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MEMORANDUM

TO: Commissioners

FROM: Kevin McDonald
Chief, Certificate of Need

DATE: July 19, 2017

SUBJECT: Gilchrist Hospice Care, Inc.
Docket No. 17-24- 2412

Enclosed is the staff report and recommendation for a Certificate of Need ("CON") application filed by Gilchrist Hospice Care, Inc. ("Gilchrist").

Gilchrist is a not-for-profit general hospice provider authorized to provide services in multiple locations throughout Central Maryland (Baltimore City and County, Anne Arundel, Carroll, Frederick, Harford, Howard, and Prince George's). Gilchrist also owns and operates three inpatient hospice units: Gilchrist Center Towson, Gilchrist Center Howard County, and Gilchrist Center Baltimore City previously known as Joseph Richey House.

It proposes a capital expenditure to relocate its 22-bed inpatient general hospice unit from 828 North Eutaw Street to Stadium Place located at 33rd Street. This capital project of Gilchrist requires a CON because the expenditure exceeds the threshold of $6,000,000 currently in effect for all non-hospital health care facilities.

Total project cost is estimated to be $10,328,950; sources of funds include cash of $3.0 million, philanthropy of $5,750,000, pledges of $1,148,950, and authorized bonds of $500,000.

Commission staff analyzed the proposed project's compliance with the applicable State Health Plan standards and the other applicable CON review criteria at COMAR 10.24.01.08 and recommends that the project be APPROVED.

IN THE MATTER OF	*	**BEFORE THE**
GILCHRIST HOSPICE CARE, INC.	*	**MARYLAND**
and	*	**HEALTH CARE**
JOSEPH RICHEY HOUSE, INC.[1]	*	**COMMISSION**
Docket No.: 17-24-2412	*	

* *

Staff Report and Recommendation

July 19, 2018

[1] Joseph Richey House, Inc. t/a Joseph Richey Hospice t/a Dr. Bob's House and t/a Gilchrist Center Baltimore Joseph Richey House

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I. INTRODUCTION

A. The Applicants

Gilchrist Hospice Care, Inc. ("Gilchrist") is a not-for-profit stock corporation that is a wholly-owned subsidiary of Greater Baltimore Medical Center Healthcare, Inc. ("GBMC"). Gilchrist is licensed as a general hospice and is authorized to serve hospice patients residing in Anne Arundel, Baltimore, Carroll, Frederick, Harford, Howard, and Prince George's Counties and in Baltimore City. It is the largest general hospice in Maryland, reportedly accounting for approximately one of every five hospice patient admissions in 2016.[2] Gilchrist operates two inpatient hospice facilities under its general hospice license: a 28-bed free-standing facility in Towson (Baltimore County) on the campus of GBMC; and a 9-bed unit in Columbia (Howard County) that is connected to Lorien Harmony House, an assisted living facility.

Joseph Richey House, Inc. ("JRH") t/a Joseph Richey Hospice t/a Dr. Bob's House and t/a Gilchrist Center Baltimore Joseph Richey House is located at 828 Eutaw Street in the Seton Hill neighborhood of Baltimore City. In November 2014, JRH was acquired by Gilchrist and came under Gilchrist's control. As a result of the acquisition, JRH began trading as Gilchrist Center Baltimore Joseph Richey House. While this facility is licensed as a general hospice with an identified inpatient bed capacity of 30 beds, JRH's responses to the annual hospice survey conducted by the Maryland Health Care Commission ("MHCC") indicate that it has not functioned as an inpatient hospice care facility under Gilchrist's control. It functions as a hospice house, in which patients reside and receive routine hospice care from the Gilchrist staff, just as patients would receive routine hospice care if residing in their own homes. The Maryland Department of Health has not issued a license to JRH acknowledging its effective status as a hospice house. The applicants have provided a licensure application in which they request issuance of a new JRH license that would authorized operation of 18 hospice house beds and four general inpatient beds. After December 2018, but before the project that is the subject of this Certificate of Need ("CON") application is completed, Gilchrist and JRH state that they will merge and that Gilchrist will be the only surviving health care facility. JRH is authorized to serve Baltimore City and Anne Arundel, Baltimore, Harford, Howard, Prince George's, and Washington Counties.

JRH is organized as a not-for-profit, non-stock corporation. Currently, a majority of JRH's directors are elected by Gilchrist. JRH was established in 1987 under the sponsorship of a religious order and a church with a mission to serve terminally ill indigent persons, with an emphasis, in those early years of its existence, on serving individuals diagnosed with end-stage human immunodeficiency virus/acquired immunodeficiency syndrome ("HIV/AIDS"). With the advancement of medication management for HIV/AIDS, in more recent years, JRH has served a terminally ill patient population with a more typical profile of disease conditions. JRH reports that it has a continued focus on serving indigent persons with alcohol and drug addiction, mental health disorders, and other similar illnesses who lack a stable income, safe and affordable housing, and strong family relationships.

[2] MHCC Annual Survey of Hospices, 2016.

JRH reports an operational capacity of 22 beds. Table I-1 shows utilization reported by JRH for the last four MHCC survey years.

Table I-1: Use of Joseph Richey House, Fiscal Years 2014 to 2017[1]

	2014	2015	2016	2017
Total Admissions	248	144	137	127
General Inpatient Hospice Care	174	0	0	0
Routine Care (provided to Hospice House residents)	74	144	137	127
Average Length of Stay (Days)	20	43	35	34

[1]The fiscal year reporting period for 2014 and 2015 was equivalent to the calendar year. The fiscal year reporting period for 2016 and 2017 was the 12-month period ending on June 30. This indicates that 2015 and 2016 data contain overlapping reporting periods. FY 2017 data is preliminary and unofficial at this time.
Source: MHCC Hospice Public Use Data Set

B. The Project

The applicants are proposing a capital project with an expenditure that exceeds the current threshold ($6 million) established in Maryland law requiring approval of a Certificate of Need, when the expenditure is made by or on behalf of a hospice.[3] The project is the relocation and replacement of JRH. The 22-bed replacement facility is planned for a site at Stadium Place on 33rd Street in Baltimore's Waverly neighborhood, approximately 3.3 miles north of JRH's current location. The new two-story building has an estimated cost of $10,328,950. See Appendix 4 for a floor plan of the replacement JRH.

The relocated replacement JRH will function as a general inpatient facility of Gilchrist, constituting this general hospice program's third such facility, and will also function as a hospice house for the provision of routine hospice services to enrolled hospice patients of Gilchrist who are unable to reside in their own homes.

Gilchrist anticipates funding the project with $6.9 million in philanthropic contributions, $3 million in cash, and $500,000 in borrowing.

