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November 20, 2013

VIA E-MAIL & U.S. MAIL

John A. O'Brien, Chief Operating Officer
Dimensions Healthcare System
Prince George's Hospital Center
3001 Hospital Drive
Cheverly, Maryland 20785

Mary Miller
Chief Financial Officer and Vice President of Finance and Business Development
Mount Washington Pediatric Hospital
1708 West Rogers Avenue
Baltimore, Maryland 21209

**Re: Dimensions Health Corporation d/b/a/
Prince George's Hospital Center and
Mount Washington Pediatric Hospital, Inc.
Relocation of a General Acute Care Hospital
and a Special Hospital-Pediatric
Docket No. 13-16-2351**

Dear Ms. Miller and Mr. O'Brien:

I write regarding the information submitted by Dimensions Healthcare System, d/b/a Prince George's Hospital Center and Mount Washington Pediatric Hospital, Inc., on November 4, 2013 in response to the additional information questions posed by Maryland Health Care Commission staff in a letter on October 21, 2013. I have several questions regarding your response to these questions.

1. Regarding the response to Question #5, please provide the following clarifications and supporting information:

- A. Evidence from either the Prince George's County government or the Prince George's County Revenue Authority that documents their plans to construct a parking garage on the proposed PGRMC medical campus.
 - B. While your response states that the parking garage will have room for 1,200 parking spaces, Exhibit 29 indicates the parking deck will have 720 spaces. Please correct or explain this apparent discrepancy.
2. The application states that the proposed project will be built on land donated by Prince George's County (application, p. 13). Please disclose the value of that land donation, and build that cost into the project cost. In addition, the application and additional information provided states that a parking garage is being built by the County and that "...The parking garage is a necessary component of the medical campus" (response to completeness questions, p. 5). Upon further reflection, it is MHCC staff view that the costs associated with the parking garage also require inclusion, if PGRMC will pay rent for the garage or benefit from parking fee revenues. Will PGRMC pay rent and/or receive payments or revenue from garage parking fees? If the answer is yes to either, please also include the costs of the parking garage in the project budget and any revenues and expenses in the various versions of Table 3 that have been submitted and any that may be modified in response to these questions. Resubmit the PROJECT BUDGET to reflect the additional capital costs of land and, if applicable, the parking garage.
3. With respect to the table provided in response to Question 6, please provide the following clarifications:
 - A. Does the reference included above in all instances refer to the Diagnostic Imaging line? If not, for each line that indicates the department area is included above please specify the line that includes the square footage.
 - B. For bone density there is no proposed square footage or reference to another line in the Table. Please explain or correct this omission.
 - C. For the department area for Angiography (the 8th line) the table indicates that the space is included above presumably in the existing and proposed departmental area for Diagnostic Imaging (see previous question), but for proposed capacity refers to cardiac catheterization. However, the table specifies departmental areas for cardiac catheterization and other angiography. Please correct the references or explain the difference between the angiography on line eight and the other angiography included with cardiac catheterization. If the two references to angiography refer to two different areas explain or correct the reference to cardiac catheterization in the proposed capacity column of the first angiography (line 8).
4. The response to question #6 appears to indicate that PGHC does not currently offer cancer treatment services. If this observation is incorrect, please correct the zeros under existing department area and capacity. If this observation is correct, explain where the service area

population currently receives such services, and quantify the need for such services and the impact on existing service providers of the establishment of this service at PGRMC.

5. The response to Question #9 did not respond to the question with respect to the capacity of the "Pediatric ED area" and the staffing of the area. Staff also finds that the response did not adequately explain how the unit would function. Therefore, staff requests the following information:
 - A. Will the observation component of the area only serve pediatric patients? If no, please explain. If yes, will there be any other dedicated observation beds to serve the adult patient population? If yes, what is the size and location of the adult observation beds? If no, where will adult observation patients be housed?
 - B. Specify the number of patients that can be accommodated in this proposed unit at any given time.
 - C. What has been the historical volume of pediatric ED visits and pediatric observation days? What has been the variation in these visits and days by day of the week and season? Submit daily census data, if available. Submit projections for the ED visits and pediatric observation days following the relocation through 2021 and describe the methodology.
 - D. At the bottom of page 9 you state that staffing efficiencies can be gained with this model compared to the traditional inpatient model. Please quantify the staffing efficiencies that will be achieved and the resultant cost savings. Compare the planned staffing of the unit with the staffing of the Hospital's current pediatric unit.
6. With respect to the response to Question #13 please provide the following clarifications
 - A. The response indicates that the State contribution to the project will be \$20 million per year from FY 2014 through FY 2017 and \$120 million in FY 2018 for a total of \$200 million. However, Exhibit 32 indicates a commitment of \$30 million in FY 2014 and a total of \$210 million. Please correct or explain this discrepancy.
 - B. The response also indicates that the State legislature will be asked to commit an additional \$8 million dollars to bring the total State commitment to \$208 million. Please reconcile the need to request addition funding with the response to A above.
7. Regarding Question #14, please provide information on the most recent history and success of Dimensions Health Corporation in (1) issuing bonds on the bond market and (2) obtaining loans from banks. Provide details on the most recent type of bonds issued on behalf of Dimensions, including the length of the bonds and interest rate.
8. Regarding the response to Question #23, please provide the following:
 - A. The 10-year utilization forecasts from Sg2 and Milliman (summary data should be sufficient), and explain the forecast methodology.

