



MARYLAND HEALTH CARE COMMISSION

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June 17, 2016

By E-Mail and USPS

Thomas C. Dame, Esquire
Ella R. Aiken, Esquire
Gallagher, Evelius & Jones LLP
218 North Charles Street, Suite 400
Baltimore, Maryland 21201

Re: Request for Clarification; Record of the Review
Dimensions Health Corporation d/b/a Prince George's Hospital Center
and Mt. Washington Pediatric Hospital, Inc.
Docket No. 13-16-2351

Dear Mr. Dame and Ms. Aiken:

I write in response to your two letters of June 2, 2016, by which you request clarification of my recommendation that the total project cost of the proposed Prince George's regional Medical Center project should not exceed \$543 million; and that I disclose facts and sources of information on which I based my recommendations.

I will first respond to your request regarding recommended total project costs. The "Financing Costs and Other Cash Requirements" (DI #36, Exh. 50, Table E) about which you inquire are included in the total project cost target. In my letter of May 26, 2016, I noted that the total project cost target of \$543 million does not include the value of the land (\$12.35 million). The value of the donated land is the only item in Table E that is not included in the \$543 million total project cost.

In response to your request for information not yet entered into the record that I utilized in arriving at my recommendations, I am pleased to provide the parties with that information and hereby formally enter it into the record. I first want to note that it is my understanding that the applicants and parties (through their consultants) have previously obtained the Inpatient and Outpatient Data Sets from the Health Services Cost Review Commission (HSCRC), a source that is referenced in the attached table that lists your inquiry, facts, and sources. I also think it is likely, but am not certain, that the parties or their consultants also have a copy of the DC Hospital Association Inpatient Database. If not, the Maryland Inpatient and Outpatient Data Sets may be obtained from the HSCRC and the DC data may be obtained from the MHCC, upon

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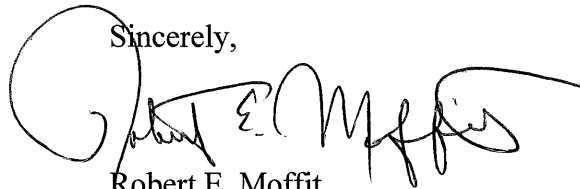
completion of an application and execution of a data use agreement that provides certain assurances regarding the storage of the data, its safety and security, use of the data, transfer by encryption, and other matters. While I am providing copies of certain Certificates of Need and Modified Certificates of Need, I want to note that the records of the referenced reviews are official records of the Commission that are available for inspection and are hereby incorporated by reference. I also take administrative notice of the report *Primary Healthcare Strategic Plan* that was prepared by the Prince George's Health Department that I referenced at the May 26 project status conference. The report may be accessed at:
<http://www.pgplanning.org/Resources/Publications/PHSP.htm>.

As I stated at the May 17 project status conference, the residents of Prince George's County deserve a modern regional medical center with needed service capacity that will be financially sustainable well into the future. This hospital project, at the square footage proposed in the 2015 replacement application, is too large (and, thus, too costly) and is a project that I cannot find to be financially viable under the State Health Plan standards. As I also noted, I anticipate that the new hospital, working closely with the Prince George's County Health Department and the University of Maryland Medical System, will improve the health status of the people of the County. Elemental to the success of this effort will be the development of strong primary and ambulatory care networks.

I anticipate that the applicants will proceed without delay in filing their modified application.

Again, I remind the parties that this is a contested case and that the *ex parte* prohibitions in the Administrative Procedure Act, Maryland Code Ann., State Gov't §10-219, apply to this proceeding until the Commission issues a final decision.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert E. Moffit", with a large, stylized initial "R" and "M".

Robert E. Moffit
Commissioner/Reviewer

cc: Jonathan Montgomery, Esquire
Peter P. Parvis, Esquire
Jennifer J. Coyne, Esquire
Pamela Creekmur, R.N., Prince George's County Health Officer
Donna Kinzer, Executive Director, HSCRC
Ben Steffen, Executive Director, MHCC

