




**MARYLAND HEALTH CARE COMMISSION**

4160 PATTERSON AVENUE – BALTIMORE, MARYLAND 21215  
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**MEMORANDUM**

**To:** Commissioners

**From:** Kevin R. McDonald, Chief  
Certificate of Need 

**Date:** September 20, 2018

**Re:** Staff Report and Recommendation:  
Second Request to Modify a Certificate of Need  
Washington Adventist Hospital  
Docket No. 13-15-2349

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Attached is a Staff Report and Recommendation in the review of the second request to modify the Certificate of Need (“CON”) that was issued to Adventist HealthCare, Inc., d/b/a Washington Adventist Hospital, to relocate and replace most of its existing general hospital facilities to a new site in Silver Spring. That CON was approved in December 2015 .

As approved the CON did not involve the relocation and replacement of acute psychiatric hospital facilities. Those facilities were authorized to remain on the existing Takoma Park campus of WAH, with renovations included for continued operation as a special hospital-psychiatric.

As part of a larger initiative to stabilize its behavioral health service, AHC seeks approval to relocate 10 adult psychiatric beds now in operation at Takoma Park to the new hospital in White Oak. The beds would fill the shell space initially approved for the new hospital. In a separate filing to be reviewed by the Commission at a later date, Adventist plans to seek an exemption from CON to relocate the remaining psychiatric beds to AHC Shady Grove Medical Center in Rockville.

Staff recommends that the Commission **APPROVE** the proposed change to Certificate of Need Docket No. 13-15-2349 to allow development of a 10-bed adult psychiatric unit as a component of the relocated hospital in White Oak. This action makes most of the conditions that were part of the 2015 CON approval moot, as AHC will no longer be authorized to establish a special psychiatric hospital in Takoma Park and there will no longer be shell space in the new hospital. The remaining condition on this CON will be:

**Adventist HealthCare, Inc. must open an urgent care center on its Takoma Park campus coinciding with its closure of general hospital operations on that campus. The urgent care center must be open every day of the year, and be open 24 hours a day. Adventist HealthCare, Inc. may not eliminate this urgent care center or reduce its hours of operation without the approval of the Maryland Health Care Commission.**

<b>IN THE MATTER OF</b>	*	<b>BEFORE THE</b>
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<b>ADVENTIST HEALTHCARE, INC.</b>	*	<b>MARYLAND</b>
	*	
<b>d/b/a WASHINGTON ADVENTIST</b>	*	<b>HEALTH CARE</b>
	*	
<b>HOSPITAL</b>	*	<b>COMMISSION</b>
	*	
<b>Docket No. 13-15-2349</b>	*	
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**CHANGE IN PROJECT AFTER CERTIFICATE OF NEED APPROVAL**

**I. INTRODUCTION**

**Requested Project Change**

In December 2015, Adventist HealthCare, Inc. (“AHC”) d/b/a Washington Adventist Hospital (“WAH”), a general hospital, received Certificate of Need (“CON”) approval, with conditions, to relocate and replace most of its existing general hospital facilities in Takoma Park. The replacement general hospital is under construction at the new 49-acre site in the White Oak area of Silver Spring. It will operate as AHC White Oak Medical Center (“White Oak”).

The approved CON did not involve the relocation and replacement of acute psychiatric hospital facilities currently operated as an adult psychiatric unit of WAH. Those facilities were authorized to remain on the existing Takoma Park campus of WAH and to continue to operate on that campus. Because the acute psychiatric hospital facilities would no longer be part of a general hospital following completion of the relocation to White Oak in Silver Spring, their continued operation would be as a freestanding special psychiatric hospital. The applicant now anticipates completion of the replacement hospital and the start of general hospital operations at the White Oak location in mid-2019.

AHC seeks approval to relocate 10 of the 26<sup>1</sup> adult psychiatric beds now in operation at Takoma Park to White Oak, so that White Oak will incorporate a 10-bed adult psychiatric unit. Fifth-floor shell space was authorized as a component of the replacement hospital in 2015 and AHC proposes finishing 11,585 square feet of this shell space, in the replacement hospital’s south tower, to accommodate the 10-bed adult psychiatric unit. The estimated cost for finishing the shell space is approximately \$3.3 million.