C. Current Market Position

JRH plays a marginal role as a provider of hospice care when viewed from the perspective of overall market share of all hospice patients in the jurisdictions it is authorized to serve, as shown in the table below. Staff notes that, in FY2016, JRH simply served as an alternative residential setting for hospice patients receiving routine hospice care from contracted Gilchrist Hospice Care staff. Table I-2 assigns a market share value to JRH on the basis that the patients residing at JRH are JRH patients. Historically, JRH was not an extensive provider of hospice services within

[3] There is also a basis for finding that the proposed project requires CON approval because it involves the relocation of a "health care facility," given that JRH continues to operate as a distinctly licensed general hospice. However, as noted, from an operational standpoint, JRH has been functioning in recent years as a hospice house unit of a separately licensed general hospice, Gilchrist, which controls JRH. A hospice house is not a "health care facility" subject to CON regulation not if a general inpatient facility operated by a general hospice. A general hospice is the health care facility and, if it operates an inpatient facility, does so under its general hospice license.

patients' homes, the most common setting for delivery of hospice care, and its exclusive mode of operation. Since its November 2014 agreement with Gilchrist, JRH has served as a setting for the provision of routine hospice care by contracted Gilchrist staff to individuals residing at JRH, i.e., as a hospice house rather than a general inpatient facility. Gilchrist reports that use of JRH as a setting for the provision of general inpatient hospice care was reinitiated in 2018.

Gilchrist is a substantial source of hospice care for the jurisdictions it is authorized to serve.

Table I-2: Market Share of All Hospice Patients, FY 2016
Authorized Jurisdictions

Jurisdiction	Joseph Richey House	Gilchrist Hospice Care
Anne Arundel	0.3%	1.4%
Baltimore City	3.8%	43.9%
Baltimore County	0.6%	44.0%
Carroll*	0.0%	11.0%
Frederick*	0.0%	1.5%
Harford	0.0%	32.8%
Howard	0.5%	85.1%
Prince George's	0.2%	1.6%
Washington**	0.0%	0.0%

*Not an authorized jurisdiction of JRH
**Not an authorized jurisdiction of Gilchrist
Source: Source: MHCC Hospice Public Use Data Set

Most general hospices do not operate their own inpatient facilities, but arrange to provide inpatient hospice care in a hospital or nursing home setting. There is one other inpatient hospice facility in Baltimore City. This is a 12-bed inpatient unit of Seasons Hospice and Palliative Care ("Seasons") operated in leased space at Sinai Hospital of Baltimore. Seasons is the second largest provider of general hospice services in Maryland.

D. Staff Recommendation

Based on the review of the proposed project's compliance with the applicable State Health Plan standards, COMAR 10.24.13.05, State Health Plan: Hospice Services ("Hospice Chapter"), and the criteria in COMAR 10.24.01.08G(3), staff recommends APPROVAL of the project.

II. PROCEDURAL HISTORY

A. Record of the Review

See Appendix 1.

B. Local Government Review and Comment

Baltimore City Council President, Bernard Young, submitted a letter of support for this project as did Dr. Leana Wen, Baltimore City's Health Officer.

C. Other Support and Opposition to the Project

Additional letters of support came from Greater Baltimore Medical Center's President, Gilchrist's Board of Directors, John Hopkins Children's Center Administrator, the President of Johns Hopkins Hospital, and the University of Maryland Medical Center's Chief Medical Officer.

III. PROJECT CONSISTENCY WITH REVIEW CRITERIA

A. COMAR 10.24.01.08G(3)(a) THE STATE HEALTH PLAN

COMAR 10.24.13 .05 Hospice Standards. The Commission shall use the following standards, as applicable, to review an application for a Certificate of Need to establish a new general hospice program, expand an existing hospice program to one or more additional jurisdictions, or to change the inpatient bed capacity operated by a general hospice.

A. Service Area. An applicant shall designate the jurisdiction in which it proposes to provide services.

The authorized service area of Gilchrist, which includes all of the jurisdictions authorized for its subsidiary, JRH will not change as a result of this project.

B. Admission Criteria. An applicant shall identify:

(1) Its admission criteria;

Under its current agreement with Gilchrist, JRH has the same policies as Gilchrist. The applicants listed the following admission criteria:

- Patients are only admitted on the recommendation of the medical director in consultation with the patient's attending physician (if any);
- Patients who are under the care of a physician willing to assume responsibility for medical care/management;
- Physician certifies that the patient has a terminal illness with the prognosis of expiration within weeks to months;
- Patient consents to Gilchrest Hospice Care participating in the hospice care provided;
- Patient/family lives within the service area;
- Patient and family desire palliative and not curative treatment; and
- There is a designated Health Care Decision Maker who is willing to assume responsibility for the managing the patient's care and make decisions where the patient cannot.

(DI #8, Exh. 12).

(2) Proposed limits (on admission) by age, disease, or caregiver.

The applicants state that they do not limit admission by age, disease, or caregiver status. (DI #8, p. 12).

Staff concludes that JRH and Gilchrist have complied with this standard.

C. Minimum Services.[4]

(1) An applicant shall provide the following services directly:

(a) Skilled nursing care;

JRH states that it would continue to provide the same level of skilled nursing care at the replacement facility as currently provided, using the Gilchrist team of doctors, registered nurses, hospice aides, social workers, chaplains, and volunteers.

(b) Medical social services;

JRH states that it provides extensive medical social services to its patients. At the current 22-bed facility, it provides just under (0.9) one full-time equivalent social worker.

(c) Counseling (including bereavement and nutrition counseling);

The applicants state that they will continue to provide counseling services to those in need. They submitted documentation for fiscal year 2017, showing an attendance of at least 10 or more attendees at each of the 21 sponsored community educational programs on grief and loss. For the same year, Gilchrist stated that its staff leased to JRH provided 150 face-to-face sessions to patients residing at JRH.

Staff concludes that the applicants have satisfied the requirements of this standard.

(2) An applicant shall provide the following services, either directly or through contractual arrangements:

(a) Physician services and medical direction;

The applicants state that medical direction would not change as a result of this project. Gilchrist currently provides a physician, nursing director, and associate clinical director to provide physician services and medical direction at JRH.

(b) Hospice aide and homemaker services;

Gilchrist leased 13 aides to JRH in fiscal year 2016. JRH is an inpatient facility and, therefore, homemaker services are not required. Gilchrist can provide those services as needed.

(c) Spiritual services;

The applicants state that they currently provide one chaplain at JRH and intend to provide the same level of spiritual services at the new location.

(d) On-call nursing response;

The applicants state that Gilchrist directly employs (and JRH leases from Gilchrist) a full complement of nursing staff for round-the-clock coverage. Therefore, on-call nursing is not required.

[4] The applicants' responses to this standard are found in DI #8, pp. 12-15.