Thomas C. Dame, Esquire

Ella R. Aiken, Esquire

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Paul Parker

Kevin McDonald

Suellen Wideman, AAG

Siobhan Madison, AAG

| Requested Information | Facts | Sources |
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| Size and Cost of Project | | |
| <p>“Identification of the relevant facts regarding all projects considered in any comparison to the proposed PGRMC, and a description of any adjustments made to compare those projects to the proposed project.”</p> <p>“Any facts relied upon to support the conclusion that the project space should not exceed 2,400 gross square feet per bed.”</p> | <p><u>Replacement Washington Adventist Hospital:</u></p> <ul style="list-style-type: none"> • 427,662 SF (includes 14,042 SF of shell space) • 170 acute, 20 observation beds = 190 total beds (for purposes of analysis) • Estimated size of third party central utility plant (CUP) to serve WAH project = 14,000 SF • SF/bed = 2,251, adjusted to include third party CUP space; shell space excluded. | <p>Adventist HealthCare CON (Docket No. 13-15-2349; 12/17/15) Document provided</p> <p>Emails between staff and Robert Jepson, AHC President-Business Development re CUP space (3/2 - 3/3/16) Document provided</p> |
| | <p><u>Replacement Washington County Hospital (Meritus Medical Ctr):</u></p> <ul style="list-style-type: none"> • 511,834 SF • 247 acute, 20 rehab, 25 observation beds = 292 total beds (for purposes of analysis) (modified CON approved shell space that ultimately was implemented as observation beds) • 6,678 SF leased for admin functions • SF/bed = 1,775, adjusted to include leased space <p>Note: I excluded Meritus from consideration as an acceptable comparative project because its space-to-bed ratio is an outlier value.</p> | <p>Washington Co. Hospital (Docket No.04-21-21460 CON (6/16/05) Modified CON (1/17/08) Documents provided</p> <p>11/8/13 letter to Meritus Document provided</p> <p>staff phone calls with Lee Shaver, Vice President-Professional Support Services, and Nic Riesenbergs, Director of Facilities, Meritus Affidavit from Kevin McDonald, Chief, CON provided.</p> |
| | <p><u>Replacement Western Maryland Health System Medical Center:</u></p> <ul style="list-style-type: none"> • 584,697 SF • 242 acute,13 rehab, 20 observation beds = 275 total beds (for purposes of analysis) (Note: CON was for 262 acute beds and had no observation beds; Hospital changed 20 acute beds to observation beds (as reported in its FY 2012 reallocation of beds) • 90,000 SF leased in two adjacent buildings to house | <p>Western Maryland Health System (Docket No. 05-01-2164) CON (3/15/06) Modified CON (9/21/06) Document provided.</p> <p>staff phone calls with Barry Ronan, CEO, and Kimberly Repac, Chief Financial Officer, Western Maryland Health System Affidavit from Kevin McDonald, Chief, CON</p> |

| Requested Information | Facts | Sources |
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| | admin functions <ul style="list-style-type: none"> SF/bed = 2,453, adjusted to include leased space | provided |
| | <u>Holy Cross Germantown Hospital:</u> <ul style="list-style-type: none"> 237,842 SF (includes 22,373 SF of shell space) 93 acute, 8 observation beds = 101 total beds (for purposes of analysis) SF/bed = 2,133 (excluding shell space) | Holy Cross Germantown CONs (Docket No.08-15-2286; 1/20/11 and 5/31/12) Copies provided |
| | <u>Proposed Prince George's Regional Medical Center (January 16, 2015 replacement CON application):</u> <ul style="list-style-type: none"> 747,211 SF 719,765 excluding the cancer center and medical education space (27,446 SF) 216 acute, 15 special pediatric, 20 observation beds = 251 beds (for purposes of analysis) SF/bed = 2,868 | 2015 replacement application (DI #30, Exh. 1, Table C) (posted on MHCC website at http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/filed_2013/Prince_Georges_Regional/mod20150116/con_pgrmc_mod_exhibit1_20150116.pdf) |
| “Any facts relied upon to support the conclusions concerning maximum construction and project cost levels.” | Applicant's construction cost/SF Applicant' Project Budget | 03/13/15 applicants' response to completeness (DI #36, Exh. 50, Table E) (posted on MHCC website at http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/filed_2013/Prince_Georges_Regional/mod20150116/con_pgrmc_response%20completeness_20150313.pdf) |
| Volume and Market Share Projections | | |
| “Any facts relied upon to conclude that PGRMC's acute care ADC will not increase in the manner projected in the application.” | Hospital discharge rate trend; 2014 hospital market share by proximity rank of zip code area for selected Maryland hospitals (Shady Grove, Washington Adventist, MedStar Southern Maryland, Holy Cross Silver Spring, | Maryland Inpatient Data Set, 2004-2014 and DC Hospital Association Inpatient Database, 2004-2014 |