AHC characterizes this proposed change as part of a larger strategy crafted to ensure greater

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<sup>1</sup> The applicant explained that the 40 inpatient psychiatric beds that were to remain in Takoma Park as part of the 2015 CON approval have been reduced to 26 psychiatric beds, effective July 1, 2018, “as a result of the annual adjustment of licensed acute hospital beds applied to all of the hospitals in Maryland.” In a separate filing to be reviewed by the Commission at a later date, Adventist plans to seek an exemption from CON to relocate the remaining 16 beds to AHC Shady Grove Medical Center in Rockville.

financial viability and stability to its provision of behavioral health services, thus preserving their availability for the community.

## **Background**

In October 2012, Commissioner Barbara McLean, the Reviewer of an application for the proposed relocation of WAH to the White Oak campus, recommended denial of the project. That project involved a WAH replacement hospital of 249 beds that retained all three of the acute inpatient care services it currently provides; medical/surgical services (182 beds), obstetric services (30 beds), and acute psychiatric services (37 beds). The primary basis for the negative recommendation was the Reviewer's conclusion that the project was not financially viable. The estimated cost of the project was \$397.7 million. The applicant, Washington Adventist Hospital, Inc. had estimated an additional expenditure of \$20 million for reconfiguration of the Takoma Park campus following completion of the replacement hospital. That campus was anticipated to continue functioning as a special rehabilitation hospital campus that also provided outpatient medical services.

The applicant withdrew its CON application following issuance of the Reviewer's recommendation for denial of the CON application. Later, Adventist HealthCare submitted a revised relocation proposal to the Maryland Health Care Commission ("MHCC" or "Commission") that was ultimately approved in December 2015, with an authorized expenditure of \$336.1 million. The replacement general hospital approved by the Commission authorized a 170-bed general hospital that would provide only two acute inpatient services; medical/surgical services (152 beds) and obstetric services (18 beds).

The 2015 CON also approved the establishment of a special psychiatric hospital consisting of the 40 acute psychiatric beds, which would remain in operation in expanded and renovated space on the Takoma Park and be operated by AHC Behavioral Health & Wellness, a division of Adventist HealthCare, Inc. An estimated expenditure of \$5.2 million<sup>2</sup> was approved in the 2015 CON as necessary for renovation of the existing WAH facilities to create a functional special psychiatric hospital. As proposed in the first CON application, the separately-licensed special hospital for medical rehabilitation was to continue to operate in Takoma Park in its current space.<sup>3</sup>

As a condition of its 2015 CON, AHC is required to establish and operate an urgent care center "on its Takoma Park campus coinciding with its closure of general hospital operations on that campus." The urgent care center must operate every day of the year and be open 24 hours a day.

In June 2017, MHCC staff determined that several design changes in the White Oak project would not require Commission action because the changes were not projected to add cost, nor were they significant changes in the physical plant design. As described by WAH, these changes

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<sup>2</sup> This cost is included in the \$336.1 million cost of the approved project.

<sup>3</sup> MHCC has received a CON application (Matter No. 18-15-2328) from AHC seeking to relocate the special rehabilitation hospital from the WAH campus in Takoma Park to the White Oak campus. This proposed project would require addition of two floors to a wing of the replacement general hospital in White Oak.

were made to allow for a more cost-effective construction process, to compensate for soil conditions that were encountered as site work progressed, and to relocate and enclose rooftop heating and cooling equipment. While these proposed changes added 28,765 square feet (“SF”) of new construction<sup>4</sup> to the approved project, WAH stated “these changes can be achieved within the approved capital cost.”

### **September 2017 Modification Adding a Central Utility Plant and Parking Garage**

AHC submitted its first Request for Project Change after Certificate of Need Approval to make two substantive changes to the project, and for an associated cost increase.

