codes.

- The State and County Hospitals benchmarked offer no outpatient services and have substantially lower total BGSF.
- The University of Arizona Behavioral Health Pavilion has a higher overall BGSF due to the expansive Emergency Department, Crisis Response Center and Court facilities.

Because of this variability, we typically benchmark the Departmental Gross Square Feet (DGSF) of inpatient units and the inpatient zones of facilities.

The proposed Sheppard Pratt Hospital at Elkridge Inpatient Units benchmark at 676 DGSF per bed. This is within the range of the benchmarked Private and Academic Psychiatric Hospital facilities.

- Both St. Joseph's Healthcare and the proposed Sheppard Pratt Hospital at Elkridge facilities benchmark on the higher end of the scale due to on-unit therapy space. St. Joseph's Healthcare includes a combination of on-unit therapy space and a smaller off-unit therapy mall.
- In comparison to Lindner Center of HOPE and Waypoint which have less on-unit therapy and activity space, but have considerably larger inpatient therapy malls.
- The model of care for the proposed Sheppard Pratt Hospital at Elkridge supports their shorter average length of stay by including therapy space directly

on the unit. The off-unit inpatient therapy space programmed for the facility is the medical clinic and the gymnasium. In general to accurately compare inpatient zone benchmarks both the DGSF per bed for the inpatient unit and the off-unit inpatient therapy need to be considered. The proposed program for Sheppard Pratt Hospital at Elkridge includes 781 DGSF per bed which is within the range of benchmarked Private and Academic Psychiatric Hospital facilities which range from 757 DGSF per bed to 828 DGSF per bed.

BOSTON NEW YORK WASHINGTON DC BALTIMORE PITTSBURGH BUFFALO TORONTO MONTREAL CHICAGO ST LOUIS VANCOUVER SAN FRANCISCO LOS ANGELES PHOENIX MUMBAI ABU DHABI BOSTON NEW YORK WASHINGTON DC BALTIMORE PITTSBURGH BUFFALO TORONTO MONTREAL CHICAGO ST LOUIS VANCOUVER SAN FRANCISCO LOS ANGELES PHOENIX MUMBAI ABU DHABI BOSTON NEW YORK WASHINGTON DC BALTIMORE PITTSBURGH

BEHAVIORAL HEALTH INPATIENT UNIT PROGRAM BENCHMARKING

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	New (N) or Renovation (R)	Building Gross SF	BGSF per bed	Off-Unit Inpatient Therapy DGSF	Off-Unit Inpatient Therapy DGSF per bed	Unit Departmental Gross SF [1]	# of Beds on a PCU	DGSF per bed	Number of Private Rooms	Percent of Beds in Private Rooms	Patient Room Size (nsf)	Patient Toilet Room Size (nsf)	Patient Toilet Room (2 piece or 3 piece)	Shower Room	Seclusion Room Quantity	Medical Isolation Room Quantity	Dining Area (number and size)	Servery/Nourishment	Activity/Lounge (number and size)	Interview/Consultation/Visiting/Quiet Rooms (number and size)	Medication Teaching Room	Group Room(s) (number and size)	ADL	Activity (noisy or quiet), Group Therapy, & Dining space NSF per patient (does not include interview/consult spaces)	Exam Room	Nurse Station	Open or Closed Care Station	Medication Room	Team Charting/Report	Team Conference Room	Staff/Physician Offices - On Unit	Staff Workstations - On Unit	Staff/Physician Offices - Directly Off Unit	Staff Workstations - Directly Off Unit
Acute Care Hospitals																																		
Claxton-Hepburn	R/N	n/a	n/a	n/a	n/a	12,000	28	429	2	7%	120, 220	60	2, 3 mixed		1	0	350	100	755	2 @ 110	n/a	1 @ 315	n/a	51	Yes	160	Closed	85	104	2 @ 110	4 @ 120	n/a	8 @ 150	
SUNY Upstate	R	n/a	n/a	n/a	n/a	13,390	24	558	24	100%	165	40	3		1	2	530	100	240	3 @ 100 1 @ 160	n/a	5 @ 240	n/a	82	Yes	150	n/a	100	none	225	1 @ 100	n/a	8 @ 100	
Niagara Health	N	n/a	n/a	n/a	n/a	12,855	24	536	16	67%	180, 290	50, 70	3		1	2	600	180	720	2 @ 120	n/a	1 @ 225	n/a	64	No	260	Combin ation	100	180	No	4 flex wkstn	n/a	3 @ 100	
State/ County Psychiatric Hospitals																																		
Essex County	N	151,000	839 [2]	11,695	65	11,910	30	397	0	0%	195	55	3	n/a	1	1	1320	None	share w/ dining	2 @110 each	n/a	2 @180	n/a	56	Yes	225	Open	95	120	225	1 @110	n/a	8 @ 110	
Western State Hospital	N	336,000	1,313 [2]	48,505	197	15,428	28	551	28	100%	100	50	2	5 @ 60	2	on one unit	800	160	800	2 @ 110 1 @ 180	n/a	n/a	n/a	57	Yes	350	Combin ation	150	200	240	1 @110	1 @ 80	8 @ 100	5 @ 60
North Carolina State	N	488,500	1,131 [2]	49,233	126	11,795	28	422	28	100%	130, 170	47	3	n/a	2	0	dining off unit	32	600	4 @ 100	n/a	1 @ 240	n/a	30	Yes	135	Open	80	225	No	2 @ 100 1 @ 80	n/a	None	
University of Arizona, Behavorial Health Pavillion (Formerly Pima County)	N	176,000	1,760 [2]	0	n/a	12,758	25	511	25	100%	100	50	3	n/a	2	n/a	500	200	1 @ 750 1 @ 240	1 @ 100 1 @ 120	n/a	1 @ 240 1 @ 180	n/a	66	Yes	240	Open	100	100	240	n/a	n/a	1 @ 180	central-ized
Academic/ Private Psychiatric Hospitals																																		
St. Joseph's Hamilton	N	800,000	2,632	42,846	141	16,485	24	687	24	100%	140	70	3	180	1	1	700	1 @ 280 1 @ 100 (pat)	3 @180	directly off unit	80	directly off unit	directly off unit	52	Yes	150	Open	120	200	300	off unit	off unit	12 @ 110	9 @ 65 2 @ 40
Waypoint Center	N	350,000	1,750 [2]	46,102	230	10,540	20	527	20	100%	110 [3]	30	2	3 @140	central-ized	n/a	500	350 [4]	2 @ 350	1 @ 120	1 @ 100	share w/ dining	200	75	No	290	Open	80	n/a	n/a	1 @ 120 1 @ 100	4 @ 65		
Lindner Center of HOPE	N	97,000	1,516	13,004	203	9,192	16	575	16	100%	153	37	3	n/a	2	0	shared w/ activity	32	580	4 @ 100	n/a	2 @ 210 1 @ 325	n/a	83	No	195	Open	110	275	No	0	n/a	2 @ 120	
Sheppard Pratt Proposed Elkridge Facility	N	171,490	1,715	10,544	105	11,490	17	676	15	88%	120	65	3	n/a	2	0	425	1 @ 200 1 @ 80	510	3 @ 120	n/a	2 @ 300	n/a	90	Yes	60	Open	120	450	300	0	n/a	6 @ 100	
2014 FGI - Code Requirements	n/a	n/a	n/a			n/a	n/a	n/a	max of 2 patients per room	n/a	100, 160 + millwork	per accessi bility codes	2 pc min	1 tub/ shwr per 6 beds not served at room	1	Not required , as per facility	20 sf per patient, may be off unit	Yes in some capacity	25 sf per patient, min 2 spaces	1 Visitor/ Quiet 2 Cons per 12 beds		1 @ 225		40 sf per pat. Dining and Activity	No	yes, size not noted	n/a	yes	1	may combine w/chart room	n/a		n/a	
VA Design Guide (2010) and Space Planning Criteria (2008)	n/a	n/a	n/a			n/a	n/a	n/a	50% of beds in private rooms	50%	135 to 160 p, 160 bar, 230 s-p	50 to 65, 75 bariatric	3	1 @ 100	1	Not req'd in unit	360 sf + 15 per each bed >24 [5]	servery @ 235, nour @ 70	675 sf + 28 per each bed >24	1 quiet @ 120, 2 int'v @ 120		1 @ 225		43 sf per pat. Dining and Day rm	1 @ 120	300	open	120	220	250	depends on number of authorized positions		depends on number of authorized positions	

Notes

(1) unit total DGSF does not include off unit offices
(2) no outpatient clinics
(3) 20% of rooms are 140 sf for accessibility
(4) shared between pairs of units - serves 40 beds
(5) 700 sf Dining Room shown in VA guide plate

APPENDIX 5: HSCRC Opinion Letter

Health Services Cost Review Commission
4160 Patterson Avenue, Baltimore, Maryland 21215
Phone: 410-764-2605 · Fax: 410-358-6217
Toll Free: 1-888-287-3229
hscrc.maryland.gov

MEMORANDUM

TO: Kevin McDonald, Chief - CON, MHCC

FROM: Donna Kinzer, Executive Director, HSCRC
Gerard J Schmith, Deputy Director, Hospital Rate Setting, HSCRC

DATE: September 13, 2016

RE: Sheppard Pratt at Elkridge
Replacement Hospital Project
Docket No. 15-13-2367

On August 23, 2016 you requested that we review and comment on the financial projections and feasibility of the "Modified Sheppard Pratt at Elkridge Replacement Hospital Project." The project was modified in response to a Project Status Conference at which MHCC advised the applicant that the size of the project (number of beds) would have to be reduced for staff to consider recommending approval of the project. In response, the applicant reduced the project from 100 beds to 85 and eliminated a proposed dedicated geriatric unit. The project as now proposed is described below.