(e) Short-term inpatient care (including both respite care and procedures necessary for pain control and acute and chronic symptom management);

Although in recent years, JRH effectively functioned as a hospice house, in 2018, JRH reinstituted its provision of inpatient hospice care for which it is licensed. JRH states that it provides short-term placement for hospice patients requiring skilled observation and for hospice patients who are generally capable of managing acute symptoms and complex pain. JRH also states that it is available for up to five days of respite care as needed.

(f) Personal care;

The applicants state that they will continue to provide a full range of personal care to patients according to each patient's needs.

(g) Volunteer services;

The applicants state that they exceeded Medicare's compliance rate of 5% for volunteer services, with an FY 2017 rate of 6.7% for JRH and 6% for Gilchrist. Medicare Conditions of Participation require hospice providers to use volunteer services in either direct patient care activities and/or administrative activities to count towards 5% of its cost saving calculation.

(h) Bereavement services;

The applicants state that provision of bereavement services will not change as a result of the relocation. Currently, Gilchrist maintains and leases a team of around-the-clock nurses, social workers, chaplains, and grief counselors available to JRH for its patients. The bereavement services can be offered on a one-on-one counseling basis or as part of a support group. One-day workshops and events are also organized as requested.

(i) Pharmacy services;

JRH states that it has entered into a contractual agreement with Enclara Pharmacia to provide pharmaceutical services.

(j) Laboratory, radiology, and chemotherapy services as needed for palliative care;

JRH has contractual arrangements for laboratory, radiology (mobile X-ray unit), and chemotherapy services.

(k) Medical supplies and equipment; and

JRH reports that it entered into a durable medical equipment agreement with two Johns Hopkins service providers: Pharmaquip, Inc.; and Pediatrics at Home, Inc.

(l) Special therapies, such as physical therapy, occupational therapy, speech therapy, and dietary services.

Gilchrist states that it will continue to provide the same special therapies it currently provides at JRH at the relocated facility. These include physical, occupational, and speech therapy, dietary services, and music therapy. Until the merger, these services will be provided by Gilchrist through a contractual arrangement with JRH.

(3) An applicant shall provide bereavement services to the family for a period of at least one year following the death of the patient.

The applicants state they will continue to provide the required bereavement services to families for a period of at least one year following the death of a patient. (DI #8, p.15)

Staff reviewed the applicants' responses to the requirements set forth in the minimum service standard and conclude that the applicants satisfy these requirements.

D. Setting. An applicant shall specify where hospice services will be delivered: in a private home; a residential unit; an inpatient unit; or a combination of settings.

The relocated JRH facility, when completed, will function as a general inpatient unit of Gilchrist. (DI #8, p. 15).

E. Volunteers. An applicant shall have available sufficient trained caregiving volunteers to meet the needs of patients and families in the hospice program.

The applicants state that they will continue to provide a sufficient volume of trained volunteers to meet the needs of patients and families. (DI #8, p. 15).

F. Caregivers. An applicant shall provide, in a patient's residence, appropriate instruction to, and support for, persons who are primary caretakers for a hospice patient.

JRH provides services in its hospice house through staff leased from Gilchrist. At the present time, JRH is not providing hospice services in the community outside its current hospice house setting. (DI #8, p. 15).

G. Impact. An applicant shall address the impact of its proposed hospice program, or change in inpatient bed capacity, on each existing general hospice authorized to serve each jurisdiction affected by the project. This shall include projections of the project's impact on future demand for the hospice services provided by the existing general hospices authorized to serve each jurisdiction affected by the proposed project.

The applicants state that they do not anticipate any impact on existing general hospice providers because they are not establishing a new hospice program or expanding the capacity of Gilchrist or JRH to provide inpatient services. JRH will serve as Gilchrist's Baltimore City inpatient unit. The applicants state that JRH will continue to accept and serve the population of patients that other hospice providers do not typically serve. (DI #8, pp. 15-16).

H. Financial Accessibility. An applicant shall be or agree to become licensed and Medicare certified, and agree to accept patients whose expected primary source of payment is Medicare or Medicaid.

The applicants state that Gilchrist and JRH are Medicare-certified and will continue to accept patients whose primary source of payment is Medicare or Medicaid.

Staff verified that the applicants are Medicare-certified and concludes that the applicants meet this standard.

I. Information to Providers and the General Public.

(1) General Information. An applicant shall document its process for informing the following entities about the program's services, service area, reimbursement policy, office location, and telephone number:

(a) Each hospital, nursing home, home health agency, local health department, and assisted living provider within its proposed service area;

(b) At least five physicians who practice in its proposed service area;

(c) The Senior Information and Assistance Offices located in its proposed service area; and

(d) The general public in its proposed service area.

As existing hospice organizations, JRH and Gilchrist have existing relationships with physicians, health care facilities, and ombudspersons. Gilchrist states that it has established a system of hospital nurse liaisons at hospitals in Baltimore City, including the four largest. These nurse liaisons work daily within those institutions to identify and coordinate admissions of new patients to its programs and services. The hospital nurse liaisons also work collaboratively with two staff members responsible for building business for Gilchrist. Gilchrist's business development managers work to develop strong relationships with case managers, social workers, hospitalists, and other member of the care team. The applicants believe these connections will assure awareness in the provider community about JRH's relocation. (DI #8, p. 16).

Gilchrist states that it has a long-standing relationship with the Johns Hopkins Health System. It partners with Hopkins providers to establish grants for Medicare beneficiaries, to create learning opportunities in palliative medicine, through rotations for medical school students, and to conduct and publish research. Gilchrist also states that it is a certified presenter of the Hospice Foundation of America's "Being Mortal Project," through which practitioners are able to obtain continuing education credits. Gilchrist also provided documentation showing a listing of community outreach programs conducted in 2016 and 2017. The applicants maintain websites that provide information about their organizations and services.

(2) Fees. An applicant shall make its fees known to prospective patients and their families before services are begun.

Gilchrist provided a Patient's Bill of Rights that states, as one of those rights, "[p]atients of Gilchrist Hospice Care or their guardians have the right to, and Gilchrist caregivers have the responsibility to provide . . . information . . . at the time of admission regarding services under the hospice benefit [Medicare] and related charges including any charges for services for which the patient or a private insurer may be responsible." (DI #8, Exh. 22).

Commission staff recommends that the Commission find that the applicants comply with the information standard.

J. Charity Care and Sliding Fee Scale. Each applicant shall have a written policy for the provision of charity care for indigent and uninsured patients to ensure access to hospice services regardless of an individual's ability to pay and shall provide hospice services on a charitable basis to qualified indigent persons consistent with this policy. The policy shall include provisions for, at a minimum, the following:

The applicants offer hospice services on a charitable basis for those patients who may not be able to afford services. Gilchrist offers financial assistance to patients who have less than $500 per month in disposable income. (DI #8, Exh. 19).

