

Andrew N. Pollak, M.D.
CHAIRMAN

STATE OF MARYLAND



Ben Steffen
EXECUTIVE DIRECTOR

MARYLAND HEALTH CARE COMMISSION

4160 PATTERSON AVENUE – BALTIMORE, MARYLAND 21215
TELEPHONE: 410-764-3460 FAX: 410-358-1236

June 19, 2019

Margaret M. Witherup, Esquire
Gordon Feinblatt, L.L.C.
233 East Redwood Street,
Baltimore Maryland 21202-3332

Re: Acquisition of Doctors Community Hospital and Doctors Community
Rehabilitation and Patient Care Center

Dear Ms. Witherup:

Thank you for your letter of May 30, 2019 notifying the Maryland Health Care Commission (“Commission”) of the intent of Anne Arundel Health System, Inc. (“AAHS”) to become the sole member of Doctors’ Hospital, Inc. (“DH”) The letter states that this transaction is anticipated to close on or around July 1, 2019. AAHS is a Maryland nonstock corporation that directly controls Anne Arundel Medical Center, a general hospital located in Annapolis (Anne Arundel County). DH owns and operates Doctors Community Hospital, a general hospital located at 8118 Good Luck Road in Lanham (Prince George’s County). DH also owns Doctor’s Community Health Ventures, Inc., which owns a 51% interest in Magnolia Gardens Limited Liability Company. This latter company is the sole owner of Magnolia Gardens Real Estate, L.L.C., owner of the land and the building in which Doctors Community Rehabilitation and Patient Care Center, a comprehensive care facility (“CCF”), operates. This CCF, located at 6710 Mallery Drive in Lanham, is operated by Magnolia Gardens Limited Liability Company, under a lease agreement with Magnolia Gardens Real Estate, L.L.C.

Your letter states that the services provided by Doctors Community Hospital will not change in the immediate future as a result of what you characterize as an “affiliation.”. Additionally, you state that the health care services and operations of “Magnolia Gardens” will not change as a result of the “affiliation.” I interpret this latter statement as AAHS’s affirmation that neither the services nor the operations of Doctors Community Rehabilitation and Patient Care Center will change as a result of AAHS’s acquisition of Doctors’ Hospital, Inc.

Margaret M. Witherup, Esquire
Re: Acquisition
June 17, 2019
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I have determined that AAHS has given timely notice and required information regarding this acquisition, as provided in COMAR 10.24.01.03A. The transaction does not require Certificate of Need or other regulatory review by the Commission. This determination of coverage is valid for a period not to exceed 180 days. Please provide a notice of completion of this transaction, signed by both parties, stating the date the acquisition was effective. A copy of the notice of completion of the acquisition should also be sent to the Office of Health Care Quality of the Maryland Department of Health. Failure to document completion of the acquisition by the end of this 180-day period will require another determination of coverage.

If you have any questions, please contact Suellen Wideman, Assistant Attorney General, at 410-764-3326.

Sincerely,



Ben Steffen
Executive Director

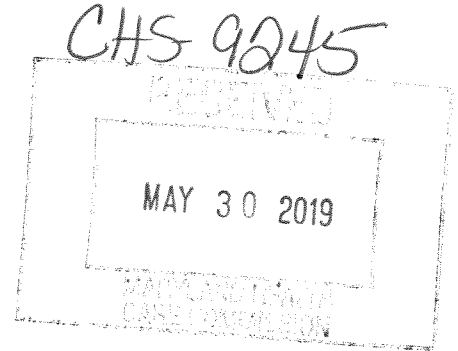
cc: Katie Wunderlich, Executive Director, Health Services Cost Review Commission
Patricia Nay, Executive Director, Office of Health Care Quality, MDH
Ernest L. Carter, M.D., Ph.D., Acting Health Officer, Prince George's County Health
Department
Kevin McDonald, Chief, Division of Certificate of Need
Suellen Wideman, Assistant Attorney General
Peter P. Parvis, Esq.
Molly Ferraioli, Esq.