- Construction of a 16,000 SF Central Utility Plant (CUP) adjacent to the main hospital. The approved 2015 project included a plan for the CUP to be developed and operated by a third party from whom WAH would purchase the utility services needed, with utility costs treated as operating expenses. AHC determined that the cost of this approach would be significantly higher than originally estimated. It was initially projected that the annual first-year operating expense for the utilities would be slightly over \$3 million, but as it initiated implementation of the White Oak plan, AHC determined that actual first year costs would be more than twice that amount because the capital cost to construct the CUP was significantly higher than had originally been estimated. AHC determined that the more conventional approach of including its own CUP as part of the hospital campus development would be less expensive, over the life of the plant.
- Construction of a Parking Garage The approved 2015 project contemplated development of 750 surface parking spaces. With a medical office building now planned to open around the same time as the White Oak hospital, AHC projected that the surface lot would be insufficient to handle the campus parking volume. It proposed construction of a six-level parking garage with approximately one thousand parking spaces, as a substitute for most of the surface parking capacity originally programmed.

These project changes, approved by the Commission, did not alter any of the conditions of the 2015 CON. Together, the addition of the CUP and parking garage increased the capital cost of the project by approximately \$64 million (\$39,300,900 for the CUP and \$24,845,058 for the parking garage) taking the total project expenditure from \$336,053,030 to \$400,198,988. The changes were to be funded with approximately \$39.3 million in debt obtained from the sale of bonds and approximately \$24.8 million in cash.

### **Current Request for Project Change After Approval**

In this second request for a change in the approved project, AHC seeks to change its

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<sup>4</sup> About 22,100 SF of that additional space is attributable to the foundation basement and the enclosed mechanical penthouse. The remaining 6,765 SF is described as a “byproduct of the redesign...rather than being allocated because of any change in needs for space...for any...function or service.”

approved establishment of a special psychiatric hospital in Takoma Park. It now proposes to include a 10-bed adult psychiatric unit in the White Oak replacement hospital, enlarging the replacement general hospital from 170 to 180 beds and maintaining WAH's current and historic mix of inpatient services. The proposed unit will treat voluntary adult general psychiatric patients and include 10 private patient rooms, treatment rooms, and a day room. Adventist's intensive outpatient and partial hospitalization behavioral health programs will also move from Takoma Park to White Oak. The fit-out of this space is estimated to cost \$3,274,553, which will be more than covered by the budget (\$5.2 million) currently approved to convert the WAH psychiatric unit to a freestanding special hospital, an element of the 2015 CON that will not be implemented if this change is authorized.

AHC states that the proposed project change results from a broader strategic review of its delivery of behavioral health services, which it describes as "an overall effort by AHC to ensure the continued viability of its behavioral health services, a vital part of the region's health care infrastructure." Adventist refers to the reimbursement challenges of operating a freestanding psychiatric hospital because of the "Institution for Mental Disease ["IMD"] exclusion," a federal policy that excludes participation by the federal government in funding psychiatric services provided through Medicaid payments for patients between the ages of 21-64 in what federal statute defines as an IMD. Freestanding psychiatric hospitals with more than 16 beds, such as the Takoma Park facility currently approved, are classified as an IMD. Psychiatric hospital beds operated within a general hospital, even if organized within units of more than 16 beds, are not classified as an IMD and, when Medicaid patients are treated in such hospital units, funding for their care is a shared responsibility of the state and the federal governments.

Earlier this year MHCC approved a request for exemption from CON review by Adventist HealthCare Behavioral Health and Wellness ("ABH") to consolidate its special psychiatric hospital in Rockville with the adjacent AHC Shady Grove Medical Center ("SGMC"), thus creating a single general hospital campus incorporating all of the AHC psychiatric hospital beds other than those operated in Takoma Park. AHC states that "the consolidation of ABH into SGMC...put the Rockville behavioral health services under a stable, predictable revenue model as part of SGMC's Global Budget Revenue ('GBR')." (Staff Report on Request for Project Change, p.2).