(1) Determination of Eligibility for Charity Care. Within two business days following a patient's request for charity care services, application for medical assistance, or both, the hospice shall make a determination of probable eligibility.

Gilchrist's financial assistance policy states that determinations for financial assistance are made within two business days of admission. Gilchrist has a very simple application form that only requires the patient to identify sources of income and the total number of dependents in one's home. The applicants state that nearly 100% of the patients served by JRH are charity care patients given their circumstances. (DI #10, p. 2). This does not mean that Gilchrist does not receive Medicare reimbursement from the majority of these patients for the hospices services the patients receive. However, the low-income level of most of these patients means that Gilchrist is unable to recoup its cost of providing room and board services to JRH residents.

(2) Notice of Charity Care Policy. Public notice and information regarding the hospice's charity care policy shall be disseminated, on an annual basis, through methods designed to best reach the population in the hospice's service area, and in a format understandable by the service area population. Notices regarding the hospice's charity care policy shall be posted in the business office of the hospice and on the hospice's website, if such a site is maintained. Prior to the provision of hospice services, a hospice shall address any financial concerns of patients and patient families, and provide individual notice regarding the hospice's charity care policy to the patient and family.

Gilchrist provided a copy of its charity care policy and stated that this information is posted on its website. The applicants also reported that this information is available in the patient handbook that is provided to each patient upon admission. (DI #10, p. 2). Gilchrist states that it and JRH provide notices of the charity care policy in its business offices. They also provide a copy of the brochure with the charity care policy it provides to all patients at the initial intake.

(3) Discounted Care Based on a Sliding Fee Scale and Time Payment Plan Policy. Each hospice's charity care policy shall include provisions for a sliding fee scale and time payment plans for low-income patients who do not qualify for full charity care, but are unable to bear the full cost of services.

The applicants provided a copy of the sliding fee scale for discounted care based on income for both inpatient and general hospice care services. Persons with household income at or below 150% of the federal poverty guideline are eligible for services at no cost.

(4) Policy Provisions. An applicant proposing to establish a general hospice, expand hospice services to a previously unauthorized jurisdiction, or change or establish inpatient bed capacity in a previously authorized jurisdiction shall make a commitment to provide charity care in its hospice to indigent patients. The applicant shall demonstrate that:

(a) Its track record in the provision of charity care services, if any, supports the credibility of its commitment; and

(b) It has a specific plan for achieving the level of charity care to which it is committed.

This subpart of the standard is not applicable. The project does not involve establishment of a new general hospice, expansion of the service area of an existing hospice, or a change in bed capacity.

Staff concludes that the project is consistent with the charity care standard. The level of charity care provision by hospice program is relatively small. Based on MHCC survey reporting, the level of charity care provided by JRH compares favorably with the average statewide level. Most hospice patients are Medicare beneficiaries.

Table III-1 Charitable Hospice Patient Days as a Proportion of Total Patient Days 2015-2016

Year	All Maryland Hospices	Gilchrist	Joseph Richey
FY 2015	0.58%	0.53%	0.72%
FY 2016	0.88%	0.62%	1.64%

Source: MHCC Hospice Public Use Data Set

K. Quality.

(1) An applicant that is an existing Maryland licensed general hospice provider shall document compliance with all federal and State quality of care standards.

The applicants state that they are licensed and Medicare-certified, in good standing, accredited by the Community Health Accreditation Partner organization, and have a Quality Assessment Performance Improvement program designed to monitor, evaluate, and improve hospice quality and standards. (DI #8, p. 20; DI #10, Exh. D).

(2) An applicant that is not an existing Maryland licensed general hospice provider shall document compliance with federal and applicable state standards in all states in which it, or its subsidiaries or related entities, is licensed to provide hospice services or other applicable licensed health care services.

(3) An applicant that is not a current licensed hospice provider in any state shall demonstrate how it will comply with all federal and State quality of care standards.

These standards are not applicable. Both co-applicants are existing licensed hospice providers.

(4) An applicant shall document the availability of a quality assurance and improvement program consistent with the requirements of COMAR 10.07.21.09.

The applicants' responded that their Medicare certification makes them compliant with this standard. Also, as noted earlier, the applicants have a Quality Assessment Performance Improvement program designed to monitor, evaluate, and improve hospice quality and standards. (DI #8, p. 20; DI #10, Exh. D).

(5) An applicant shall demonstrate how it will comply with federal and State hospice quality measures that have been published and adopted by the Commission.

The applicants' responded that their Medicare certification makes them compliant with this standard. The applicant also provided a copy of its Quality Care Dashboard, which shows their performance to be higher than the benchmark employed in the Dashboard for most of the quality measures used. (DI #8, p. 20).

Staff concludes that the project complies with this standard.

L. Linkages with Other Service Providers.

(1) An applicant shall identify how inpatient hospice care will be provided to patients, either directly, or through a contract with an inpatient provider that ensures continuity of patient care.

The applicants have established relationships with Baltimore City's medical community and have preferred provider agreements with the Johns Hopkins Home Care Group, Inc. and with the University of Maryland Medical Center. These agreements allow the entities to coordinate end of life care for patients of these organizations. (DI #8, p. 20 & Exh. 18).

(2) An applicant shall agree to document, before licensure, that it has established links with hospitals, nursing homes, home health agencies, assisted living providers, Adult Evaluation and Review Services (AERS), Senior Information and Assistance Programs, adult day care programs, the local Department of Social Services, and home delivered meal programs located within its proposed service area.

As existing licensed hospices (and as noted elsewhere in this Staff Report), the applicants have linkages in place.

Staff concludes that the applicants have satisfied this standard.

M. Respite Care. An applicant shall document its system for providing respite care for the family and other caregivers of patients.

The applicants state that they will provide respite care at the relocated Joseph Richey House. JRH will offer respite care for up to five days for families that may need a break in caregiving. Gilchrist does not dedicated beds for respite, but rather makes use of vacant beds when respite services are requested. (DI #10, p. 3). If there are no vacant beds within JRH, Gilchrist has contracts with multiple facilities in order to arrange for a respite care stay. Gilchrist provided a complete list of these providers including Keswick, Copper Ridge, and all Lorien nursing homes. (DI #11, Exh. G).

Staff concludes that JRH and Gilchrist comply with the respite care standard.

N. Public Education Programs. An applicant shall document its plan to provide public education programs designed to increase awareness and consciousness of the needs of dying individuals and their caregivers, to increase the provision of hospice services to minorities and the underserved, and to reduce the disparities in hospice utilization. Such a plan shall detail the appropriate methods it will use to reach and educate diverse racial, religious, and ethnic groups that have used hospice services at a lower rate than the overall population in the proposed hospice's service area.