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May 30, 2019



VIA EMAIL ben.steffen@maryland.gov and
VIA HAND DELIVERY

Mr. Ben Steffen, Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Re: **Notice of Acquisition: Anne Arundel Health System, Inc.'s
Acquisition of Doctors' Hospital, Inc.**

Dear Mr. Steffen:

Pursuant to COMAR 10.24.01.03(A), this letter is submitted on behalf of Anne Arundel Health System, Inc. ("AAHS") to notify the Maryland Health Care Commission that AAHS intends to become the sole member of Doctors' Hospital, Inc. ("DH"), a Maryland nonstock corporation that owns and operates an acute care hospital, on or about July 1, 2019 (the "Transaction"). This letter describes the proposed Transaction and provides the information required by COMAR 10.24.01.03(A).

I. The Transaction

AAHS is a Maryland nonstock corporation and is the parent organization of an integrated health care delivery system that provides the full continuum of health care services to individuals in Anne Arundel County, Maryland and the surrounding communities. AAHS directly controls Anne Arundel Medical Center, Inc. ("AAMC"), a Maryland corporation, which operates a 349-bed acute care hospital located at 2001 Medical Parkway, Annapolis, Maryland 21401. AAHS also directly or indirectly controls other subsidiary and affiliated organizations.

DH is the parent organization of an integrated health care delivery system that provides the full continuum of health care services to individuals in Prince George's County, Maryland and the surrounding communities. DH operates Doctors Community Hospital, a 190-bed acute care hospital located at 8118 Good Luck Road, Lanham, Maryland 20706, and directly or indirectly controls other subsidiary and affiliated organizations.

On November 7, 2018, DH¹ and AAHS signed a Letter of Intent to enter into a definitive agreement to affiliate in order to form a new, regional, integrated healthcare system. The parties share a common and unifying charitable mission to promote and improve the quality and expand the scope and accessibility of affordable health care and health care related services in the diverse communities they serve. The parties have determined that it is in the best interests of their respective communities to affiliate by reconstituting and renaming AAHS to enable it to provide for and support a coordinated system of health care facilities and services in the communities served by both AAMC and DH. This new coordinated system is intended to promote, facilitate, and enhance the delivery of quality, efficient, and effective health care and related services to, and improve and enhance the general health and well-being of, the communities that the parties serve.

On the closing of the proposed affiliation, which is anticipated to occur on or around July 1, 2019, it is anticipated that AAHS will become the sole corporate member of DH. (The current organizational structure under AAHS and DH is intended to otherwise remain the same.) The Board composition of AAHS will be modified to reflect its expanded mission to support a new coordinated system that includes DH and its affiliated health care entities. In addition, AAHS will (at least provisionally) be renamed Greater Maryland Health System, Inc. to further reflect this new mission. Neither the health care services provided by nor the bed capacity of AAMC or DH will change as a result of the affiliation in the immediate future.

Besides Doctors Community Hospital, one other facility under DH's direct or indirect ownership exists pursuant to a Certificate of Need. Specifically, DH owns Doctor's Community Health Ventures, Inc., which owns a 51% interest in a joint venture known as Magnolia Gardens Limited Liability Company, which operates a comprehensive care facility known as Doctors Community Rehabilitation and Patient Care Center ("Magnolia Gardens"). The remaining 49% of Magnolia Gardens is owned by Magnolia JV LLC, a subsidiary of Genesis HealthCare, Inc. The direct ownership of Magnolia Gardens is not changing as a result of the Transaction. This Transaction only impacts Magnolia Gardens in that AAHS will become the sole corporate member of DH, which currently sits atop the indirect chain of partial ownership of this joint venture on the DH side. A current organizational chart and a proposed organizational chart are attached for your reference as Exhibits 1 and 2. We do not believe that this change of indirect partial ownership constitutes an "acquisition" of Magnolia Gardens but have provided information regarding Magnolia Gardens below out of an abundance of caution. Additionally, neither the health care services provided by nor the bed capacity or operations of Magnolia Gardens will change as a result of the affiliation.

As noted above, DH and AAHS anticipate that they will close the Transaction on or about July 1, 2019.

¹ When the Letter of Intent was signed, DH was in the process of planning an internal corporate restructuring involving Doctors Health System, Inc. ("DHS"), a new Maryland non-stock corporation that filed for exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. At the time, it had been intended for DHS to become the sole member of DH concurrently with or prior to the transaction with AAHS taking effect. Currently, the parties do not intend for DHS to be part of the affiliation structure but have mentioned DHS in the event that the affiliation structure is modified to include DHS during the course of ongoing negotiations.

II. Doctors' Hospital, Inc.

The information required by COMAR 10.24.01.03(A)(1) is as follows:

A. Health Care Services Provided

DH provides acute care hospital services.