Adventist explained that its original plan for operating behavioral health services at Takoma Park would face the same reimbursement disadvantage that motivated the Shady Grove consolidation, and "caused AHC to reevaluate its plan for operating behavioral health services in Takoma Park. Now, AHC plans to continue operating the Takoma Park adult psychiatric beds in acute care hospitals, with 10 of these beds moving to WAH's new White Oak campus and . . ." the balance of the beds (16) . . . moving to SGMC in Rockville."<sup>5</sup>

This proposed change to an approved project was foreshadowed in Commissioner/Reviewer Frances Phillips's 2015 Recommended Decision (Docket No. 13-15-2349). In that Recommended Decision, which was adopted by the Commission, as she wrote,

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<sup>5</sup> AHC plans to request approval of an exemption from CON review to relocate 16 of the Takoma Park psychiatric beds to Shady Grove Medical Center, if this project change is approved.

there is a risk that Medicaid reimbursement policy could change if federal policy with respect to the IMD exclusion does not change .... [I]f there are significant reductions in Medicaid reimbursement for freestanding psychiatric hospitals of the size of the Takoma Park special psychiatric hospital, a rethinking of how to provide acute psychiatric hospital care on a viable basis will be required.

(2015 AHC Recommended Decision, at p. 68).

[O]ne of the risks presented by this project is the permanent loss of Maryland's IMD Exclusion Waiver. This makes the long-term viability of the psychiatric facility at Takoma Park more tenuous...As I have considered my recommendation on this application, DHMH is again pursuing an IMD Exclusion Waiver and, for now at least, the Maryland Medicaid program is continuing to provide funding at previous levels. I think it likely that, by the time the replacement hospital will go into operation at White Oak, a rational solution to this funding issue will be in place. *Under a worst case scenario, AHC would have to reassess its ability to continue to viably serve all acute psychiatric patients in need of service and this reassessment would undoubtedly focus on bringing psychiatric beds back within the general hospital setting.*

(*Id.*, at p. 70) (Emphasis added).

In addition to providing financial stability, Adventist states that another benefit of its proposal is that "the relocation of beds from WAH to SGMC enhances the clinical specialization of the AHC regional behavioral health services in Rockville, which benefits patients [by enabling provision of]...more specialized care." (Request for Project Change, p. 2).

## II. APPLICABLE REGULATIONS

Under the Commission's regulations, at COMAR 10.24.01.17B, the following changes to an approved CON require the Commission's approval:

- (1) A significant change in physical plant design;
- (2) Capital cost increases that exceed the approved capital cost inflated by an amount determined by applying the Building Cost Index published in *Healthcare Cost Review* from the application submission date to the date of the filing of a request for approval of a project change;
- (3) When total projected operating expenses or revenue increases exceed the projected expenses or revenues in the approved Certificate of Need Application, inflated by 10 percent per year;
- (4) Changing the financing mechanisms of the project; or
- (5) Changing the location or address of the project.

The proposed modification changes the location of the behavioral health component of the project and, thus, requires Commission approval. The cost of the relocation is within the September 2017 modified capital costs approved by MHCC, and will not increase the total operating revenues or expenses in the first modified CON by ten percent per year, or alter the financing mechanisms for the relocation project.

The actions available to the Commission are found in COMAR 10.24.01.17D(3):

- (a) The proposed change is approved and is incorporated into a modified Certificate of Need for the project;
- (b) The proposed change is approved in part or approved with conditions;
- (c) The proposed change is not approved, with explanation; or
- (d) The proposed change is of sufficient scope to warrant complete review in accordance with the Certificate of Need review process described in Regulations .08-.10 of this chapter, and may only be considered upon completion of this review.

The Commission's regulations identify certain circumstances where a modification is not permissible and would require the applicant to seek a new Certificate of Need. Those circumstances are described at COMAR 10.24.01.17C:

- (1) Changes in the fundamental nature of a facility or the services to be provided in the facility from those that were approved by the Commission;
- (2) Increases in the total licensed bed capacity of medical service categories from those approved;
- (3) Any change that requires an extension of time to meet the applicable performance requirements specified under Regulation .12 of this chapter, except as permitted under Regulation .12E of this chapter.

This modification will not change the fundamental nature of the project or its services because the 2015 CON involved the acute psychiatric beds that are the subject of AHC's modification request. Overall, the total number of acute psychiatric beds will not increase, although the ten relocated beds will become acute psychiatric beds of a general hospital,<sup>6</sup> rather than being relicensed as psychiatric beds of a special hospital, as authorized in the 2015 CON. The total number of acute psychiatric beds operated by AHC declined, effective July 1, 2018, from 40 to 26.<sup>7</sup> Finally, WAH has not requested an extension of time to meet the applicable performance requirements beyond that allowed in regulation. Therefore, the modification requested by Adventist is permissible.