The applicants provided a list of all the community outreach programs and events mounted in the past two years. The information provided indicates that every event had at least 10 participants. (DI #8, p. 18).

Staff concludes that the applicants have met this standard.

O. Patients' Rights. An applicant shall document its ability to comply with the patients' rights requirements as defined in COMAR 10.07.21.21.

The applicants provided a copy of their Patient Rights Policy, which is the same for each applicant. (DI #8, p. 23 & Exh. 22). Its patients' rights policy is within its hospice caregiving handbook. The policy is consistent with the reference regulations.

P. Inpatient Unit: In addition to the applicable standards in .05A through O above, the Commission will use the following standards to review an application by a licensed general hospice to establish inpatient hospice capacity or to increase the applicant's inpatient bed capacity.

This standard is not applicable. The project will relocate a facility that will be used to provide inpatient hospice services but the replacement facility design includes fewer beds than the bed capacity currently licensed for JRH.

B. 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 Hospice Chapter has a "need methodology" that targets jurisdictions for consideration of new hospice providers (through either new program development or expansion of existing programs) based on the jurisdiction's hospice use rate. The methodology is designed to target larger jurisdictions with low hospice use for consideration of new hospice providers. Baltimore City is such a jurisdiction and the Commission has a pending contested review of applications from existing hospice programs seeking to expand into Baltimore City, as well as an application from a home health agency seeking to establish a hospice program in the jurisdiction. This Gilchrist/JRH proposal to relocate JRH is not germane to that review because it will not create a new provider of hospice services in the jurisdiction.

The need identified for this project is primarily institutional rather than population-based. The existing physical facilities, repurposed Baltimore row houses, are old and in poor condition. The applicants do not believe that the current physical configuration of the JRH facilities in two buildings is sustainable. The work required to extensively renovate and create a more efficient and effective single building alternative would be almost as expensive ($8 to $9 million) as relocation and replacement and could not be accomplished without discontinuation of service provision.

The applicants believe that the consolidation of facilities achievable through the relocation and replacement of JRH will make it easier to provide a full range of inpatient and residential services for both children and adult patients. (DI #8, p. 9). Gilchrist created a pediatric hospice program that provides end-of-life care for infants and children. JRH previously provided pediatric hospice services but has not provided these services in the past few years.

Staff concludes that the need for this relocation and replacement has been demonstrated. The residents of Baltimore City will benefit from a replacement JRH that can more efficiently and effectively serve as a general inpatient and hospice house service provider for the City's indigent population.

C. COMAR 10.24.01.08G(3)(c) AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES

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.

The applicants state that two alternatives to the proposed project were considered. They listed discontinuation of services at JRH as an option but this is not an alternative for providing the services, as referenced in the criterion.

The first alternative, as previously noted, was to remain at the current location and reconfigure the physical facilities so that clients could be served in one building. The applicants stated this option was not viable because it would require extensive renovations and the applicants

would have to discontinue operations during remodeling. The stated cost estimate for this alternative was $8 to $9 million.

A second alternative was to acquire a building and renovate it to produce a more functional inpatient and hospice house facility. This option was estimated to cost between $6 and $8 million dollars, depending on the condition of the building. The applicant states that it did not identify workable locations but the likely cost of this alternative was not attractive given the quality and cost of the Stadium Place site and the cost of constructing a new facility meeting all of the applicants' specifications. Also, Stadium Place has other facilities (an assisted living facility and a comprehensive care facility) that provide long-term care services.

Staff finds that the applicants have sufficiently demonstrated that the proposed project is a cost effective alternative to meeting the need for a more modern and functional facility.

D. 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.

Gilchrist plans to fund the proposed project primarily with philanthropic donations ($5.75 million) and cash ($3 million). It anticipates a need for debt financing of $500,000.

Gilchrist's consolidated 2017 audited financial statements show that it had $21.5 million in current assets, including almost $6.4 million in cash and other liquid assets, against $8.2 million in current liabilities. Operating results for Gilchrist's overall operations have been strong (see Appendix 2). Gilchrist's net income in FY 2017 was over $4,557,058, equivalent to 9.1% of net patient services revenue and 8.4% of net operating revenue. Gilchrist projects net income of almost $4 million in FY 2018.

On a stand-alone basis, however, the JRH operation has not generated excess revenue over expenses and is not projected to do so in the future. It is projected to experience an operating loss of $1.1 million in FY 2020, the first year of operation of the replacement facility, with projected losses of $916,000 and $774,000 in the following two years.

Gilchrist notes that it is currently subsidizing JRH and will continue to so as an "essential" asset for the community. It states that "between ongoing philanthropy, which continues to increase every year, and ongoing businesses of the overlapping Gilchrist enterprise", JRH will be sustainable. It notes that Gilchrist raises approximately $4 to $5 million in philanthropy and, as a result of historic and ongoing fundraising activities, has approximately $149 million in reserves. It anticipates ongoing success in its fundraising efforts

Letters of support for this project came from across the Greater Baltimore community. Letters from Baltimore City Council President Bernard C. "Jack" Young and Baltimore City's Health Officer, Dr. Leana Wen, as well as from the President of Greater Baltimore Medical Center, the President of Johns Hopkins Hospital and the Administrator of Johns Hopkins Department of

Pediatrics, and the Chief Medical Officer of the University of Maryland Medical Center – Midtown Campus all stressed the importance of JRH as a Baltimore City resource. (DI #8, Exh. 5). The letters highlight JRH's history of serving underprivileged residents since 1987, and the extensive support JRH has provided to patients living with HIV/AIDS.

Staff concludes that Gilchrist is well positioned to implement and financially sustain this project and that the project has strong community support.

E. COMAR 10.24.01.08G(3)(e) COMPLIANCE WITH CONDITIONS OF PREVIOUS CERTIFICATES OF NEED

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.

The applicants have not been granted previous CONs.

F. COMAR 10.24.01.08G(3)(f) IMPACT ON EXISTING PROVIDERS AND THE HEALTH CARE DELIVERY SYSTEM

An applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the health planning region, 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.

The applicants state that JRH serves a unique population. Most of its clients do not have the family or social support systems to provide caregiving services due to mental health and/or substance abuse disorders. The proposed project involves relocating JRH a few miles further north within Baltimore City and does not alter JRH's or Gilchrist's service offerings or service capacity. The applicants anticipate serving the same patient population. For these reasons, the applicants state that the project will not have an impact on current hospice service providers.

The applicants do not anticipate needing additional personnel to staff the replacement JRH. It is anticipated that the staff currently leased by Gilchrist to JRH would change status when the two facilities merge.