Sheppard Pratt at Ellicott City ("Sheppard Pratt," or "the Hospital") is a psychiatric institution operating at 4100 College Avenue in Ellicott City, Howard County. Built in 1968, the facility is licensed for 92 inpatient beds, but is currently staffed and operating with 78 inpatient beds. The facility also operates an outpatient behavioral health program in the form of a psychiatric day hospital. With the lease on the current site expiring on December 31, 2018, Sheppard Pratt desires to relocate to a 39.1 acre site located at the intersection of Route 103 and Route 1 in Elkridge, Howard County.

The applicant proposes to build a new freestanding, four-story replacement facility totaling 155,707 building gross square footage ("BGSF"), down from the originally-proposed 171,490 BGSF. It would be comprised of 85 beds, equally distributed among five discrete units -- designated as General Adult, Psychotic Disorders (Fenton General Adult Unit), Co-Occurring Disorders, Young Adult, and Adolescents.

The revised total project cost, including financing, is estimated to be $96,532,907, down from the $102,653,372 cost of the original proposal. Sheppard Pratt proposes to fund this project with an equity contribution of $14.9 million, $15.0 million in fundraising, and the balance to be borrowed through a long-term Maryland Health and Higher Educational Facilities Authority (MHHEFA) tax exempt bond issuance in the amount of $66.7 million. In addition, as part of a partial rate application that was previously filed with the HSCRC, Sheppard Pratt is requesting an increase in rates of $2,136,852 which, the Hospital claims, is equal to approximately 50% of the increase in capital costs (principal and interest) associated with the proposed project. The original rate application submitted to the HSCRC anticipated a borrowing of $70 million. The Hospital has not submitted a modification to its original rate request, and the HSCRC to date has not approved any increase. However, the HSCRC staff was able to review the financial projection provided by the Hospital independent of any additional rate increase.

We reviewed the projections of uninflated revenues and expenses after removing the revenue associated with the additional rate increase included in those projections. Based on those calculations, the Hospital is projecting a 63% increase in net patient revenue due to changes in volumes over the 4 year period from FY 2018 to FY 2022. For that same period of time, the Hospital is projecting expenses to increase 85% due to these same changes in volumes. This equates to an expected variable cost factor of 133%. Removal of the depreciation and interest on the new building and continuing to include the same lease expense as in prior years lowers the variable cost factor to 92%. This factor still seems to be very high. Much of this increase is due to salaries over which the Hospital has significant control.

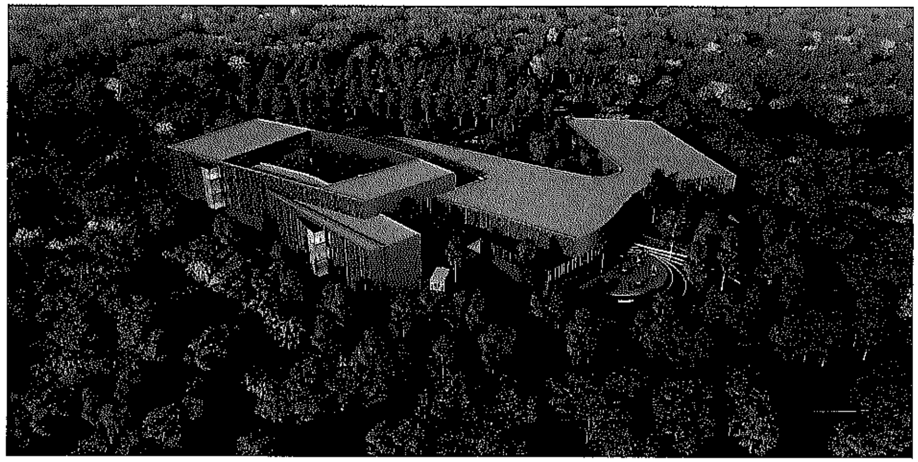
We also reviewed the projections of inflated revenues and expenses after removing the revenue associated with the additional rate increase included in those projections. Based on those calculations, the Hospital is also projecting a 7.5% increase in total revenue due to inflation over the 4 year period from FY 2018 to FY 2022. For that same period of time, the Hospital is projecting expenses to increase by 5.4%. This equates to an expected increase to profits of approximately 2.1%.

Based on these modified projections, the Hospital's Operating Margin ranged from 5.4% to 9.3% during the projection period from FY 2019 to FY 2022. Any additional approved rate increase would increase these profit margins.

Finally, we reviewed the audited financial statements for FY 2015 of Sheppard Pratt Health System, Inc. of which the Hospital is the main entity. This includes the operating results for both the Ellicott City and Towson, Maryland campuses. These statements show a 5.25% Operating Profit, 4x Debt Service Coverage Ratio, 90 Days of Cash on Hand, and 40% Debt to Capitalization for fiscal year 2015.

HSCRC staff has some concern over whether Maryland's Institutions for Mental Disease and the Department of Behavioral Health's will be able to cover the costs associated with these patients who require psychiatric care. Nonetheless, based on all the information reviewed, Staff believes that the project is financially feasible even if no additional rate increase is approved for the current rate application before the HSCRC.

APPENDIX 6: Project Drawings



SHEPPARD PRATT
HEALTH SYSTEM

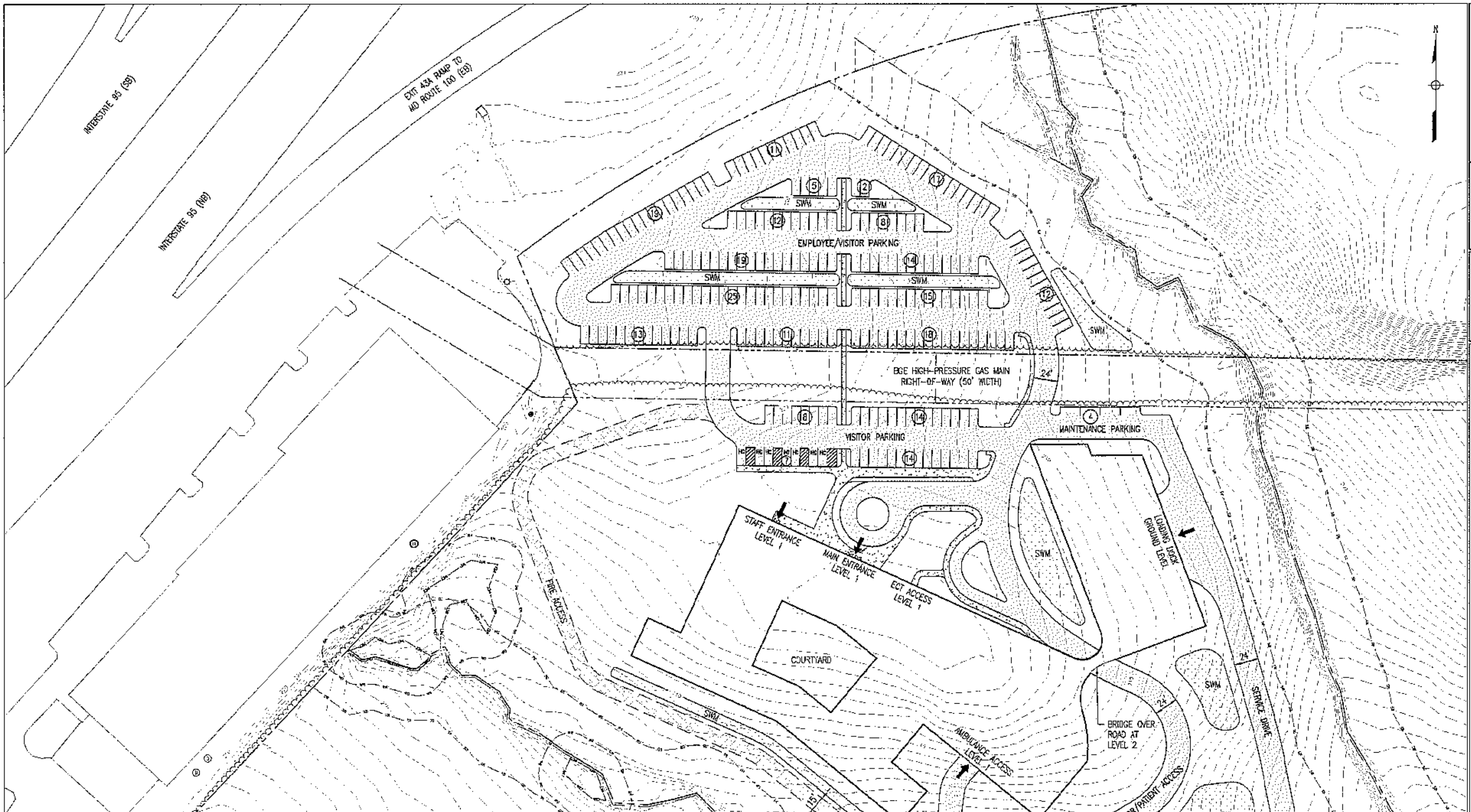
85 BED REPLACEMENT
BEHAVIORAL HEALTH
FACILITY

004598.00
CON SUBMISSION
08.22.2016

CANNONDESIGN

BOSTON NEW YORK BALTIMORE WASHINGTON DC BUFFALO TORONTO MONTREAL CHICAGO
ST. LOUIS VANCOUVER SAN FRANCISCO LOS ANGELES PHOENIX SHANGHAI MUMBAI DELHI