### **III. FINANCIAL IMPACT OF THE PROPOSED CHANGE**

#### **Impact on Project Costs**

As previously noted, AHC estimates that finishing the approved fifth-floor shell space at White Oak in order to create a ten-bed adult psychiatric unit will cost \$3,374,553. An itemization of this cost estimate is shown in the following table.

The establishment of a ten-bed psychiatric unit at White Oak will cost approximately \$2.0 million less than the 2015 estimated cost of renovations to the existing WAH space in Takoma Park intended to make the existing psychiatric unit at WAH more functional as a freestanding

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<sup>6</sup> Matching the current configuration of these beds at WAH in Takoma Park.

<sup>7</sup> See footnote 1, *supra*.



psychiatric hospital. This is not an “apples to apples” comparison given that the special hospital was planned as a 40-bed facility. However, the proposed project change will maintain a psychiatric hospitalization capability in this eastern fringe of Montgomery County in a non-IMD setting without requiring an increase in the approved cost of the hospital relocation project.

**Table 2: Cost Estimate, Establishing a Ten-Bed Adult Psychiatric Unit  
AHC White Oak Medical Center**

<b>Project Component</b>	<b>Estimated Cost</b>
Building demolition and/or renovations	\$ 2,018,637
Architect/engineering fees & permits	341,150
Moveable equipment	574,500
Contingencies	183,317
Other capital costs	121,000
Inflation allowance	35,949
<b>Total Capital Costs</b>	<b>\$ 3,274,553</b>
Financing and other cash requirements	0
<b>Total Use of Funds</b>	<b>\$ 3,274,553</b>
Authorized bonds	\$ 3,274,553

Source: Request for Project Change, Exhibit 1, Table E.

**Projected Financial Impact on the White Oak Bottom Line**

Table 3 below shows projected positive operating results for the ten-bed psychiatric unit, and Table 4 rolls that positive incremental impact into the overall financial performance of the replacement WAH.

**Table 3. Projected Revenue and Expense Statement  
Ten-Bed Adult Psychiatric Unit Program  
AHC White Oak Medical Center  
(Current Year Dollars)**

	<b>CY 2019 Half Year</b>	<b>CY 2020</b>	<b>CY 2021</b>
<b>REVENUE</b>			
Inpatient Services	\$2,039,611	\$4,079,222	\$4,079,222
Outpatient Services	617,994	1,235,987	1,235,987
Gross Patient Service Revenue	<b>\$2,657,605</b>	<b>\$5,315,209</b>	<b>\$5,315,209</b>
Allowance For Bad Debt	\$188,620	\$377,239	\$377,239
Contractual Allowance	188,065	376,130	376,130
Charity Care	86,339	172,677	172,677
<b>NET OPERATING REVENUE</b>	<b>\$2,194,581</b>	<b>\$4,389,162</b>	<b>\$4,389,162</b>
<b>EXPENSES</b>			
Salaries & Wages (including benefits)	\$1,390,393	\$2,780,787	\$2,780,787
Contractual Services	181,442	362,884	362,884
Project Depreciation	163,728	327,455	327,455
Supplies	178,209	356,418	356,418
Other	35,320	70,640	70,640
<b>TOTAL OPERATING EXPENSES</b>	<b>\$1,949,092</b>	<b>\$3,898,184</b>	<b>\$3,898,184</b>
<b>NET INCOME (LOSS)</b>	<b>\$245,489</b>	<b>\$490,979</b>	<b>\$490,979</b>

Source: Request for Project Change, Exhibit 1, Table J,

**Table 4: AHC Washington Medical Center  
Projected Net Operating Revenue, Total Operating Expenses & Net Income  
(\$000)  
CY 2019 - CY 2021**

<b>Without Psychiatric Program</b>			
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Net Operating Revenue	\$250,273	\$257,353	\$264,927
Total Operating Expenses	\$249,198	\$256,142	\$263,060
<b>Net Income (Loss)</b>	<b>\$1,074</b>	<b>\$1,212</b>	<b>\$1,867</b>