B. Bed Capacity

For FY 2019, DH was licensed for 190 acute care hospital beds.

C. Admissions for Prior Calendar Year (2018)

In calendar year 2018, DH had 8,716 admissions.

D. Gross Operating Revenue During Last Fiscal Year

In FY 2018 (ended June 30, 2018), DH achieved gross operating revenue of \$251,890,039 with respect to DH specifically and \$337,372,142 when consolidated with its subsidiaries.

E. Other Information Required in the Applicable Chapter of the State Health Plan

AAHS does not believe that any other information is required by the applicable chapter of the State Health Plan.

III. Magnolia Gardens Limited Liability Company d/b/a Doctors Community Rehabilitation and Patient Care Center ("Magnolia Gardens")

The information required by COMAR 10.24.01.03(A)(1) is as follows:

A. Health Care Services Provided

Magnolia Gardens provides comprehensive care facility/nursing home services.

B. Bed Capacity and Jurisdiction Served

Magnolia Gardens currently has a total of 130 beds. Magnolia Gardens serves residents of Prince George's County and neighboring communities, including patients from DH.

C. Admissions for Prior Calendar Year (2018)

In calendar year 2018, Magnolia Gardens had 787 admissions.

D. Gross Operating Revenue During Last Fiscal Year

In FY 2018 (ended September 30, 2018), Magnolia Gardens achieved gross operating revenue of \$17,375,946.

E. Other Information Required in the Applicable Chapter of the State Health Plan

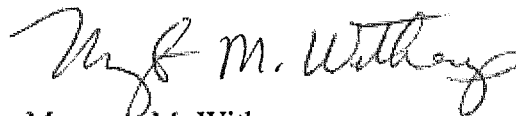
As required by COMAR 10.24.08.04C(2) & (3), the services provided by Magnolia Gardens will not change as a result of AAHS becoming the sole member of DH. *See also* MHCC Notice of Acquisition/Transfer of Ownership Interest of a Comprehensive Care Facility form, attached as Exhibit 3.

Conclusion

There will be no immediate change in the health care services or bed capacity of DH or Magnolia Gardens as a result of the proposed Transaction. AAHS hereby requests that the Commission issue a written determination that Certificate of Need review is not required for the Transaction at its earliest convenience but prior to June 30, 2019.

Thank you for your attention to this matter. Please contact me if you have any questions.