Consultants:



LEGEND

- PROPERTY BOUNDARY
- GAS RIGHT-OF-WAY
- MAJOR CONTOURS
- MINOR CONTOURS
- WETLANDS
- WETLAND BUFFER
- STREAM
- STREAM BUFFER
- TREELINE
- NEW BUILDING
- NEW PAVING
- NEW SIDEWALK
- NEW FIRE ACCESS
- NEW STORMWATER MANAGEMENT FACILITY

PARKING TABULATION

REGULAR SPACES PROVIDED:	237
ADA SPACES PROVIDED:	7
MAINTENANCE SPACES PROVIDED:	6
TOTAL SPACES PROVIDED:	250

SHEPPARD PRATT HEALTH SYSTEM

Project No.:

PRIME A/E:

CANNONDESIGN

250 West Pratt Street, Suite 2100
Baltimore, Maryland 21201
T: 410.234.1166
F: 410.234.1160

STAMP/SEAL:

A/E CONSULTANTS:

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801 South Caroline Street
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410.235.3450

Mahan Rykiel Associates, Inc.
Landscape Architecture
800 Wyman Park Drive, Suite 100
Baltimore, MD 21211
410.235.6001

0 20' 40' 80'
SCALE: 1" = 40'

ISSUED FOR: PLANNING STUDY

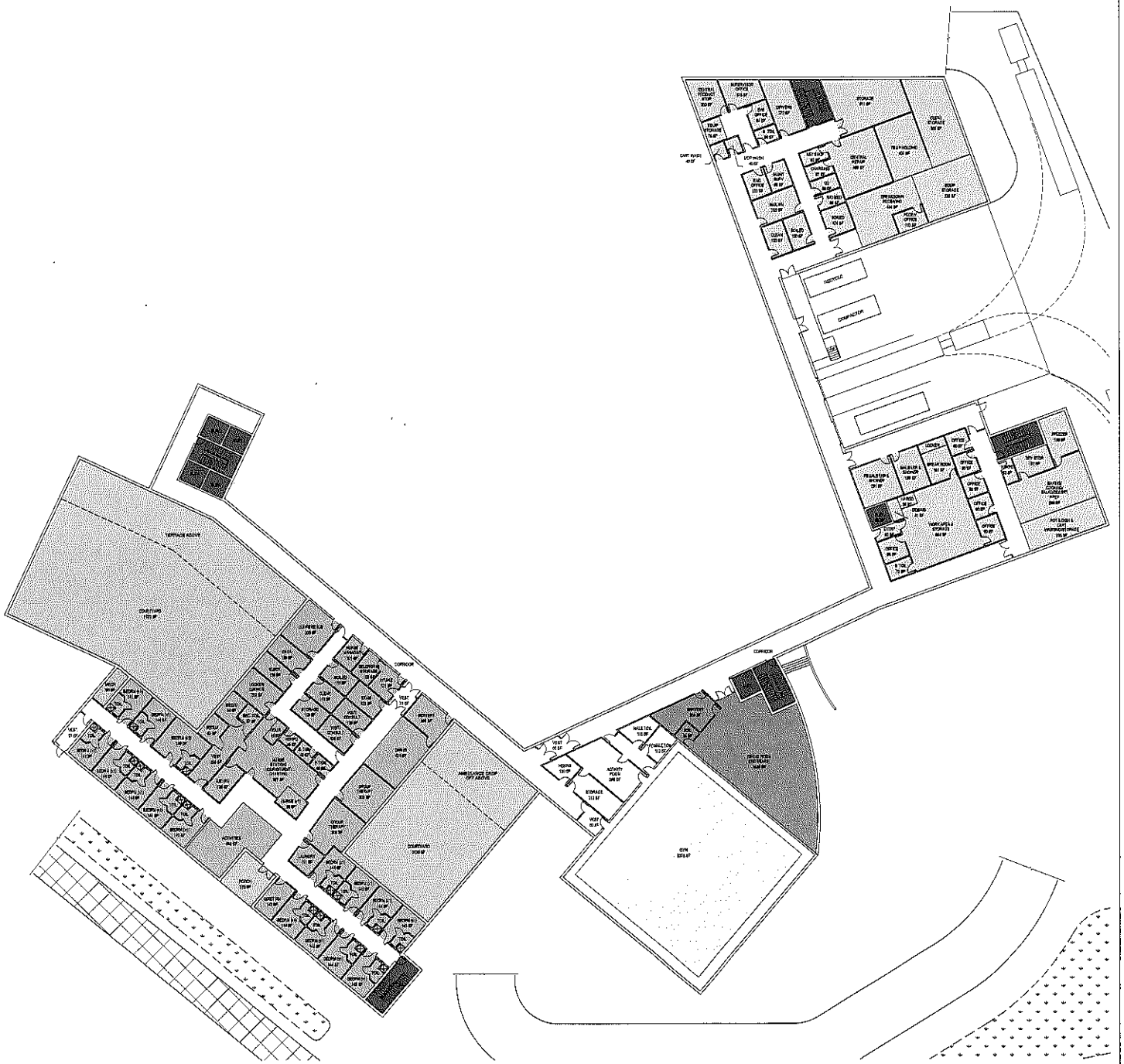
REV	DATE	DESCRIPTION

SCALE: | DATE: 02/24/2016

SHEET TITLE:

CONCEPT SITE PLAN

Printed on: 01 JAN 2014



1 GROUND FLOOR PLAN
3/16" = 1'-0"

8/27/2015 2:05:15 PM

SHEPPARD PRATT HEALTH SYSTEM

85 BED REPLACEMENT BEHAVIORAL HEALTH FACILITY
ELKRIDGE, MD

CANNONDESIGN
2170 Whitehaven Road
Grand Island, New York 14072
T: 716.773.6600
F: 716.773.5969

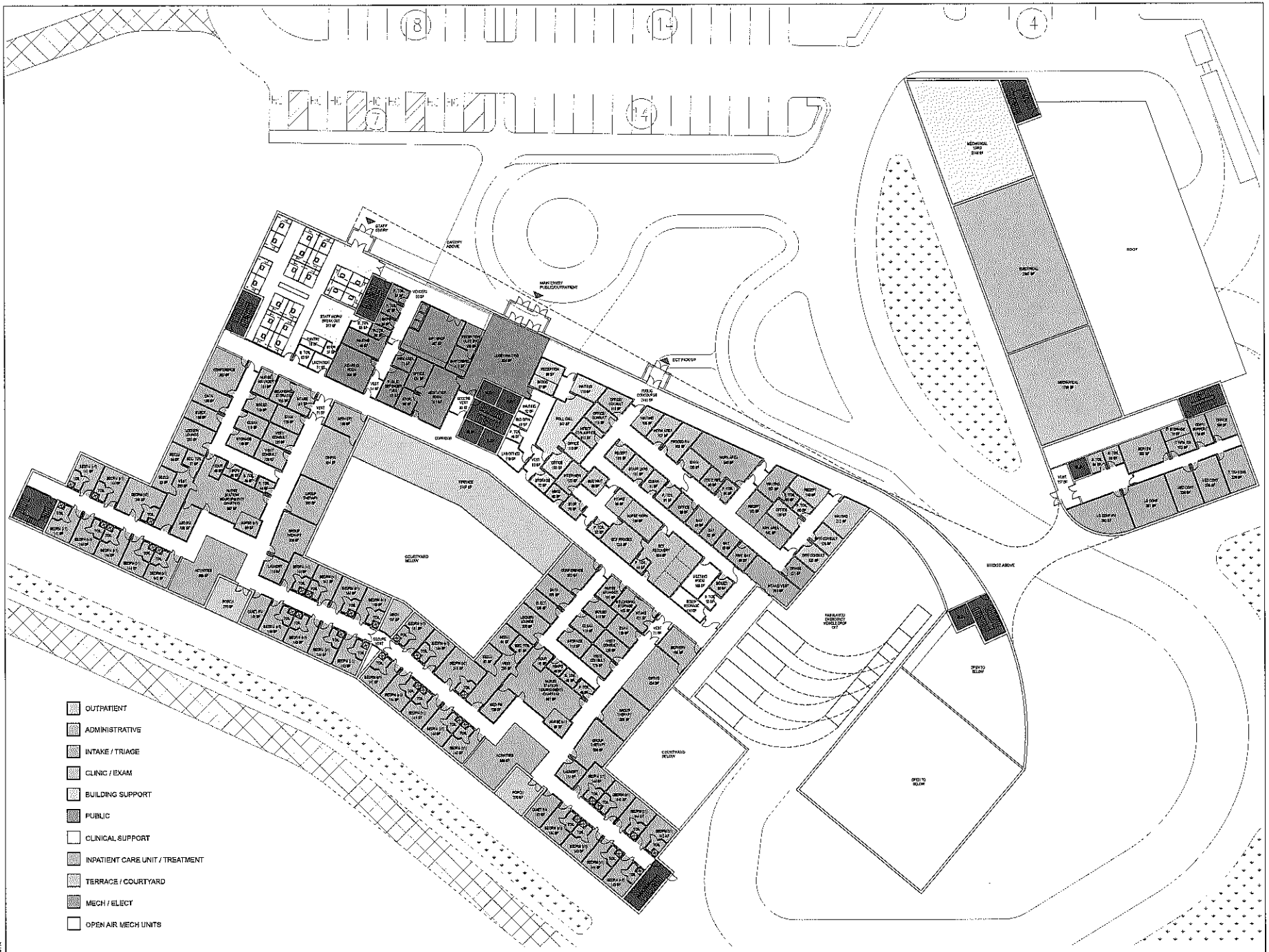
No.	Description	Date
	RELEASE 1	22 AUG 2016