- B. Specify the applicable geographic area for the admission rates, ALOS, and population shown on pages 20 through 22.
- C. Provide a detailed explanation of how the 2012 and 2013 use rates and ALOS that appear on pages 20 and 21 were calculated.
- D. Provide a more detailed explanation of how the ALOS in the table on the top of page 21 were projected.
- E. Please provide at least five year historical use rates and average lengths of stay for each service comparable to the use rate and ALOS reported on pages 20 and 21 including for each of the two age groups used for MSGA volume projections.
- F. With respect to the population, the table on the bottom of page 21 reports a population 15+ of 764,050 in the first line which is presumably for 2012. However, application page 90 reports a 2012 population 15+ of 678,831. Please correct or explain the why these numbers are different.
- G. Identify the year represented by the projected population on line 7 of the table.
- H. Explain how the total population on lines 1 and line 7 were calculated. Why do the totals not equal the MSGA total column plus the pediatric column?
- I. While your response cites "...an 11.5% decline in MAGA use rates between 2012 and 2021," virtually all of that decline will have taken place by FY 2014. Please explain how this assumption is consistent with the State's "Waiver Proposal," which seeks reduced utilization through population health measures and moving patients to less intensive settings

9. Regarding response to Question #25, please provide the following clarifications:

- A. In your response to question 25 you state: "...The request reflects an increase of 7% in rates, calculated as 40% of incremental depreciation and interest on the new construction." What is the basis of the assumption that HSCRC will allow incremental depreciation and interest at 40%?
- B. Has PGHC and /or UMMS had communication with HSCRC regarding a rate increase for the proposed project? If yes, please describe the communications especially as they relate to the likelihood of receiving approval for a rate increase under the current methodology cited in your response to Question 25 and/or alternative methodologies.

10. This project assumes "repatriation" of patients from hospitals in the District and in VA. With regard to that group of patients:

- A. Quantify the volume that will come from such hospitals and the amount of revenue associated with that volume?
- B. How do payments by Medicare and commercial insurers differ for similar patients receiving care in the District vs. Maryland? Submit an estimate of the expected savings or increase in cost to Medicare and to private insurers that would result from the project repatriation. Explain how this estimate was developed.

11. Regarding Question #30, please respond to the following:

- A. Please provide a copy of the Strategic Cardiovascular Business Plan discussed on p. 30 – 31, which includes the Market Assessment and the Operational Assessment.
- B. Please provide the national and Prince George's County PCI and cardiac surgery utilization rates discussed on p. 30.
- C. Please provide the name of the D.C. hospitals and the number of cardiac surgery cases performed on Prince George's County residents in 2010 and more recent years, if available.
- D. What are the strategies and outreach efforts that PGRMC will employ to rebuild confidence among local cardiologists and the community for the cardiac surgery program?
- E. Organizationally, will PGRMC or the University of Maryland Medical System control the administration and costs of operating the cardiac surgery program?

12. Regarding the response to Question #35, please provide the following clarifications and additional information:

- A. Submit clear statements of assumptions for the revenue expense projections submitted as Exhibits 36 and 37 especially assumptions about the HSCRC update factor and inflationary increases in expenses.
- B. Regarding the Patient Mix in Exhibits 36 & 37, explain the basis for the projected increase in the percent of days and revenue from Medicare and commercial insurance and the projected decrease in the percentages from Medicaid.

13. In addition your response to Question #35 states that "...if the HSCRC decided to change to the 50 per cent variable cost factor, it would have implications on other assumptions including but not limited to, increasing rates through the update factor above inflation.", please respond to the following:

- A. Please identify what rate increase would be required to support the project if indeed HSCRC uses the 50% variable cost factor. Also, for the sake of gaining insight into how the assumption on variable cost reimbursement affects rates, what rate increase would be required if HSCRC used a 100% variable cost factor?
- B. You are encouraged to present alternative projections of revenues and expenses that include other changes beyond the variable cost factor. If you submit such an alternative, please provide it with inflation and, if possible without inflation. Submit a clear statement of assumptions such as HSCRC update factors, and projected inflationary increases in expenses. Show how key changes in revenues and expenses are calculated.

14. Regarding the response to Question #46, please provide the following:

- A. Submit the calculations for Exhibit #27 columns 2, 4, 6, and 8 detailing the impact on each hospital by zip code especially as the calculations relate to changes in market share.
- B. With respect to column 8 explain and show how the changes in market share by service projected in Table 13 (Application page 92) were converted to the changes in the number of discharges for each hospital listed in Exhibit 27.
- C. Regarding column 6 and the relocation methodology described on Application pages 88 and 89, please discuss why the expected changes in market share are so great (i.e., zip code 20716 from 6.9% to 22.1% and zip code 20710 from 30.8% to 4.5%) given current patient preferences and relationships with the caregivers.

Please submit a response to these questions within 10 days from receipt of this letter. All information supplementing the application must be signed by the person(s) available for cross examination on the facts set forth in the supplementary information, who shall sign a statement as follows: "I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief."

If you have any questions regarding this request or the formal review of this application, please contact me at (410)764-5596 or Kevin R. McDonald at (410)764-5982.

Sincerely,



Joel Riklin, Program Manager
Certificate of Need

cc: Thomas C. Dame, Esquire
Jack C. Tranter, Esquire
Andrew L. Solberg
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