The applicants do not expect the project to have an impact on costs or charges for delivery of hospice services. A large proportion of the patients served will qualify for hospice benefits under the Medicare program, which will be the source of most revenue for professional hospice service delivery. Since 2014, Gilchrist has not used JRH as a setting for general inpatient care services but states that it has begun providing these services at JRH in 2018. The project may allow Gilchrist to increase its revenue production for the provision of general inpatient care in Baltimore City, given that it has not operated JRH for that purpose during most of its period of control and the new JRH will give it a Baltimore City inpatient facility that it can operate autonomously.

IV. SUMMARY AND RECOMMENDATION

Based on the review of the proposed project's compliance with the applicable standards in the Hospice Chapter and the general review criteria in COMAR 10.24.01.08G(3), staff recommends APPROVAL of the project. There is a need to modernize the facilities and it is cost effective to meet this need through the proposed relocation and replacement. As a component of the Gilchrist operation, the project will be sustainable over the long-term as a resource for the indigent, even though it is unlikely to ever generate income on a stand-alone basis under its current mode of operation. The impact of the project will be positive. It will provide a modern setting for inpatient hospice care and serve as a hospice house and respite care option for Baltimore City's population.

IN THE MATTER OF	*	**BEFORE THE**
GILCHRIST HOSPICE CARE, INC.	*	**MARYLAND**
and	*	**HEALTH CARE**
JOSEPH RICHEY HOUSE, INC.	*	**COMMISSION**
Docket No. 17-24-2412	*	

* *

FINAL ORDER

Based on the analysis and findings in the MHCC Staff Report and Recommendation, it is this 19th day of July, 2018, **ORDERED:**

That the application of Gilchrist Hospice Care, Inc. and Joseph Richey House Inc. for a Certificate of Need to relocate and replace the existing physical facilities of the Joseph Richey House to a site at Stadium Place on West 33rd Street in Baltimore City, at a cost of $10,328,950 is **APPROVED**.

APPENDIX 1: Record of the Review

Record of the Review

Docket Item #	Description	Date
1	Gilchrist submits a Letter of Intent for Certificate of Need (CON).	6/9/17
2	Gilchrist submits the CON.	11/17/17
3	Commission staff acknowledges receipt of application for completeness review.	11/20/17
4	Commission staff request to publish notice of receipt of application in the Baltimore Sun.	11/20/17
5	Commission staff request to publish notice of receipt of application in the Maryland Register.	11/20/17
6	Notice of receipt of application is published in the Baltimore Sun.	12/1/17
7	Gilchrist provides Letters of Support.	Various Dates
8	Gilchrist sends amended CON Application identifying two applicants, Gilchrist and Joseph Richey House.	2/22/18
9	Commission staff request completeness questions and additional information.	4/4/18
10	Gilchrist submits responses to completeness questions and additional information.	4/19/18
11	Gilchrist submits Exhibit G for Completeness questions.	5/10/18
12	Commission staff informs Gilchrist of formal start of review of application will be 6/8/18.	5/18/18
13	Commission staff requests publication of notice of formal start of review in Baltimore Sun.	5/18/18
14	Commission staff requests publication of notice of formal start of review in the Maryland Register.	5/18/18
15	Commission staff request comments from Local Health Planning.	5/18/18
16	Notice of formal start of review is published in the Baltimore Sun.	5/26/18
17	Commission staff requests additional information about Gilchrist's financial viability and established linkages.	6/27/18
18	Gilchrist submits additional information regarding its financial viability and established linkages.	6/29/18

19	Commission staff requests additional information about Gilchrist's Revenue and Expense statements.	7/6/18
20	Gilchrist submits additional information regarding its Revenue and Expense statements.	7/10/18
21	Gilchrist submits supplemental information regarding its Revenue and Expense statements.	7/10/18
22	Gilchrist submits additional information regarding its licensure and organizational structure.	7/12/18

APPENDIX 2: Project Budget

Project Budget

A. USE OF FUNDS	
1. CAPITAL COSTS (if applicable):	
a. New Construction	
1) Building	$7,260,000
2) Fixed Equipment (not included in construction)	958,950
3) Architect/Engineering Fees	1,300,000
4) Permits, (Building, Utilities, Etc)	260,000
a. SUBTOTAL New Construction	**$ 9,778,950**
b. SUBTOTAL Renovations	
c. SUBTOTAL Other Capital Cost	
TOTAL CURRENT CAPITAL COSTS (sum of a - c)	**$ 9,778,950**
Non-Current Capital Cost	
a. Land Purchase Cost or Value of Donated Land	$ 550,000
TOTAL PROPOSED CAPITAL COSTS (sum of a - e)	**$ 10,328,950**
2. FINANCING COST AND OTHER CASH REQUIREMENTS	
c1. Legal Fees	$70,000
TOTAL (a - e)	**$ 70,000**
3. WORKING CAPITAL STARTUP COSTS	
TOTAL USES OF FUNDS (sum of 1 - 3)	**$ 10,398,950**

Project Budget Continued

B. SOURCES OF FUNDS FOR PROJECT	
1. Cash	$3,000,000
2. Pledges: Gross 1,250,000, less allowance for uncollectables _101,050_____= Net	$1,148,950
3. Gifts, bequests	$5,750,000
4. Authorized Bonds	$500,000
TOTAL SOURCES OF FUNDS (sum of 1-9)	**$10,398,950**