Drawing Title:

GROUND FLOOR PLAN

Project No: 004590.00 Checked by: Checker

CON100



1 FIRST FLOOR PLAN
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SHEPPARD PRATT HEALTH SYSTEM

85 BED REPLACEMENT BEHAVIORAL HEALTH FACILITY
ELKRIDGE, MD

CANNONDESIGN
2170 Whitehaven Road
Grand Island, New York 14072
T: 716.773.6000
F: 716.773.6699

No.	Description	Date
-	RELEASE 1	22 AUG 2016

Drawing Title:

FIRST FLOOR PLAN

Project No.: 064590.03 Checked by: Checker

CON101

SHEPPARD PRATT
HEALTH SYSTEM

85 BED REPLACEMENT
BEHAVIORAL HEALTH
FACILITY
ELKRIDGE, MD

CANNONDESIGN

2170 Whitehaven Road
Grand Island, New York 14072
T: 716.773.6800
F: 716.773.5909

No.	Description	Date
1	RELEASE 1	22 AUG 2016

Drawing Title:

SECOND FLOOR PLAN

Project No.: 004390.00 Checked by: Checker

CON102

1 SECOND FLOOR PLAN
1/16" = 1'-0"

1 THIRD FLOOR PLAN
3/16" = 1'-0"

6/19/2015 2:22:24 PM

SHEPPARD PRATT HEALTH SYSTEM

85 BED REPLACEMENT BEHAVIORAL HEALTH FACILITY
ELKRIDGE, MD

CANNONDESIGN
2170 Whitehorse Road
Grand Island, New York 14072
T: 716.772.5900
F: 716.772.5908

No.	Description	Date
-	RELEASE 1	22 AUG 2015

Drawing Title:

ROOF PLAN

Project No.: 094090.00 Checked by: Checker

CON103

1 TYPICAL INPATIENT UNIT PLAN
1/8" = 1'-0"

8/30/2016 10:57:14 PM

SHEPPARD PRATT HEALTH SYSTEM

85 BED REPLACEMENT BEHAVIORAL HEALTH FACILITY
ELKRIDGE, MD

CANNONDESIGN
2116 Whitehaven Road
Grand Island, New York 14072
T: 716.773.8000
F: 716.773.5929

No.	Description	Date
-	RELEASE 1	22 AUG 2016

Drawing Title:

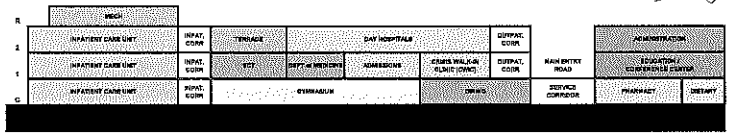
TYPICAL INPATIENT UNIT PLAN

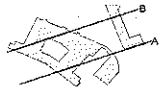
Project No.: 054500.06 Checked by: Checker

CON104

STACKING DIAGRAM

A

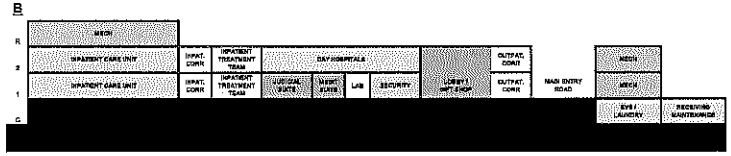


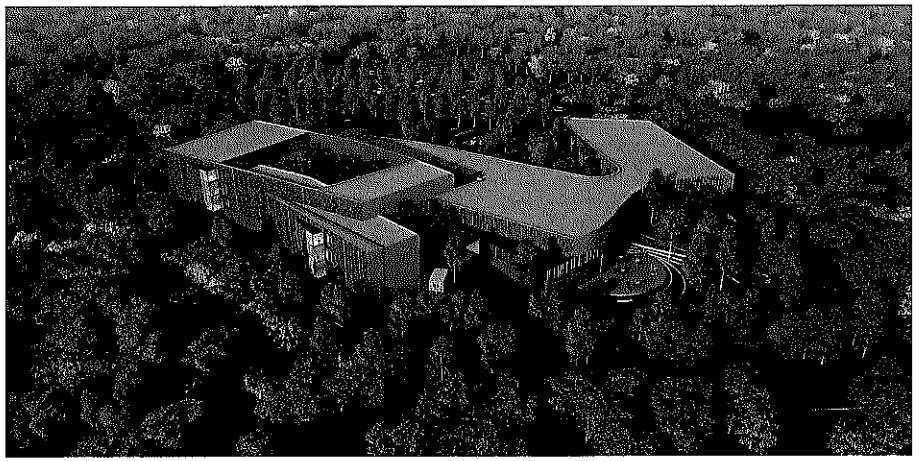


KEY PLAN

STACKING DIAGRAM

B





STACKING DIAGRAM

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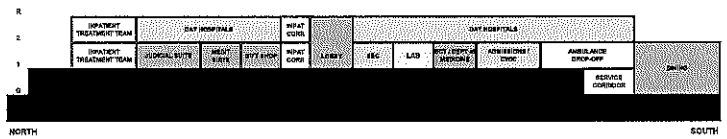
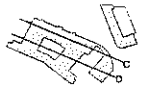
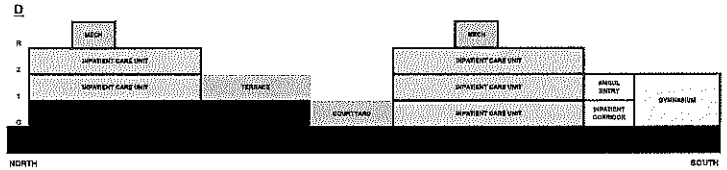




KEY PLAN

STACKING DIAGRAM

D



SHEPPARD PRATT HEALTH SYSTEM

85 BED REPLACEMENT BEHAVIORAL HEALTH FACILITY
ELKRIDGE, MD

CANNONDESIGN
2170 Wildflower Road
Grand Island, New York 14072
T: 716.773.5000
F: 716.773.5999

No.	Description	Date
-	RELEASE 1	22 AUG 2015

Drawing Title:

STACKING DIAGRAMS AND ELEVATIONS/RENDERS

Project No.: 054000.00 Checked by: Checker

CON105

APPENDIX 4: SPACE (SF/BED) BENCHMARKING INFORMATION PROVIDED BY SHEPPARD PRATT

GALLAGHER
EVELIUS & JONES LLP
ATTORNEYS AT LAW

THOMAS C. DAME
tdame@gejlaw.com
direct dial: 410 347 1331
fax: 410 468 2786

July 1, 2016

VIA EMAIL AND U.S. MAIL

Mr. Kevin R. McDonald
kevin.mcdonald@maryland.gov
Chief, Certificate of Need
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215-2299

Re: Sheppard Pratt at Ellicott City
Relocation and Replacement of Special Psychiatric Hospital
Matter No. 15-23-2367

Dear Kevin:

On behalf of Sheppard Pratt Health System, Inc., I write to provide the following supplemental submissions in connection with the above-referenced Certificate of Need review for the proposed replacement and relocation of the special psychiatric hospital known as Sheppard Pratt at Ellicott City:

1. **Revised Behavioral Health Inpatient Unit Program Benchmarking Chart, prepared by Cannon Design.** As you requested, the revised benchmarking chart includes columns showing building gross square footage (BGSF) and BGSF / bed for each comparison facility. Also, Cannon Design added columns showing "off unit inpatient therapy departmental gross square footage (DGSF)" for each facility. Finally, Cannon Design sorted the freestanding psychiatric facilities into "State / County Psychiatric Hospitals" and "Academic / Private Psychiatric Hospitals." The proposed project is most comparable to the facilities in the latter category. Cannon Design provides additional information about the benchmarking chart in the enclosed narrative.

2. **Comparison of Proposed Sheppard Pratt at Elkridge to Weinberg Building – Sheppard Pratt Hospital – Towson (Adjusted BGSF).** To show that the proposed project is sized similarly (proportionally) to the existing Weinberg Building on Sheppard Pratt's Towson campus, Sheppard Pratt presents a chart that shows the adjusted BGSF for the Weinberg Building. As explained in the submission, in order to create an appropriate comparison to the proposed project, the space in the Weinberg Building was adjusted to include building components and services that are not located in the Weinberg Building but are located elsewhere on the Towson

#563553
011000-0005

campus. After accounting for these adjustments, the BGSF / bed of the Weinberg Building is calculated to be slightly greater (1722) than the BGSF / bed for the proposed project (1715).