<b>Incremental Impact of Psychiatric Program</b>			
<b>Calendar Year</b>	<b>2019 (Half Year)</b>	<b>2020</b>	<b>2021</b>
Net Operating Revenue	\$2,195	\$4,389	\$4,389
<i>% of Total Facility Revenue</i>	<i>0.9%</i>	<i>1.7%</i>	<i>1.7%</i>
Total Operating Expenses	\$1,949	\$3,898	\$3,898
<i>% of Total Facility Expense</i>	<i>0.8%</i>	<i>1.5%</i>	<i>1.5%</i>
<b>Net Impact</b>	<b>\$245</b>	<b>\$491</b>	<b>\$491</b>
<b>Total Hospital Net Income with Psychiatric Program</b>	<b>\$1,320</b>	<b>\$1,703</b>	<b>\$2,358</b>

Source: CON approval Dec 2015 with Sept 2017 Project Modification, p. 6.

Table 4, above, shows that while the inclusion of these psychiatric beds is projected to have a 1.7% impact on WAH's total revenues and is projected to increase total expenses by just 1.5% in CY 2021, their inclusion in the project are projected to increase the net income of the White Oak general hospital by 26% in that year, because of the substantially higher margins projected for this service when compared with the hospital service configuration approved in 2015.

#### **IV. ANALYSIS AND RECOMMENDATION**

Staff has reviewed this request for project change, comparing it to the Commission's conclusions in the Recommended Decision adopted in December 2015. Staff concludes that the proposed modification would not have a material effect on the findings made by the Commission in that decision. A summation of that conclusion follows.

##### Need and Impact

The requested modification does not change the findings made by the Commission in December 2015 with respect to the need for the project or its likely impact on existing providers and on costs and charges. The Commission found: that the applicant demonstrated a need for modernizing and resizing WAH; that replacement of the hospital was the most cost-effective approach for achieving this objective; and that relocation was the most cost-effective option for implementing the replacement alternative, given the existing site and its deficits. With respect to impact on other health care facilities, the Commission found that the relocation of WAH to the White Oak site held the potential for a significant negative impact on the University of Maryland Laurel Regional Hospital ("UM LRH"). Conversion of that hospital to a freestanding medical facility providing only outpatient medical services is currently under review by MHCC staff. With respect to the impact on costs and charges, in 2015, the Health Services Cost Review Commission

("HSCRC") and AHC reached agreement on the adjustment of WAH's global revenue budget necessary to make the hospital relocation project feasible and HSCRC issued a positive opinion on the project's financial feasibility.

The proposed change will reconstitute the replacement WAH as a general hospital with the same mix of inpatient services it has historically provided, maintaining psychiatric hospital service capacity in an area of Montgomery County that does not have availability of this inpatient service at the closest alternative hospital in the jurisdiction, Holy Cross Hospital of Silver Spring. In addition, the service area may lose a nearby hospital psychiatric program, with the proposed conversion of UM LRH to a freestanding medical facility. The plan to leave the psychiatric program out of the replacement hospital project in the second CON application for relocation of WAH was understandable, in light of AHC's problems with its first attempt at relocation and the need to reduce the scope and cost of the project. However, the financial health of AHC has improved substantially in recent years and this change is an affordable approach to maintaining psychiatric inpatient care in the eastern Montgomery County area while also overcoming the IMD exclusion problem presented by reconfiguring psychiatric inpatient services to the special hospital setting, authorized in the 2015 CON. AHC does not propose an increase in regulated revenue related to this change in the hospital replacement project beyond that already approved by the Health Services Cost Review Commission in 2015. This change will not change the total approved cost of the project, which is \$400,198,988.

#### Viability and Financial Feasibility:

The hospital expects the ten-bed inpatient unit to operate at an average annual occupancy rate of 80% within a year of initiating operation, with a projected average length of stay of 4.67 days. As previously discussed, the proposed ten-bed acute psychiatric unit is projected to generate income and improve White Oak's overall financial performance.