APPENDIX 3: Financial Schedule of Revenues and Expenses

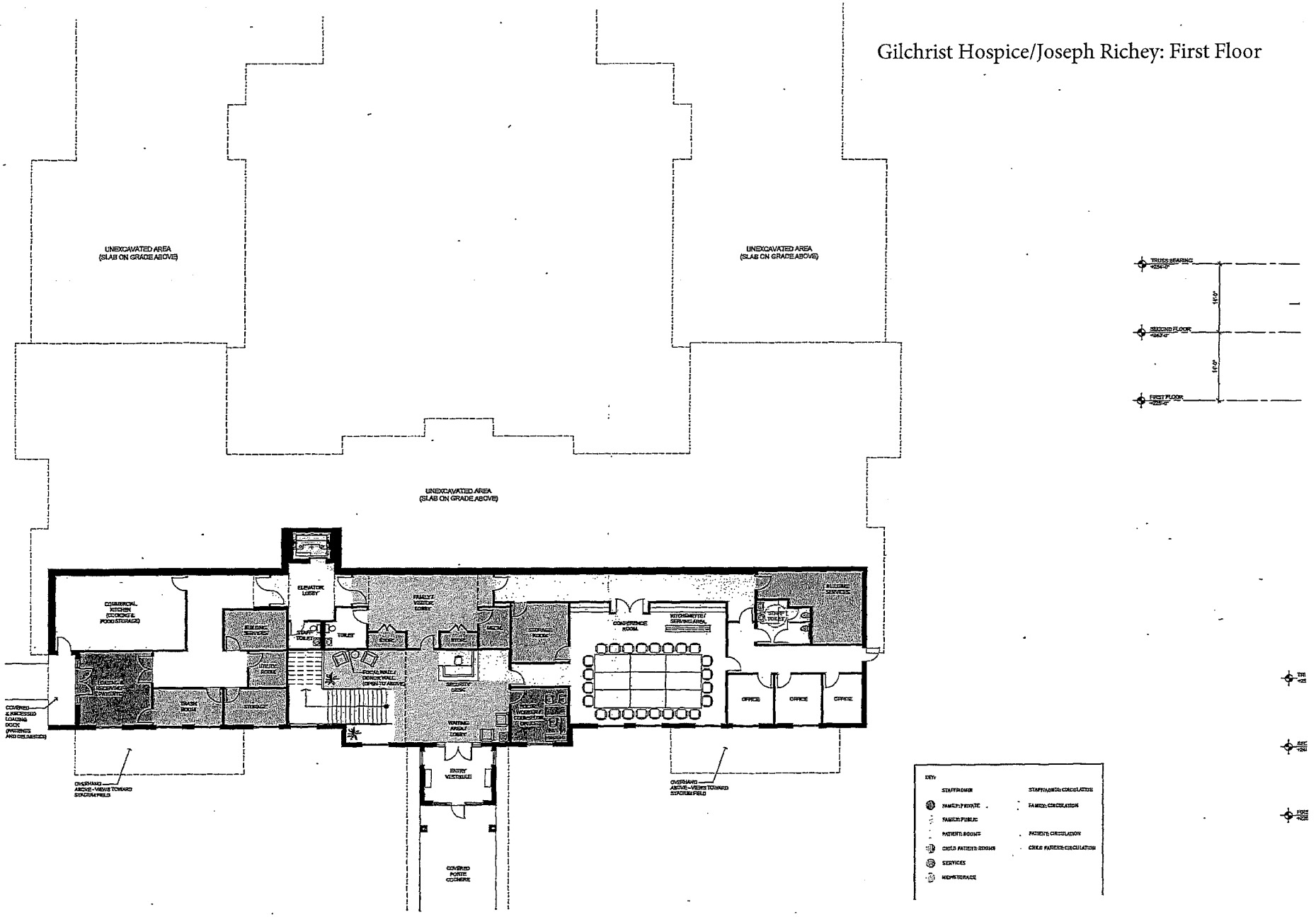
All Gilchrist

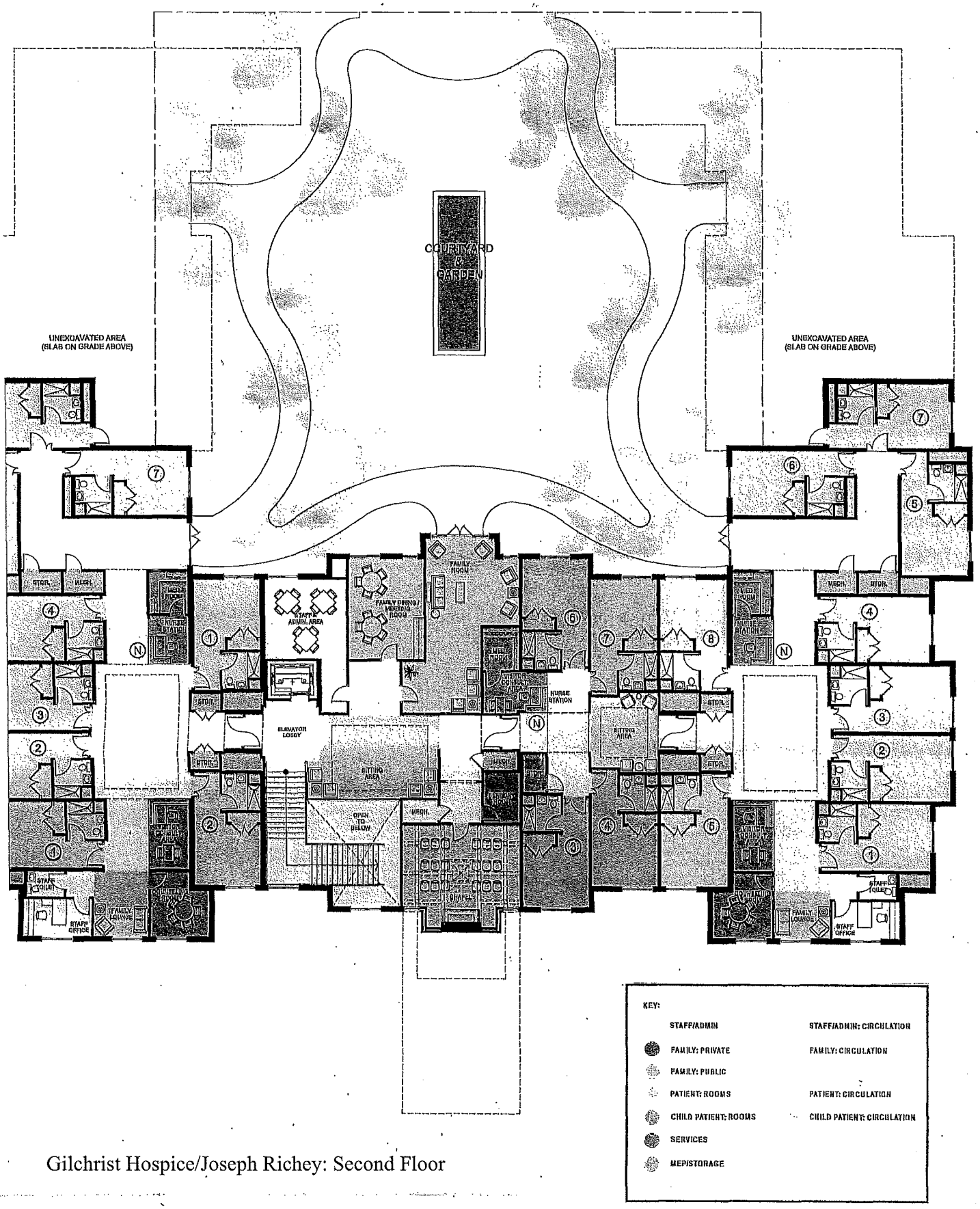
			Current Year Projected	Projected Years			
	FY16	FY17	FY18	FY19	FY20	FY21	FY22
1. Revenue							
a. Inpatient Services	$10,149,060	$11,931,233	$11,454,639	$11,511,912	$11,569,472	$11,627,319	$11,685,456
b. Hospice House Services	$2,375,716	$1,718,599	$2,134,665	$2,234,665	$2,334,665	$2,434,665	$2,534,665
c. Home Care Services	$48,167,842	$53,536,882	$61,885,164	$62,704,016	$63,631,056	$64,667,366	$65,814,040
d. Gross Patient Service Revenue	$60,692,618	$67,186,714	$75,474,468	$76,450,593	$77,535,193	$78,729,350	$80,034,161
e. Allowance for Bad Debt	($1,656,173)	($1,537,802)	($1,288,780)	($1,290,069)	($1,291,359)	($1,292,650)	($1,293,943)
f. Contractual Allowance	($12,182,226)	($15,294,441)	($18,044,765)	($18,062,810)	($18,080,873)	($18,098,953)	($18,117,052)
g. Charity Care	($130,260)	($202,560)	($225,125)	($225,350)	($225,575)	($225,801)	($226,027)
h. Net Patient Services Revenue	$46,723,959	$50,151,911	$55,915,798	$56,872,364	$57,937,386	$59,111,946	$60,397,139
i. Other Operating Revenues	$3,703,658	$3,933,595	$3,220,004	$3,500,000	$3,500,000	$3,500,000	$3,500,000
J. Net Operating Revenue	$50,427,617	$54,085,506	$59,135,802	$60,372,364	$61,437,386	$62,611,946	$63,897,139
2. Expenses							
a. Salaries, Wages, and Professional Fees, (including fringe benefits)	$31,337,075	$33,036,705	$37,265,772	$38,111,087	$39,023,309	$39,978,775	$41,028,351
b. Contractual Services	$1,685,325	$1,379,942	$1,196,170	$1,214,113	$1,232,324	$1,250,809	$1,269,571
c. Interest on Current Debt	$31,242	$0	$0	$0	$0	$0	$0
d. Interest on Peroject Debt	$0	$0	$0	$0	$0	$0	$0
e. Current Depreciation	$1,358,769	$1,426,358	$1,477,412	$1,477,412	$1,477,412	$1,477,412	$1,477,412
f. Project Depreciation	$0	$0	$0	$0	$0	$0	$0
g. Current Amortization	$0	$0	$0	$0	$0	$0	$0
h. Project Amortization	$0	$0	$0	$0	$0	$0	$0
I. Supplies	$3,888,894	$3,501,400	$3,701,310	$3,775,336	$3,850,843	$3,927,860	$4,006,417
j. Other expenses (specify) Purchased Servces	$8,935,978	$10,184,043	$11,505,318	$11,735,424	$11,970,133	$12,209,536	$12,453,726
k. Total Operating Expenses	$47,237,283	$49,528,448	$55,145,982	$56,313,373	$57,554,021	$58,844,392	$60,235,477
3. Income							
a. Income from Operation	$3,190,334	$4,557,058	$3,989,820	$4,058,992	$3,883,364	$3,767,554	$3,661,661
b. Non-operating income	$0	$0	$0	$0	$0	$0	$0
c. Subtotal	$3,190,334	$4,557,058	$3,989,820	$4,058,992	$3,883,364	$3,767,554	$3,661,661