I hope this information is useful. Thank you for your continued consideration of this matter. If you would like to discuss this matter, please call me at your convenience.

Very truly yours,

Thomas C. Dame

TCD:blr
Enclosures

cc: Paul Parker, Director, Center for Health Care Facilities Planning & Development, MHCC
William Chan, Health Policy Analyst, MHCC
Suellen Wideman, Esq., Assistant Attorney General, MHCC
Jinlene Chan, M.D., Health Officer, Anne Arundel County Health Department
Leana S. Wen, M.D., Health Officer, Baltimore City Health Department
Gregory W. Branch, M.D., Health Officer, Baltimore County Health Department
Henry Taylor, M.D., Health Officer, Carroll County Health Department
Susan C. Kelly, EHS, Health Officer, Harford County Health Department
Maura J. Rossman, M.D., Health Officer, Howard County Health Department
Steven S. Sharfstein, M.D., President & CEO
Bonnie Katz, VP, Business Dev. & Support Operations, Sheppard Pratt Health System
Gerald Noll, VP & CFO, Sheppard Pratt Health System
Thomas D. Hess, Special Assistant to the President, Sheppard Pratt Health System
Scott Thomas, Senior VP, Cannon Design
Ella Aiken, Esq.

Comparison of Proposed Sheppard Pratt at Elkridge to Weinberg Building - Sheppard Pratt Hospital - Towson (Adjusted BGSF)

Building Component / Dept.	BGSF	Narrative
A		The Weinberg replacement hospital building
192 bed Weinberg Bldg (actual)	228,161	was designed and constructed as a 192 bed, all private rooms
Weinberg gym	12,285	facility. It opened in 2005.
B		
Adult Day Hospital	6,024	The hospital building consists of a 228,161 sq. ft. facility
Eating Disorders Day Hospital	6,805	and 12,285 sq. ft. Gymnasium. (A Items)
Eating Dis. Int. Outpatient Program	2,997	
Adolescent Day Hospital	5,534	Listed here are the sq. footage allocations for the clinical
Psychotic Disorders Day Hospital	3,919	services that are projected for Elkridge that are NOT located
		in the Weinberg square footage. (B Items)
C		
Conference Rooms	1,129	The C Items consist of administrative and support services that are
Process Improvement	851	encapsulated in the proposed Elkridge square footage but are
Occupational Safety	221	not located in the Weinberg building in Towson.
Quality Evaluation	1,592	Square footage for each has been adjusted to reflect
Info Systems	8,924	proportionate square footage needed to support 192
Environmental Services	7,712	beds in Towson.
Nutrition Services	14,088	
Communications Tech	2,250	Item D reflects the square footage for physician offices, which
Postal Services	474	are located outside of the Weinberg building in Towson.
Central Duplication	250	
Support Services	599	
Infection Control	126	
Materials Handling	1,613	
Plant Operations and Maintenance	13,171	
D		
Physician offices - Power Plant	11,872	
	330,597	

Building Gross /	# beds	equals	BGSF per bed
330,597	192		1722

CANNONDESIGN

July 1, 2016

RE: Sheppard Pratt Hospital at Elkridge Proposed Space Program and Program Benchmarking

The proposed Sheppard Pratt at Elkridge facility is programmed at 171,490 Building Gross Square Feet (BGSF) or 1,715 BGSF/Bed. This is within the range of benchmarked Private and Academic Psychiatric Hospital facilities. The benchmarked facilities overall BGSF varies due to the amount of outpatient clinics, administration, research and educational space.

- St. Joseph's Hamilton benchmarks at the high end of the scale due to extensive outpatient clinics, a primary care medical clinic, research space and space for the entire Psychology department of McMasters University.
- On the other hand, Lindner Center of HOPE benchmarks on the low end due to limited outpatient services offered.

Outpatient services and clinic sizes are driven by service line demand and volumes rather than bed counts, best practices and codes.

- The State and County Hospitals benchmarked offer no outpatient services and have substantially lower total BGSF.
- The University of Arizona Behavioral Health Pavilion has a higher overall BGSF due to the expansive Emergency Department, Crisis Response Center and Court facilities.

Because of this variability, we typically benchmark the Departmental Gross Square Feet (DGSF) of inpatient units and the inpatient zones of facilities.

The proposed Sheppard Pratt Hospital at Elkridge Inpatient Units benchmark at 676 DGSF per bed. This is within the range of the benchmarked Private and Academic Psychiatric Hospital facilities.

- Both St. Joseph's Healthcare and the proposed Sheppard Pratt Hospital at Elkridge facilities benchmark on the higher end of the scale due to on-unit therapy space. St. Joseph's Healthcare includes a combination of on-unit therapy space and a smaller off-unit therapy mall.
- In comparison to Lindner Center of HOPE and Waypoint which have less on-unit therapy and activity space, but have considerably larger inpatient therapy malls.
- The model of care for the proposed Sheppard Pratt Hospital at Elkridge supports their shorter average length of stay by including therapy space directly

2170 WHITEHAVEN ROAD, GRAND ISLAND, NEW YORK 14072

on the unit. The off-unit inpatient therapy space programmed for the facility is the medical clinic and the gymnasium. In general to accurately compare inpatient zone benchmarks both the DGSF per bed for the inpatient unit and the off-unit inpatient therapy need to be considered. The proposed program for Sheppard Pratt Hospital at Elkridge includes 781 DGSF per bed which is within the range of benchmarked Private and Academic Psychiatric Hospital facilities which range from 757 DGSF per bed to 828 DGSF per bed.

BOSTON NEW YORK WASHINGTON DC BALTIMORE PITTSBURGH BUFFALO TORONTO MONTREAL CHICAGO ST LOUIS VANCOUVER SAN FRANCISCO LOS ANGELES PHOENIX MUMBAI ABU DHABI BOSTON NEW YORK WASHINGTON DC BALTIMORE PITTSBURGH BUFFALO TORONTO MONTREAL CHICAGO ST LOUIS VANCOUVER SAN FRANCISCO LOS ANGELES PHOENIX MUMBAI ABU DHABI BOSTON NEW YORK WASHINGTON DC BALTIMORE PITTSBURGH