| Requested Information | Facts | Sources |
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| | <p>Suburban, and PGHC); PGHC 2014 case mix adjusted ALOS by service (MSGA-Medicare & Non-Medicare, and obstetrics)</p> | <p>Nielsen population data (historical, estimates and projected) for 2000, 2010, 2015, 2020, and 2024 by zip code area (all MD & DC zip code areas) by age cohort and gender. Data provided (labeled “Nielsen Population 2000 & 2010 MD & DC zips” and “Nielsen Population 2015, 2020 & 2024 MD & DC zips”)</p> <p>Drive time from population centroid of each MD and DC zip code areas to each MD and DC hospital run at heavy traffic time by Spatial Insights Data provided (labeled “Spatial Insights Drive Time MD & DC res zips all hosp”)</p> |
| <p>“Any facts relied upon to support the conclusion that ‘hospitalization rates will continue to decline in line with recent trends and the objectives of the payment model established in Maryland in 2014.’ (Report, p. 3.)”</p> | <p>MSGA discharges by hospital, zip code area, age, and/or payer (Medicare, Non-Medicare) in the period 2004 to 2014 for all Maryland and District of Columbia hospitals.</p> <p>Historical, estimated and projected populations for zip code areas by age.</p> <p>The Maryland payment model contains incentives that encourage reductions in potentially avoidable utilization (including reductions in 30 day readmissions)</p> | <p>Maryland Inpatient Data Set, 2004-2014 and DC Hospital Association Inpatient Database, 2004-2014</p> <p>Nielsen population data (historical, estimates and projected) for 2000, 2010, 2015, 2020, and 2024 by zip code area (all MD & DC zip code areas) by age cohort and gender. Data provided (labeled “Nielsen Population 2000 & 2010 MD & DC zips” and “Nielsen Population 2015, 2020 & 2024 MD & DC zips”)</p> |
| <p>“Any facts relied upon to support the conclusion that ‘Medicare length of stay of medical/surgical patients . . . will experience some further reduction and non-Medicare length of stay will see a slight increase.’ (Report, p. 3.)”</p> | <p>PGHC’s case mix-adjusted ALOS trend by payer (Medicare and Non-Medicare), 2004 -2014</p> | <p>Maryland Inpatient Data Set 2004 – 2014</p> |

| Requested Information | Facts | Sources |
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| <p>“Any facts relied upon to support the conclusion that PGRMC will not achieve the market share gains Dimensions projected in the application.”</p> | <p>Medical/surgical/gynecological/addictions (MSGA) discharges by zip code area, hospital, and payer (Medicare and Non-Medicare)</p> <p>Obstetric discharges</p> <p>2014 hospital market share by proximity rank of zip code area for selected Maryland hospitals (Shady Grove, Washington Adventist, MedStar Southern Maryland, Holy Cross Silver Spring, Suburban, and PGHC)</p> | <p>Drive time from population centroid of each MD and DC zip code areas to each MD and DC hospital run at heavy traffic time by Spatial Insights Data provided (labeled “Spatial Insights Drive Time MD & DC res zips all hosp”)</p> <p>Maryland Inpatient Data Set 2004-2014 and DC Hospital Association Inpatient Database, 2004-2014</p> |
| <p>“The data provided by HSCRC on May 3, 2016, referenced in the Report, p. 2.”</p> | | <p>Data provided (labeled “HSCRC Utilization Report & Market Shift_CY2015.xlsx”)</p> |
| Bed and Service Need | | |
| <p>“No more than 219 beds* (204 general acute beds and 15 special hospital – pediatric beds)”</p> <p>“Reduce MSGA beds by at least 11 beds”</p> <p>“Reduce obstetric bed capacity by at least three beds”</p> | <p>MSGA discharges originating in Prince George’s County zip code areas, by age and/or payer (Medicare, Non-Medicare), 2004 to 2014 for all Maryland and District of Columbia hospitals.</p> <p>Population data (historical, estimated, and projected) by age group and gender for Prince George’s County zip code areas.</p> <p>2014 PGHC MSGA market shares (both Medicare and Non-Medicare) and 2014 obstetric market share for each Prince George’s County zip code area.</p> <p>PGHC proximity rank for each Prince George’s County zip code area</p> <p>2014 hospital market share (Medicare MSGA, Non-Medicare MSGA, and obstetric) by proximity rank of zip code area for selected Maryland hospitals (Shady Grove, Washington Adventist, MedStar Southern Maryland, Holy Cross Silver Spring, Suburban) and PGHC 2014 case mix adjusted ALOS by service (MSGA-Medicare & Non-Medicare, and obstetrics)</p> <p>*Note: I corrected the target for the acute care beds to 202 (154</p> | <p>Maryland Inpatient Data Set 2004-2014 and DC Hospital Association Inpatient Database, 2004-2014</p> <p>Nielsen population data (historical, estimates, and projected) for 2000, 2010, 2015, 2020, and 2024 by zip code (all MD & DC zip codes) by age cohort and gender. Data provided (labeled “Nielsen Population 2000 & 2010 MD & DC zips” and “Nielsen Population 2015, 2020 & 2024 MD & DC zips”)</p> <p>Drive time from population centroid of each MD and DC zip code to each MD and DC hospital run at heavy traffic time by Spatial Insights. Data provided (labeled “Spatial Insights Drive Time MD & DC res zips all hosp”)</p> |