Staff recommends that the Commission **APPROVE** the proposed changes in Certificate of Need Docket No. 13-15-2349. The change to allow development of a 10-bed adult psychiatric unit as a component of White Oak will make four of the five conditions that were part of the 2015 CON approval no longer relevant. Those conditions are:

2. In the fourth year of operation of a replacement Washington Adventist Hospital, Adventist HealthCare, Inc. shall provide a report to the Maryland Health Care Commission on the operation of the specialty hospital for psychiatric services in Takoma Park. This report must review patient intake and transport issues, coordination of care for psychiatric patients between the White Oak and Takoma Park campuses, and the specific financial performance of the special hospital, exclusive of the operation of Adventist Behavioral Health and Wellness overall.
3. Adventist HealthCare, Inc. will not finish the shell space in the relocated Washington Adventist Hospital without giving notice to the Commission and obtaining all required Commission approvals.
4. Adventist HealthCare, Inc. will not request an adjustment in rates by the Health

Services Cost Review Commission (“HSCRC”) that includes depreciation or interest costs associated with construction of the proposed shell space at the relocated Washington Adventist Hospital until and unless Adventist HealthCare, Inc. has filed a Certificate of Need (“CON”) application involving the finishing of the shell space, has obtained CON approval for finishing the shell space, or has obtained a determination of coverage from the Maryland Health Care Commission that CON approval for finishing the shell space is not required.

5. HSCRC, in calculating any future budget or rates for Adventist HealthCare, Inc. d/b/a Washington Adventist Hospital and its peer group, shall exclude the interest and depreciation associated with the \$3,410,579 estimated cost of constructing the shell space, which includes portions of the contingency, capitalized interest, and inflation allowance for the project, until such time as the space is finished and put to use in a rate-regulated activity. In calculating any budget or rate that includes an accounting for capital costs associated with the shell space, HSCRC shall exclude any depreciation of the shell space that has occurred between the construction of the shell space and the time of the rate calculation (i.e., the rate should only account for depreciation going forward through the remaining useful life of the space). Allowable interest expense shall also be based on the interest expenses going forward through the remaining useful life of the space.

These conditions are now moot if this project change is approved because AHC will no longer be authorized to establish a special psychiatric hospital in Takoma Park and no shell space will be constructed as part of White Oak. The project change authorizes finishing, as part of initial construction, the only shell space authorized for the project.

Therefore, if this change is approved, only the first condition on this CON will remain in place. That condition follows:

Adventist HealthCare, Inc. must open an urgent care center on its Takoma Park campus coinciding with its closure of general hospital operations on that campus. The urgent care center must be open every day of the year, and be open 24 hours a day. Adventist HealthCare, Inc. may not eliminate this urgent care center or reduce its hours of operation without the approval of the Maryland Health Care Commission.

IN THE MATTER OF \* BEFORE THE  
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 ADVENTIST HEALTHCARE, INC. \* MARYLAND  
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 d/b/a WASHINGTON ADVENTIST \* HEALTH CARE  
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 HOSPITAL \* COMMISSION  
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 Docket No. 13-15-2349 \*  
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**FINAL ORDER**