BEHAVIORAL HEALTH INPATIENT UNIT PROGRAM BENCHMARKING

CANNONDESIGN

	New (N) or Renovation (R)	Building Gross SF	BGSF per bed	Off-Unit Inpatient Therapy DGSF	Off-Unit Inpatient Therapy DGSF per bed	Unit Departmental Gross SF [1]	# of Beds on a PCU	DGSF per bed	Number of Private Rooms	Percent of Beds in Private Rooms	Patient Room Size (nsf)	Patient Toilet Room Size (nsf)	Patient Toilet Room (2 piece or 3 piece)	Shower Room	Seclusion Room Quantity	Medical Isolation Room Quantity	Dining Area (number and size)	Servery/Nourishment	Activity/Lounge (number and size)	Interview/Consultation/Visiting/Quiet Rooms (number and size)	Medication Teaching Room	Group Room(s) (number and size)	ADL	Activity (noisy or quiet), Group Therapy, & Dining space NSF per patient (does not include interview/consult spaces)	Exam Room	Nurse Station	Open or Closed Care Station	Medication Room	Team Charting/Report	Team Conference Room	Staff/Physician Offices - On Unit	Staff Workstations - On Unit	Staff/Physician Offices - Directly Off Unit	Staff Workstations - Directly Off Unit
Acute Care Hospitals																																		
Claxton-Hepburn	R/N	n/a	n/a	n/a	n/a	12,000	28	429	2	7%	120, 220	60	2, 3 mixed		1	0	350	100	755	2 @ 110	n/a	1 @ 315	n/a	51	Yes	160	Closed	85	104	2 @ 110	4 @ 120	n/a	8 @ 150	
SUNY Upstate	R	n/a	n/a	n/a	n/a	13,390	24	558	24	100%	165	40	3		1	2	530	100	240	3 @ 100 1 @ 160	n/a	5 @ 240	n/a	82	Yes	150	n/a	100	none	225	1 @ 100	n/a	8 @ 100	
Niagara Health	N	n/a	n/a	n/a	n/a	12,855	24	536	16	67%	180, 290	50, 70	3		1	2	600	180	720	2 @ 120	n/a	1 @ 225	n/a	64	No	260	Combin ation	100	180	No	4 flex wkstn	n/a	3 @ 100	
State/ County Psychiatric Hospitals																																		
Essex County	N	151,000	839 [2]	11,695	65	11,910	30	397	0	0%	195	55	3	n/a	1	1	1320	None	share w/ dining	2 @110 each	n/a	2 @180	n/a	56	Yes	225	Open	95	120	225	1 @110	n/a	8 @ 110	
Western State Hospital	N	336,000	1,313 [2]	48,505	197	15,428	28	551	28	100%	100	50	2	5 @ 60	2	on one unit	800	160	800	2 @ 110 1 @ 180	n/a	n/a	n/a	57	Yes	350	Combin ation	150	200	240	1 @110	1 @ 80	8 @ 100	5 @ 60
North Carolina State	N	488,500	1,131 [2]	49,233	126	11,795	28	422	28	100%	130, 170	47	3	n/a	2	0	dining off unit	32	600	4 @ 100	n/a	1 @ 240	n/a	30	Yes	135	Open	80	225	No	2 @ 100 1 @ 80	n/a	None	
University of Arizona, Behavorial Health Pavillion (Formerly Pima County)	N	176,000	1,760 [2]	0	n/a	12,758	25	511	25	100%	100	50	3	n/a	2	n/a	500	200	1 @ 750 1 @ 240	1 @ 100 1 @ 120	n/a	1 @ 240 1 @ 180	n/a	66	Yes	240	Open	100	100	240	n/a	n/a	1 @ 180	central-ized
Academic/ Private Psychiatric Hospitals																																		
St. Joseph's Hamilton	N	800,000	2,632	42,846	141	16,485	24	687	24	100%	140	70	3	180	1	1	700	1 @ 280 1 @ 100 (pat)	3 @180	directly off unit	80	directly off unit	directly off unit	52	Yes	150	Open	120	200	300	off unit	off unit	12 @ 110	9 @ 65 2 @ 40
Waypoint Center	N	350,000	1,750 [2]	46,102	230	10,540	20	527	20	100%	110 [3]	30	2	3 @140	central-ized	n/a	500	350 [4]	2 @ 350	1 @ 120	1 @ 100	share w/ dining	200	75	No	290	Open	80	n/a	n/a	1 @ 120 1 @ 100	4 @ 65		
Lindner Center of HOPE	N	97,000	1,516	13,004	203	9,192	16	575	16	100%	153	37	3	n/a	2	0	shared w/ activity	32	580	4 @ 100	n/a	2 @ 210 1 @ 325	n/a	83	No	195	Open	110	275	No	0	n/a	2 @ 120	
Sheppard Pratt Proposed Elkridge Facility	N	171,490	1,715	10,544	105	11,490	17	676	15	88%	120	65	3	n/a	2	0	425	1 @ 200 1 @ 80	510	3 @ 120	n/a	2 @ 300	n/a	90	Yes	60	Open	120	450	300	0	n/a	6 @ 100	
2014 FGI - Code Requirements	n/a	n/a	n/a			n/a	n/a	n/a	max of 2 patients per room	n/a	100, 160 + millwork	per accessi bility codes	2 pc min	1 tub/ shwr per 6 beds not served at room	1	Not required , as per facility	20 sf per patient, may be off unit	Yes in some capacity	25 sf per patient, min 2 spaces	1 Visitor/ Quiet 2 Cons per 12 beds		1 @ 225		40 sf per pat. Dining and Activity	No	yes, size not noted	n/a	yes	1	may combine w/chart room	n/a		n/a	
VA Design Guide (2010) and Space Planning Criteria (2008)	n/a	n/a	n/a			n/a	n/a	n/a	50% of beds in private rooms	50%	135 to 160 p, 160 bar, 230 s-p	50 to 65, 75 bariatric	3	1 @ 100	1	Not req'd in unit	360 sf + 15 per each bed >24 [5]	servery @ 235, nour @ 70	675 sf + 28 per each bed >24	1 quiet @ 120, 2 int'v @ 120		1 @ 225		43 sf per pat. Dining and Day rm	1 @ 120	300	open	120	220	250	depends on number of authorized positions		depends on number of authorized positions	

Notes

(1) unit total DGSF does not include off unit offices
(2) no outpatient clinics
(3) 20% of rooms are 140 sf for accessibility
(4) shared between pairs of units - serves 40 beds
(5) 700 sf Dining Room shown in VA guide plate

APPENDIX 5: HSCRC Opinion Letter

Health Services Cost Review Commission
4160 Patterson Avenue, Baltimore, Maryland 21215
Phone: 410-764-2605 · Fax: 410-358-6217
Toll Free: 1-888-287-3229
hscrc.maryland.gov

MEMORANDUM

TO: Kevin McDonald, Chief - CON, MHCC

FROM: Donna Kinzer, Executive Director, HSCRC
Gerard J Schmith, Deputy Director, Hospital Rate Setting, HSCRC

DATE: September 13, 2016

RE: Sheppard Pratt at Elkridge
Replacement Hospital Project
Docket No. 15-13-2367

On August 23, 2016 you requested that we review and comment on the financial projections and feasibility of the "Modified Sheppard Pratt at Elkridge Replacement Hospital Project." The project was modified in response to a Project Status Conference at which MHCC advised the applicant that the size of the project (number of beds) would have to be reduced for staff to consider recommending approval of the project. In response, the applicant reduced the project from 100 beds to 85 and eliminated a proposed dedicated geriatric unit. The project as now proposed is described below.

Sheppard Pratt at Ellicott City ("Sheppard Pratt," or "the Hospital") is a psychiatric institution operating at 4100 College Avenue in Ellicott City, Howard County. Built in 1968, the facility is licensed for 92 inpatient beds, but is currently staffed and operating with 78 inpatient beds. The facility also operates an outpatient behavioral health program in the form of a psychiatric day hospital. With the lease on the current site expiring on December 31, 2018, Sheppard Pratt desires to relocate to a 39.1 acre site located at the intersection of Route 103 and Route 1 in Elkridge, Howard County.

The applicant proposes to build a new freestanding, four-story replacement facility totaling 155,707 building gross square footage ("BGSF"), down from the originally-proposed 171,490 BGSF. It would be comprised of 85 beds, equally distributed among five discrete units -- designated as General Adult, Psychotic Disorders (Fenton General Adult Unit), Co-Occurring Disorders, Young Adult, and Adolescents.

The revised total project cost, including financing, is estimated to be $96,532,907, down from the $102,653,372 cost of the original proposal. Sheppard Pratt proposes to fund this project with an equity contribution of $14.9 million, $15.0 million in fundraising, and the balance to be borrowed through a long-term Maryland Health and Higher Educational Facilities Authority (MHHEFA) tax exempt bond issuance in the amount of $66.7 million. In addition, as part of a partial rate application that was previously filed with the HSCRC, Sheppard Pratt is requesting an increase in rates of $2,136,852 which, the Hospital claims, is equal to approximately 50% of the increase in capital costs (principal and interest) associated with the proposed project. The original rate application submitted to the HSCRC anticipated a borrowing of $70 million. The Hospital has not submitted a modification to its original rate request, and the HSCRC to date has not approved any increase. However, the HSCRC staff was able to review the financial projection provided by the Hospital independent of any additional rate increase.

We reviewed the projections of uninflated revenues and expenses after removing the revenue associated with the additional rate increase included in those projections. Based on those calculations, the Hospital is projecting a 63% increase in net patient revenue due to changes in volumes over the 4 year period from FY 2018 to FY 2022. For that same period of time, the Hospital is projecting expenses to increase 85% due to these same changes in volumes. This equates to an expected variable cost factor of 133%. Removal of the depreciation and interest on the new building and continuing to include the same lease expense as in prior years lowers the variable cost factor to 92%. This factor still seems to be very high. Much of this increase is due to salaries over which the Hospital has significant control.

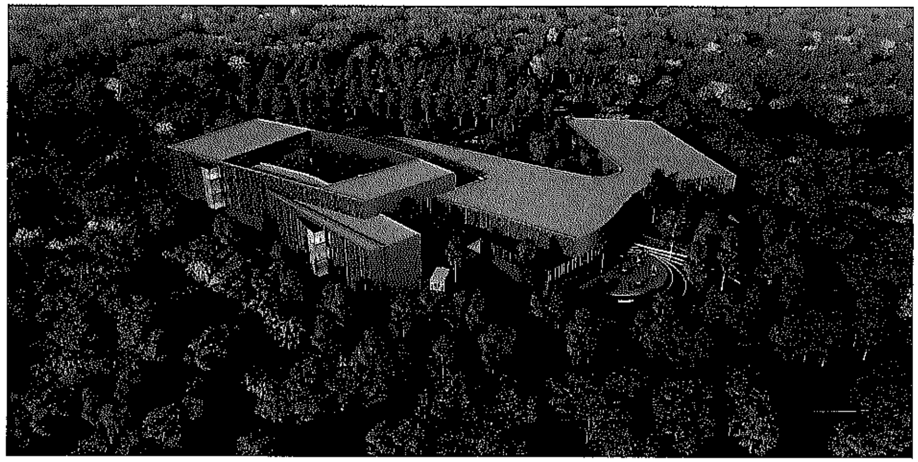
We also reviewed the projections of inflated revenues and expenses after removing the revenue associated with the additional rate increase included in those projections. Based on those calculations, the Hospital is also projecting a 7.5% increase in total revenue due to inflation over the 4 year period from FY 2018 to FY 2022. For that same period of time, the Hospital is projecting expenses to increase by 5.4%. This equates to an expected increase to profits of approximately 2.1%.

Based on these modified projections, the Hospital's Operating Margin ranged from 5.4% to 9.3% during the projection period from FY 2019 to FY 2022. Any additional approved rate increase would increase these profit margins.