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| | <p>MSGA, 19 OB beds, 28 psychiatric beds, and one pediatric bed) in my May 26, 2016 letter to Dimensions, in which I provided the requested clarification of my May 17, 2016 handout (referred to by Dimensions as "Report").</p> | |
| <p>"Reduce finished operating rooms (OR) by at least one, eliminate unfinished OR"</p> | <p>The methodology used by Dimensions in its January 2015 replacement CON application to derive inpatient surgery volume from projected MSGA admissions and to derive outpatient surgery volume from inpatient surgery volume.</p> <p>MSGA discharges by hospital, zip code area, age, and/or payer (Medicare, Non-Medicare) in the period 2004 to 2014 for all Maryland and District of Columbia hospitals.</p> <p>2014 hospital market share (Medicare MSGA, Non-Medicare MSGA) by proximity rank of zip code area for selected Maryland hospitals (Shady Grove, Washington Adventist, MedStar Southern Maryland, Holy Cross Silver Spring, Suburban)</p> <p>Historical, estimated and projected populations for zip code areas by age.</p> | <p>Dimensions' March 13, 2015 response to completeness questions (DI #36, p. 25) (posted on MHCC website at http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/filed_2013/Prince_Georges_Regional/mod20150116/con_pgrmc_response%20completeness_20150313.pdf)</p> <p>Maryland Inpatient Data Set 2004-2014</p> <p>DC Hospital Association Inpatient Database, 2004-2014</p> <p>Nielsen population data (historical, estimates, and projected) for 2000, 2010, 2015, 2020, and 2024 by zip code (all MD & DC zip codes) by age cohort and gender. Data provided (labeled "Nielsen Population 2000 & 2010 MD & DC zips" and "Nielsen Population 2015, 2020 & 2024 MD & DC zips")</p> |
| <p>"Reduce Emergency Department treatment spaces to no more than 45 spaces; bring the size of the ED in line with this treatment capacity"</p> | <p>2014 Emergency Department visits by zip code area of origin for Prince George's County zip code areas (Maryland hospitals only)</p> <p>Prince George's Hospital Center 2014 ED market share by zip code area and proximity rank of zip code area (proximity to PGHC)</p> <p>Estimated 2014 and projected 2024 population by age group for Prince George's County zip code areas.</p> | <p>Maryland Inpatient Data Set 2014 and Maryland Outpatient Data Set 2014</p> <p>Nielsen historical and projected population by zip code by age 2010, 2015, 2020, and 2024. Data provided (labeled "Nielsen Population 2000 & 2010 MD & DC zips" and "Nielsen Population 2015, 2020 & 2024 MD & DC zips")</p> |

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| | <p>Guidelines for ED space and treatment capacity in the 2006 edition of the American College of Emergency Physicians (ACEP) Guidelines for Emergency Department Design, incorporated by reference in the Acute Care Services Chapter.</p> | <p>Drive time from population centroid of each MD and DC zip code areas to each MD and DC hospital run at heavy traffic time by Spatial Insights Data provided (labeled "Spatial Insights Drive Time MD & DC res zips all hosp")</p> <p>American College of Emergency Physicians (ACEP) Guidelines for Emergency Department Design (February 2006 second printing, p. 71) Copy provided (labeled "ACEP Guidelines p71")</p> |
| <p>"Consider elimination of Mt. Washington Pediatric Hospital"</p> | <p>Note: I did not ask the applicants to consider elimination of Mt. Washington Pediatric Hospital, but recommended that alternative locations be considered. I suggested that the Mt. Washington Pediatric Hospital unit may be suitably housed in leased space at a general hospital in the Prince George's County area that has sufficient and appropriate existing space available.</p> | |
| <p>"Consider elimination of special pediatric bed"</p> | <p>Historic and projected pediatric bed utilization at PGHC</p> | <p>Maryland Inpatient Data Set</p> <p>2015 replacement application (DI #36, Exh. 50, Table F1) (posted on MHCC website at http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/filed_2013/Prince_Georges_Regional/mod20150116/con_pgrmc_response%20completeness_20150313.pdf)</p> |