Above is Net Operating Income	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Unrestricted							
Contributions	$ 684,511	$ 2,060,799	$ 1,105,239	$ 1,105,239	$ 1,105,239	$ 1,105,239	$ 1,105,239
Investment Income	$ 1,260,493	$ 1,109,643	$ 1,589,109	$ 1,589,109	$ 1,589,109	$ 1,589,109	$ 1,589,109
Interest Income	$ 368,322	$ 363,809	$ 474,185	$ 474,185	$ 474,185	$ 474,185	$ 474,185
Philanthropy Expenses	$ (1,231,218)	$ (1,443,670)	$ (1,322,020)	$ (1,322,020)	$ (1,322,020)	$ (1,322,020)	$ (1,322,020)
Realized Gains	$ 1,650,768	$ 2,193,696	$ 5,634,371	$ -	$ -	$ -	$ -
Unrealized Gains	$ (3,466,679)	$ 6,899,296	$ 3,256,843	$ -	$ -	$ -	$ -
Unrestricted Non Operating Income/(Loss)	$ (733,803)	$ 11,183,573	$ 10,737,727	$ 1,846,513	$ 1,846,513	$ 1,846,513	$ 1,846,513
Temporary Restricted							
Contributions	$ 5,279,748	$ 3,140,311	$ 2,593,548	$ 2,593,548	$ 2,593,548	$ 2,593,548	$ 2,593,548
Investment Income	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest Income	$ 336,326	$ 328,848	$ 367,423	$ 367,423	$ 367,423	$ 367,423	$ 367,423
Philanthropy Expenses	$ (67,275)	$ (56,744)	$ (53,988)	$ (53,988)	$ (53,988)	$ (53,988)	$ (53,988)
Release of Funds	$ (3,546,434)	$ (3,728,205)	$ (3,490,201)	$ (3,500,000)	$ (3,500,000)	$ (3,500,000)	$ (3,500,000)
Realized Gains	$ 374,811	$ 535,337	$ 1,007,659	$ -	$ -	$ -	$ -
Unrealized Gains	$ (1,061,460)	$ 1,316,016	$ 509,849	$ -	$ -	$ -	$ -
Temporary Restricted Non Operating Income/(Loss)	$ 1,315,716	$ 1,535,563	$ 934,289	$ (593,017)	$ (593,017)	$ (593,017)	$ (593,017)
Permantly Restricted							
Contributions	$ 142,003	$ 2,218,895	$ 132,885	$ 132,885	$ 132,885	$ 132,885	$ 132,885
Investment Income	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest Income	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Philanthropy Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Realized Gains	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unrealized Gains	$ (112,469)	$ 85,355	$ 118,089	$ 118,089	$ 118,089	$ 118,089	$ 118,089
Permanently Restricted Non Operating Income/(Loss)	$ 29,534	$ 2,304,250	$ 250,973	$ 250,973	$ 250,973	$ 250,973	$ 250,973
Net Change in Assets	$3,801,781	$19,580,444	$15,912,809	$5,563,461	$5,387,834	$5,272,023	$5,166,130

APPENDIX 4: Floor Plans and Future Site Map

Gilchrist Hospice/Joseph Richey: First Floor





Gilchrist Hospice/Joseph Richey: Second Floor

Future Gilchrist Center Baltimore

1 Future Elkader Way Site
- 86 senior apartment homes

2 Heritage Run
- 32 market rate apartments

3 Ednor Apartments I & II
- 194 LIHTC apartments

4 Weinberg Courts
- 70 one bedroom apartments

5 Venable Apartments II
- 74 one bedroom apartments

6 Green House Residences
- 49 bed short and long term facility.

7 Y of Central Maryland
- Recreational amenities

8 Thanksgiving Place
- Community/Meditative Garden

9 Future Village Center
- 70 Market Rate units with 30K retail