Respectfully submitted,



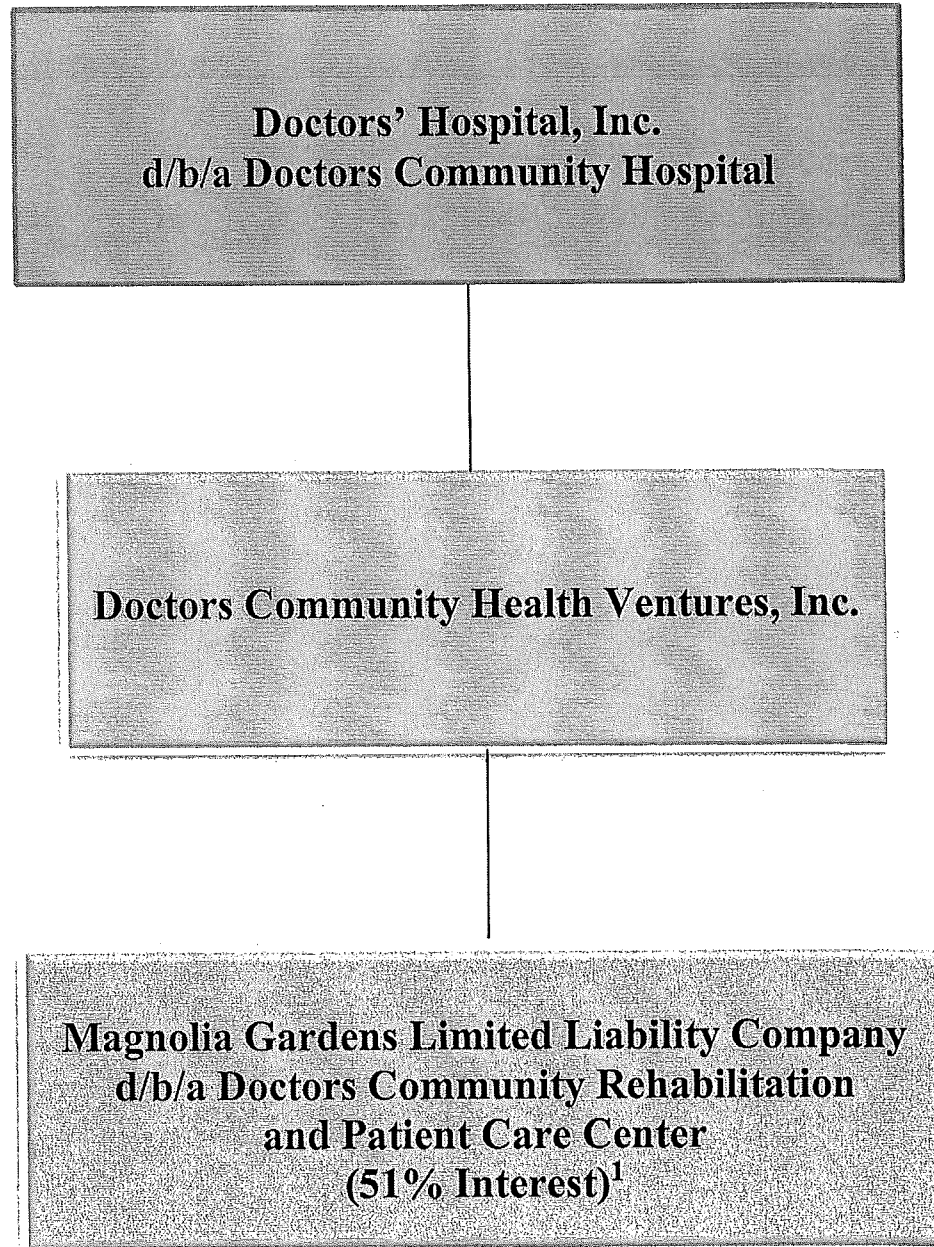
Margaret M. Witherup

Enclosures:

- Exhibit 1 Current ownership structure
- Exhibit 2 Proposed ownership structure
- Exhibit 3 MHCC Notice of Acquisition/Transfer of Ownership Interest of a Comprehensive Care Facility Form

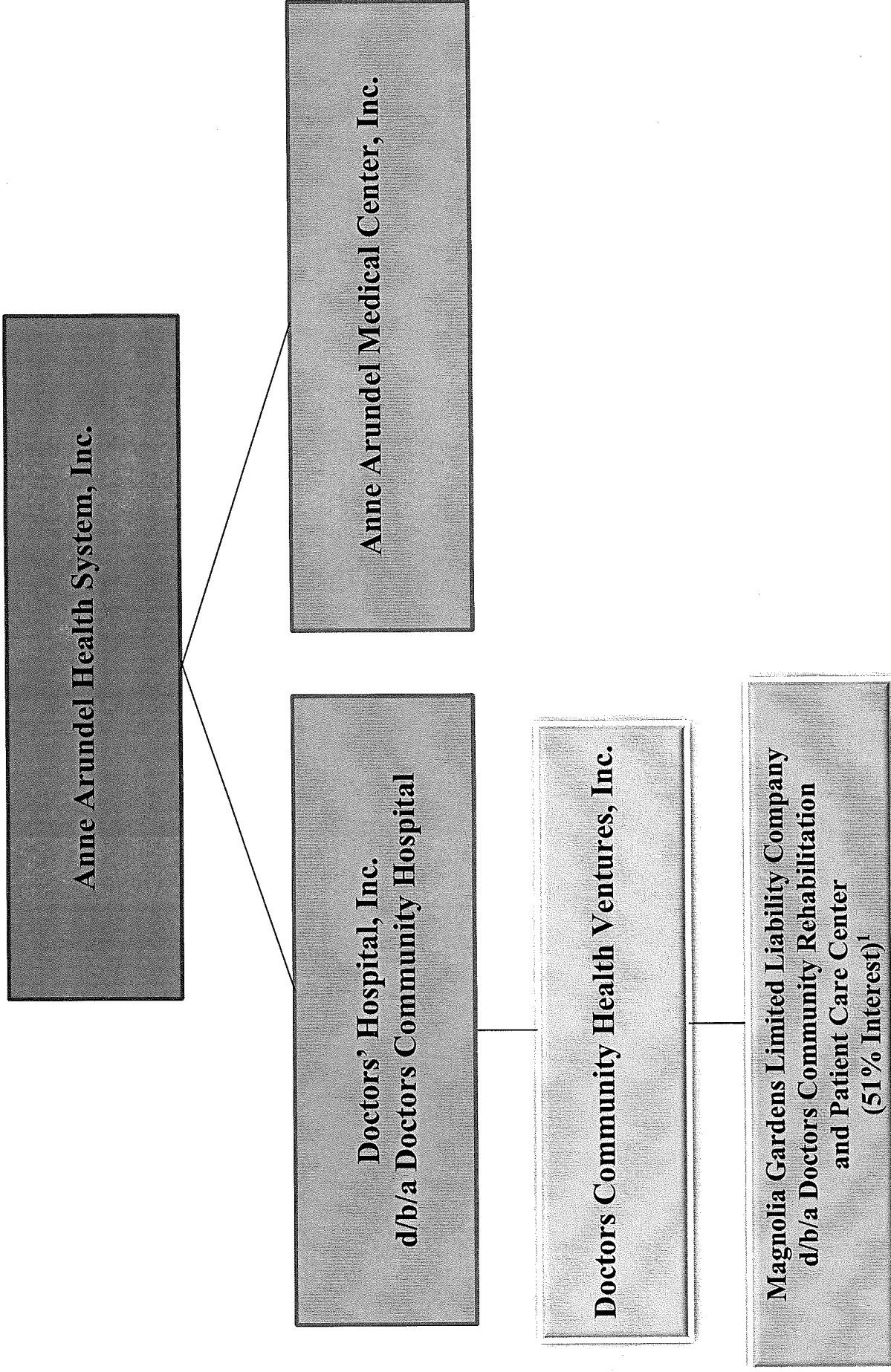
- cc: David Florin, Esq., General Counsel, AAHS
Kevin McDonald, Chief CON Division
Suellen Wideman, Assistant Attorney General for MHCC
Ruby Potter, CON Division
Ernest L. Carter, Health Officer for Prince George's County
Peter Parvis, Esq., Counsel for DH
Molly Ferraioli, Esq., Counsel for DH