Finally, we reviewed the audited financial statements for FY 2015 of Sheppard Pratt Health System, Inc. of which the Hospital is the main entity. This includes the operating results for both the Ellicott City and Towson, Maryland campuses. These statements show a 5.25% Operating Profit, 4x Debt Service Coverage Ratio, 90 Days of Cash on Hand, and 40% Debt to Capitalization for fiscal year 2015.

HSCRC staff has some concern over whether Maryland's Institutions for Mental Disease and the Department of Behavioral Health's will be able to cover the costs associated with these patients who require psychiatric care. Nonetheless, based on all the information reviewed, Staff believes that the project is financially feasible even if no additional rate increase is approved for the current rate application before the HSCRC.

APPENDIX 6: Project Drawings



SHEPPARD PRATT HEALTH SYSTEM

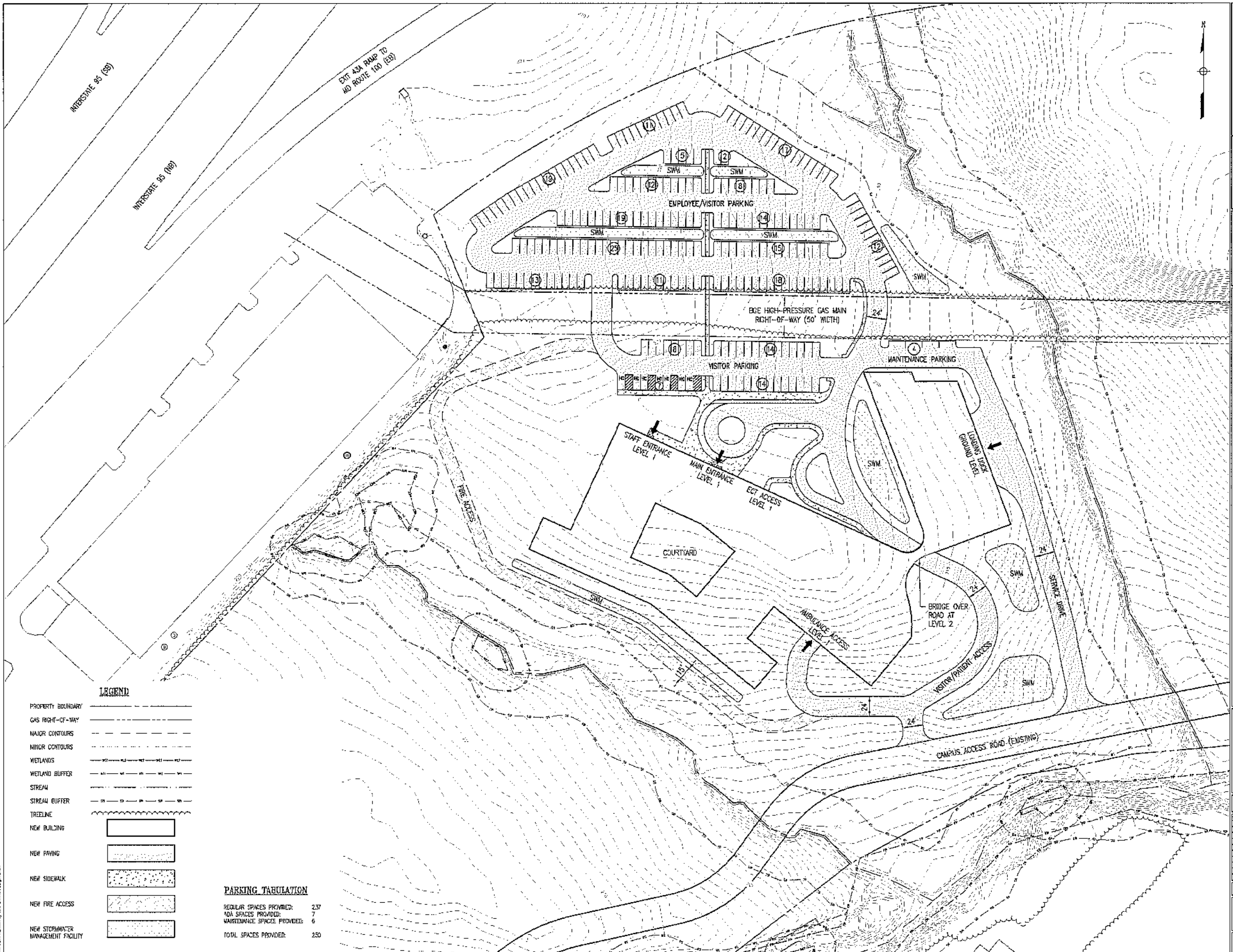
85 BED REPLACEMENT BEHAVIORAL HEALTH FACILITY

004598.00
CON SUBMISSION
08.22.2016

CANNONDESIGN

BOSTON NEW YORK BALTIMORE WASHINGTON DC BUFFALO TORONTO MONTREAL CHICAGO
ST. LOUIS VANCOUVER SAN FRANCISCO LOS ANGELES PHOENIX SHANGHAI MUMBAI DELHI

Consultants:



SHEPPARD PRATT HEALTH SYSTEM

Project No.:

PRIME A/E:

CANNONDESIGN

STAMP/SEAL:

A/E CONSULTANTS:

SCALE: 1" = 40'

ISSUED FOR:

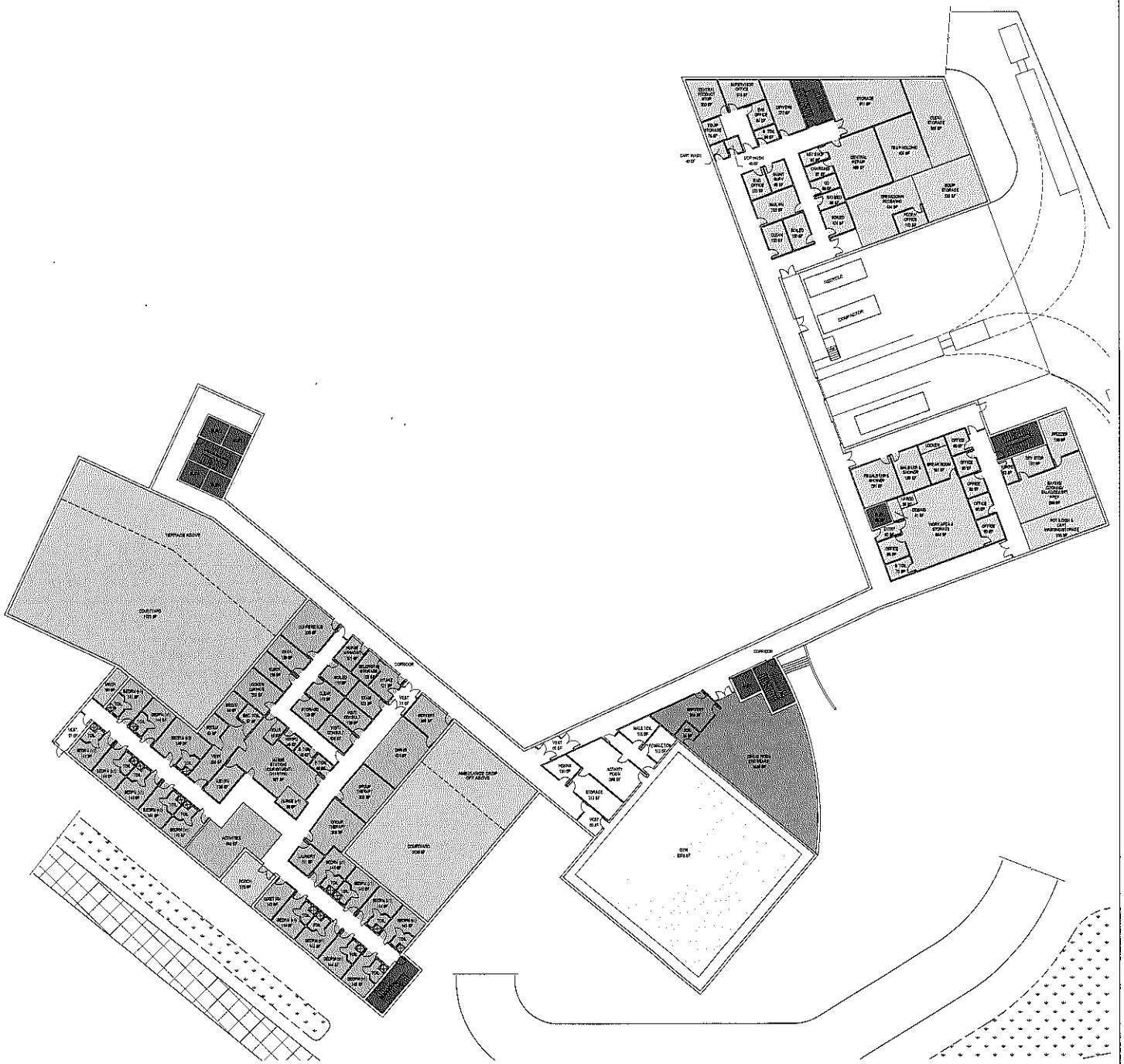
PLANNING STUDY

REV	DATE	DESCRIPTION

SCALE: DATE:

SHEET TITLE:

