GALLAGHER
EVELIUS & JONES LLP
ATTORNEYS AT LAW

THOMAS C. DAME
tdame@gejlaw.com
direct dial: 410 347 1331
fax: 410 468 2786

September 13, 2016

<u>VIA EMAIL & HAND DELIVERY</u>

Ms. Ruby Potter
Health Facilities Coordination Officer
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Re: CON Application-Prince George's Regional Medical Center
As a Replacement and Relocation of Prince George's Hospital Center
Matter No. 13-16-2351

Dear Ms. Potter:

Enclosed are ten copies of the "Response to Additional Information Questions Received September 8, 2016" with respect to the Modified CON Application of Dimensions Health Corporation *d/b/a* Prince George's Hospital Center and Mount Washington Pediatric Hospital, Inc. for Relocation of a General Acute Care Hospital and a Special Hospital-Pediatric. A searchable PDF file and WORD version of the response will be forwarded to Commission staff by separate email.

I hereby certify that a copy of this submission has also been forwarded to the appropriate local health planning agencies as noted below.

Sincerely,

Thomas C. Dame

Ella Aiken

TCD/ERA:blr
Enclosures

#569458
013346-0001

cc: Paul Parker, Director, Center for Health Care Facilities Planning & Development, MHCC
Kevin McDonald, Chief, Certificate of Need
Suellen Wideman, Esq., Assistant Attorney General, Maryland Health Care Commission
Pamela B. Creekmur, Health Officer, Prince George's County
Dr. Laurence Polsky, Health Officer, Calvert County
Meenakshi G. Brewster, Health Officer, St. Mary's County
Dianna E. Abney, Acting Health Officer, Charles County
Neil J. Moore, President & CEO, Dimensions Health Corporation
Sheldon Stein, President & CEO, Mt. Washington Pediatric Hospital
Mary Miller, Vice President, Finance and Business Development, Mount Washington Pediatric Hospital
Carl Jean-Baptiste, Esquire, Senior Vice President & General Counsel, Dimensions Health Corporation
Jeffrey L. Johnson, Senior Vice President, Strategic Planning & Business Development, Dimensions Health Corporation
John Ashworth, Senior Vice President, Network Development, University of Maryland Medical System
Dr. Stephen T. Bartlett, Executive Vice President and Surgeon in Chief, University of Maryland Medical System
Mark Wasserman, Senior Vice President, External Affairs, University of Maryland Medical System
Kristin Jones Bryce, Vice President, External Affairs, University Of Maryland Medical System
Megan M. Arthur, Esq., Senior Vice-President & General Counsel, University of Maryland Medical System
Alison G. Brown, Senior Vice President & Chief Strategy Officer, University of Maryland Medical System
Sandra H. Benzer, Esquire, Associate Counsel, University of Maryland Medical System
Andrew L. Solberg, A.L.S. Healthcare Consultant Services
Peter P. Parvis, Esq.
Jonathan Montgomery, Esq.

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
Matter No. 13-16-2351

Responses to Additional Information Questions Received 9/8/2016

---

1. **Please provide a calculation of total departmental gross square feet in the redesigned Emergency Department, including the space within the department for diagnostic and imaging capabilities.**

Applicant Response:

The total departmental gross square feet for the redesigned Emergency Department is 37,733 DGSF. This is calculated as the total of the Adult ED, Pediatric ED, Trauma, and Assessment and Stabilization spaces identified in Exhibit 62, Table B, to the August 31, 2016 modification, less certain space (1,166 SF) for trauma residence space, included in the "Trauma" line of Table B. This space is located on the fourth floor and will be used in connection with residency and education functions. The ED DGSF identified above includes ED offices and robust imaging, including the square footage for two X-ray rooms, two CT rooms (with control), one ultrasound room, reading room, and a dressing area

2. **The new pro forma schedule of revenues and expenses states, as a revenue assumption, that $30 million of "Dimensions existing global budget revenue in 2019 [will be] redistributed [to] help fund investments in IT infrastructure, population health efforts, physician recruitment, and future capital costs at PGRMC's new facility." Please provide two projections of 2019 Dimensions global budget revenue (GBR), one that allocates the full budget revenue among the three rate-regulated health care facilities with no inclusion of additional redistributed revenue to Prince George's Hospital Center and a second GBR projection that shows the desired redistribution, consistent with the revenue assumption referenced above.**

Applicant Response:

As permitted in each Maryland hospital system's Global Budget Revenue agreement ("GBR") with the HSCRC, Dimensions intends to retain its system wide GBR cap currently in place as it redesigns its care delivery model. This revenue allocation ability was one of the key incentives established by the HSCRC in the development of the GBR model. Except for revenues that will be redistributed to other local hospitals (at a 50% variable cost factor) as a result of the conversion of Laurel Regional Hospital ("Laurel") to a freestanding medical facility ("FMF"), Dimensions plans to retain its full GBR cap. Dimensions believes that the redistribution of some revenues from Laurel to Prince George's Hospital Center ("PGHC") and eventually to Prince George's Regional Medical Center ("PGRMC") serves both Laurel and the PGHC/PGRMC facilities in future price and resource needs.