Exhibit 1: Pre-Affiliation Diagram



¹ Magnolia Gardens Limited Liability Company is owned 49% by Magnolia JV LLC, a subsidiary of Genesis HealthCare, Inc. Additionally, Magnolia Gardens Limited Liability Company is the sole owner of Magnolia Gardens Real Estate LLC, which owns the land and the building/facility in which Doctors Community Rehabilitation and Patient Care Center operates, which it leases to Magnolia Gardens Limited Liability Company.

Exhibit 2: Post-Affiliation Diagram



¹ Magnolia Gardens Limited Liability Company is owned 49% by Magnolia JV LLC, a subsidiary of Genesis HealthCare, Inc. Additionally, Magnolia Gardens Limited Liability Company is the sole owner of Magnolia Gardens Real Estate LLC, which owns the land and the building/facility in which Doctors Community Rehabilitation and Patient Care Center operates, which it leases to Magnolia Gardens Limited Liability Company.

Exhibit 3

MARYLAND HEALTH CARE COMMISSION

Notice of Acquisition / Transfer of Ownership Interest of a Comprehensive Care Facility.

Please complete this form in order to assure that you provide all of the information needed for the MHCC to issue a determination of CON coverage under COMAR 10.24.01.03A and 10.24.08.04C when a person intends to acquire a comprehensive care facility (CCF), or when there is a 25% or greater change in ownership of a CCF. **Note that an affirmation regarding the accuracy of the information provided must be signed by an authorized individual. Supplying MHCC with a Word version of your letter and this form, if utilized, would help assure a timely response.**

Facility Name: Magnolia Gardens Limited Liability Company d/b/a Doctors Community Rehabilitation and Patient Care Center (referred to herein as "Magnolia Gardens")

Address: 6710 Mallery Drive, Lanham, MD 20706

Please provide a separate narrative summarizing the proposed acquisition / transfer of ownership interest. **See attached letter to Ben Steffen, Executive Director, MHCC. The affiliation as described therein is referred to in this document as the "Transaction."**