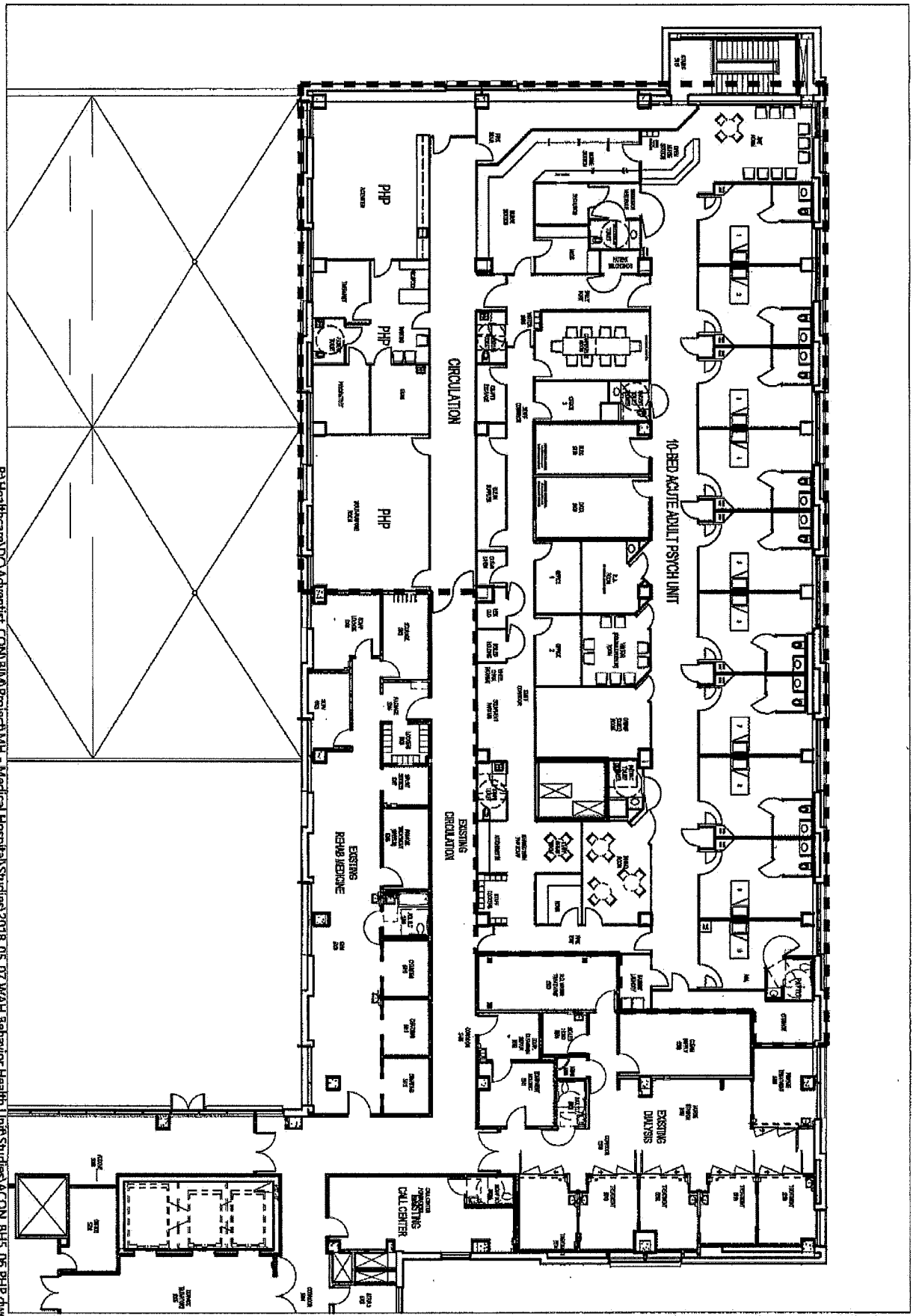
Based on Commission staff's analysis and recommendation, it is this 20<sup>th</sup> day of September, 2018, **ORDERED**:

That the request of Adventist HealthCare, Inc. for a second project change to permit the relocation of ten acute psychiatric beds from Washington Adventist Hospital that were initially approved to be part of the acute psychiatric bed complement in a special psychiatric hospital to be established on the Takoma Park campus, to the replacement general hospital in the White Oak area of Silver Spring in Montgomery County, for which a Certificate of Need was awarded on December 17, 2015, and for which a First Modified Certificate of Need was issued on September 19, 2017, is **APPROVED**, subject to the following condition:

Adventist HealthCare, Inc. must open an urgent care center on its Takoma Park campus coinciding with its closure of general hospital operations on that campus. The urgent care center must be open every day of the year, and be open 24 hours a day. Adventist HealthCare, Inc. may not eliminate this urgent care center or reduce its hours of operation without the approval of the Maryland Health Care Commission.

**MARYLAND HEALTH CARE COMMISSION**

**Appendix 1: Line Diagram for 10-bed Acute Psychiatric Unit**



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**A-105**

LEVEL 05 FLOOR PLAN  
 June 1, 2018

**Adventist HealthCare**  
**White Oak Medical Center**  
**Behavioral Health Unit**  
 BEHAVIORAL HEALTH AND PHP

**CALLISONRTKL**  
 A KBR COMPANY