As Laurel ceases inpatient operations, 50% or $30 million of its approximately $60 million of inpatient gross revenue will be shifted to other local hospitals. The remaining $30 million will remain within Dimensions. As presented in Table 96,[1] keeping this $30 million at the FMF would result in a revenue base of $72M, a 70% increase over the revenue base of $42M that Dimensions believes is appropriate, given its expense base, for the outpatient FMF. This additional revenue would limit the FMF's ability to compete with other outpatient providers, many of which are unregulated.

Table 96
Dimensions Healthcare System
Projected Global Budget Revenue
(dollars in millions)

		Projected 2019		
	HSCRC Approved 2017	Aug. 31, 2016 Modification(2)	No Redistribution	Variance
Prince George's Hospital Center	$ 291.1	$ 344.3	$ 314.3	$ (30.0)
Laurel Regional Hospital (2)				
- Laurel Regional Hospital	103.3	-	-	-
- Freestanding Medical Facility	-	42.4	72.4	30.0
Bowie Health Center	19.9	21.9	21.9	-
Total	$ 414.4	$ 408.6	$ 408.6	$ -

Note 1: Reflects PGHC's GBR as presented in the August 31, 2016 modification in response to the May 17, 2016 Project Status Conference.
Note 2: Laurel is expected to cease inpatient operations upon the opening of the FMF in 2019. Laurel's inpatient revenue approximates $60M, $30M of which will be shifted to other providers.

1 Tables are numbered to continue from prior CON application submissions in this review. Table 96 is the first table in this document.

In addition to making the FMF price inefficient, keeping the entire $30 million at the FMF would hinder the financial performance of the new hospital. As presented in Table 97, PGHC is expected to have a 2.9% Operating Margin in 2019 with the $30 million redistribution. Keeping the entire $30 million at the FMF would result in a negative -5.5% Operating Margin at PGHC. Dimensions already has an aggressive performance improvement plan for PGHC/PGRMC of $53 million designed to ensure the financial performance of the new hospital. Limiting the redistribution of Dimensions' GBR would unnecessarily inhibit that plan.

Table 97
Prince George's Hospital Center
Projected 2019 Revenue and Expenses
(dollars in millions)

	Projected 2019		
	Modification Response [1]	No Redistribution	Variance
Gross Patient Revenue	$ 344.3	$ 314.3	$ (30.0)
Deductions from Revenue	(42.3)	(38.6)	3.7
Net Patient Revenue	302.0	275.7	(26.3)
Other Operating Revenue	28.1	28.1	-
Total Operating Revenue	330.1	303.8	(26.3)
Operating Expenses	(320.6)	(320.6)	-
Income from Operations	$ 9.5	$ (16.8)	$ (26.3)
Operating Margin	2.9%	-5.5%	-8.4%

Note 1: Reflects PGHC's GBR as presented in the August 31, 2016 modification in response to the May 17, 2016 Project Status Conference.

3. With reference to the same revenue assumption, please provide a breakdown of the allocation of $30 million in 2019 to IT infrastructure, population health efforts, physician recruitment, and future capital costs at the new facility. Identify the precise amount of redistributed revenue that will be used to fund depreciation, amortization, and interest expenses associated with the proposed replacement hospital project in FY 2021 through FY 2023.

Applicant Response:

The detailed breakdown of revenue needs by the categories listed in this question will vary from year to year as Dimensions assesses population and infrastructure needs. As the nature of healthcare delivery and payment models continues to evolve on an annual basis, Dimensions will have needs in these areas as well as many other areas. The $30 million will be invested based on a plan to achieve operational efficiency and long-term financial viability with capital dollars invested to achieve efficient and effective utilization of hospital services by the community at-large.

The formal affiliation of Dimensions with UMMS will start the process of Dimensions converting its information technology / electronic medical record system to a new vendor (Epic). However, a capital IT conversion plan and an allocation of the associated capital dollars have not yet been completed.

Dimensions is currently undergoing a medical staff development plan, which should be completed by mid-October. Following the medical staff development plan exercise, Dimensions will develop an ambulatory care plan which will identify new ambulatory site locations, an associated array of clinical services, as well as expanded collaborative population health initiatives. The ambulatory planning exercise will not be completed until the end of the calendar year.

For the reasons listed above, Dimensions is not currently able to provide a breakdown of the $30 million among the different expense categories. It is important to note, though, that the capital costs associated with this project are not being funded with new dollars, but through a redistribution of Dimensions' current GBR. This redistribution of Dimensions' GBR will allow Dimensions and UMMS to develop new state-of-the-art medical facilities in both Largo and Laurel without increasing charges to payors and patients. The ability to improve access to care and quality of service without creating incremental costs to the overall State of Maryland healthcare system, including payors, is a model that should be praised and replicated in comparable settings of care.

TABLES OF TABLES
Response to Completeness Questions Received 9/8/2016