Information that the prospective purchaser/ acquiring entity must file with MHCC when seeking to acquire a CCF or when there is a 25% or greater change in ownership of a CCF.				
1.	a) Describe the health care services provided by the facility. b) Will the services change as a result of the acquisition? If so, how?	a) Comprehensive care facility/nursing services b) No, the existing services will be maintained		
2.	Describe the corporate structure and affiliations of the purchaser. Attach a chart that completely delineates the ownership structure.	See attached ownership charts		
3.	Purchase price	N/A (\$0)		
4.	Source of funds	N/A		
5.	Bed capacity	130		
6.	Number of admissions for the prior calendar year.	787		
7.	Gross operating revenue generated during the last fiscal year.	\$17,375,946		
8.	Number and percentage of nursing home beds in the jurisdiction and planning region controlled by the purchaser (or by an entity in which a person in the ownership structure of the purchaser has an interest, specifying each person, facility, and interest) before and after the proposed purchase.	<table border="1"> <tr> <td>Before 0</td> <td>After 130 (After the Transaction, Magnolia Gardens is the only nursing home in the jurisdiction in which AAHS will have even an indirect partial ownership interest)</td> </tr> </table>	Before 0	After 130 (After the Transaction, Magnolia Gardens is the only nursing home in the jurisdiction in which AAHS will have even an indirect partial ownership interest)
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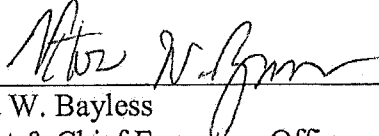
9.	The name and address of the owner of the real property and improvements.	Current Magnolia Gardens Real Estate LLC 8118 Good Luck Road Lanham, MD 20706	After transaction Magnolia Gardens Real Estate LLC 8118 Good Luck Road Lanham, MD 20706
10.	The owner of the bed rights (i.e., the person/entity that could sell the beds to a third party).	Current Magnolia Gardens Limited Liability Company	After transaction Magnolia Gardens Limited Liability Company
11.	The operator of the facility (and the relationship of the operator to the owner). Attach a chart that completely delineates the ownership structure.	Current Magnolia Gardens Limited Liability Company (This is the licensed entity; there is also a manager of the facility)	After transaction Magnolia Gardens Limited Liability Company (This is the licensed entity; there is also a manager of the facility)
12.	a) Does the existing CCF currently have a Medicaid MOU? b) Will the purchaser/acquiring entity agree to continue to be bound by the MOU?	a) Yes b) N/A This is not in any way a sale or transfer of the facility, and the facility's operations will not be in any way changing as a result of the transaction. The existing entity will continue operations under its Medicaid MOU.	
13.	Disclose whether any of the purchaser's principals have ever pled guilty to, or been convicted of, a criminal offense in any way connected with the ownership, development, or management of a health care facility.	No. None of AAHS's principals have ever pled guilty to, or been convicted of, a criminal offense in any way connected with the ownership, development, or management of a health care facility.	
14..	Disclose whether the acquiring entity will be taking automatic assignment of the existing Medicare provider number.	N/A. This is not a sale or transfer of the facility. It is not a "change of ownership" as defined by the Medicare program. The existing entity will keep its Medicare provider number and will continue providing services under its existing provider number.	
15.	Anticipated date of closing or transfer.	July 1, 2019	

The Notice of Acquisition must be accompanied by an affirmation attesting to the truthfulness of the information provided by the purchaser. The form for the affirmation is below.

Affirmation of Purchaser/Acquiring Entity/Transferee

I solemnly affirm under penalties of perjury that the information provided to the Maryland Health Care Commission regarding the proposed acquisition or transfer of ownership interests of the above-named facility is true and correct to the best of my knowledge, information, and belief, and that I have been duly authorized by the purchaser/ acquiring entity/ transferee to provide this information on its behalf.

Date signed: 5/30/19



Victoria W. Bayless
President & Chief Executive Officer
Anne Arundel Health System, Inc.
2001 Medical Parkway
Annapolis, Maryland 21401
vbayless@aaahs.org

cc: Ernest L. Carter, Prince George's County Health Department
Margie Heald, Office of Health Care Quality
Cherisa Moore, MDH
Marquis Finch, MDH
Ruby Potter, MHCC
Peter Parvis, Esq., Counsel for DH
Molly Ferraioli, Esq., Counsel for DH

MARYLAND HEALTH CARE COMMISSION

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Date signed: _____

Victoria W. Bayless
President & Chief Executive Officer
Anne Arundel Health System, Inc.
2001 Medical Parkway
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cc: Ernest L. Carter, Prince George's County Health Department
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