CONCEPT SITE PLAN



1 GROUND FLOOR PLAN
3/16" = 1'-0"

8/27/2015 2:05:15 PM

SHEPPARD PRATT HEALTH SYSTEM

85 BED REPLACEMENT BEHAVIORAL HEALTH FACILITY
ELKRIDGE, MD

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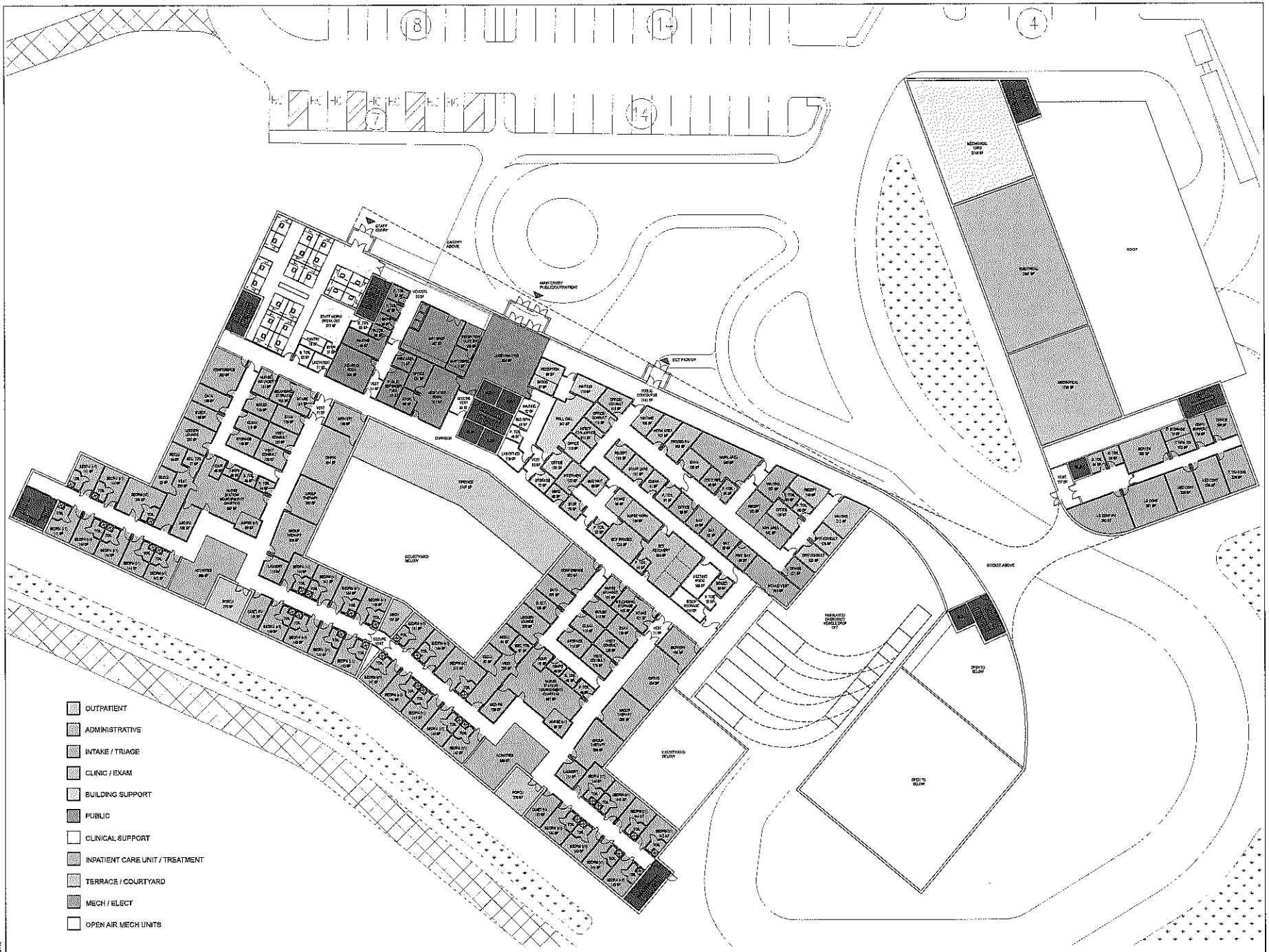
No.	Description	Date
	RELEASE 1	22 AUG 2016

Drawing Title:

GROUND FLOOR PLAN

Project No: 004590.00 Checked by: Checker

CON100



1 FIRST FLOOR PLAN
1/16" = 1'-0"

SHEPPARD PRATT HEALTH SYSTEM

85 BED REPLACEMENT BEHAVIORAL HEALTH FACILITY
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No.	Description	Date
-	RELEASE 1	22 AUG 2016

Drawing Title:

FIRST FLOOR PLAN

Project No.: 064590.03 Checked by: Checker

CON101

1 SECOND FLOOR PLAN
1/16" = 1'-0"

SHEPPARD PRATT
HEALTH SYSTEM

85 BED REPLACEMENT
BEHAVIORAL HEALTH
FACILITY
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Drawing Title:

SECOND FLOOR PLAN

Project No.: 004590.00 Checked by: Checker

CON102

8/15/2016 1:57:03 PM

1 THIRD FLOOR PLAN
3/16" = 1'-0"

6/19/2015 2:22:24 PM

SHEPPARD PRATT HEALTH SYSTEM

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No.	Description	Date
-	RELEASE 1	22 AUG 2015

Drawing Title:

ROOF PLAN

Project No.: 094090.00 Checked by: Checker

CON103

1 TYPICAL INPATIENT UNIT PLAN
1/8" = 1'-0"

8/30/2016 10:57:14 PM

SHEPPARD PRATT HEALTH SYSTEM

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No.	Description	Date
-	RELEASE 1	22 AUG 2016

Drawing Title:

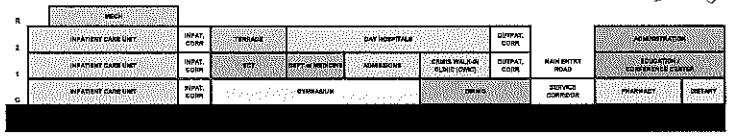
TYPICAL INPATIENT UNIT PLAN

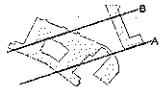
Project No.: 054500.06 Checked by: Checker

CON104

STACKING DIAGRAM

A

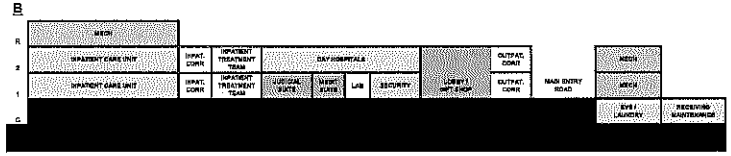


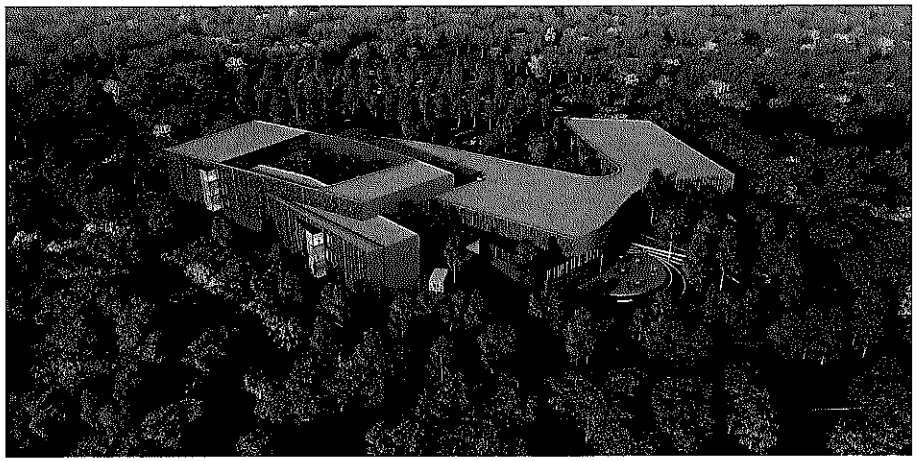


KEY PLAN

STACKING DIAGRAM

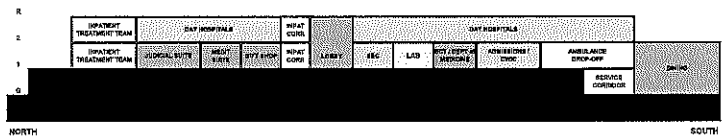
B

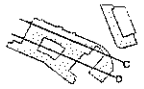




STACKING DIAGRAM

C

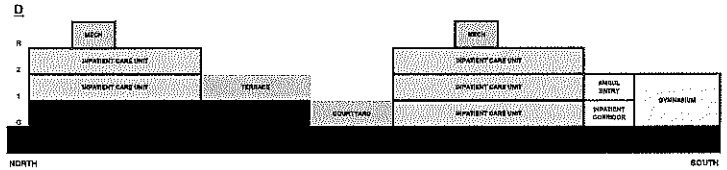




KEY PLAN

STACKING DIAGRAM

D



SHEPPARD PRATT HEALTH SYSTEM

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-	RELEASE 1	22 AUG 2015

Drawing Title:

STACKING DIAGRAMS AND ELEVATIONS/RENDERS

Project No.: 054000.00 Checked by: Checker

CON105