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January 6, 2015

Offices In  
Maryland  
Washington, D.C.  
Virginia

VIA EMAIL AND FIRST CLASS MAIL

Kevin McDonald, Chief  
Certificate of Need  
Maryland Health Care Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215

Re: **Adventist Healthcare, Inc. d/b/a Washington Adventist Hospital**  
**Docket No. 13-15-2349**  
**2nd Response to Request for Additional Deliverables and**  
**Additional Information Dated December 4, 2014**

Dear Mr. McDonald:

On behalf of Adventist Healthcare, Inc. d/b/a Washington Adventist Hospital (WAH), we are hereby submitting the required six (6) copies of our second of two responses to your December 4<sup>th</sup> letter regarding the above-referenced project. In your letter, you requested two deliverables necessary to docket the application, which were previously submitted to you on December 12, and posed six additional information questions, to which we are responding with this submission. An electronic copy of this response will also be provided in Word and/or Excel format as applicable.

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

Sincerely,



Howard L. Sollins

HLS/tjr  
Enclosures

Kevin McDonald, Chief  
January 6, 2015  
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O B E R K A L E R

cc: Paul Parker, Director  
Joel Riklin, Program Manager  
Suellen Wideman, Assistant Attorney General  
Ms. Ruby Potter, Health Facilities Coordination Office  
Patricia Tomsco Nay, MD, CMD, CHCQM, FAAFP, FAIHQ, FAAHPM  
Medical Director, Office of Health Care Quality  
Maryland Department of Health and Mental Hygiene  
Donna Kinzer, Executive Director  
Health Services Cost Review Commission  
Ulder Tillman MD, MPH, Health Officer  
Montgomery County  
Terry Forde, President,  
Adventist HealthCare  
Eric Wangsness, President, Washington Adventist Hospital  
Robert E. Jepson, Vice President, Business Development  
Geoffrey Morgan, VP for Expanded Access  
Patricia Cameron (E-copy only)  
Thomas Dame, Esquire (E-copy only)  
Susan Silber, Esquire (E-copy only)

1. Please submit a corrected Project Budget that separates legal and CON consulting fees from Loan Placement Fees. (Follow up on question 3 from October 15 letter.)

**Applicant Response:**

**Washington Adventist Hospital - Option 4  
New Hospital at White Oak, 170 Licensed Beds  
CAPITAL BUDGET**

A. <u>Uses of Funds</u>	Phase 1 & 2
1. <u>Capital Costs</u>	<u>White Oak</u>
a. <u>New Construction</u>	
(1) Building & Fixed Equipment	135,200,000
(2) Fixed Equipment (Included above)	-
(3) Land Purchase	11,000,000
(4) Site Preparation - Land Improvements	10,400,000
(5) Architect/Engineering Fees	13,200,000
(6) Permits, (Building, Utilities, Etc.)	700,000
<b>SUBTOTAL</b>	<b>\$ 170,500,000</b>
b. <u>Renovations</u>	
(1) Building demolition	-
(2) Renovations	-
(3) Fixed Equipment	-
(4) Architect/Engineering Fees	-
(5) Permits, (Building, Utilities, Etc.)	-
<b>SUBTOTAL</b>	<b>\$ -</b>
c. <u>Other Capital Costs</u>	
(1) Major Movable Equipment	20,300,000
(2) Minor Movable Equipment	13,500,000
(3) Contingencies	11,200,000
(4) Other (Specify)	
a. Furniture	10,100,000
b. Interior & Exterior Signage	1,400,000
c. IS/Comm	13,500,000
d. Security system	2,000,000
e. Relocation expense	2,700,000
f. Certifications, inspections, etc.	1,000,000
g. Takoma Park Capital Facility Upgrades	-
	-
<b>TOTAL CURRENT CAPITAL COSTS (a - c)</b>	<b>\$ 246,200,000</b>

d. <u>Non Current Capital Cost</u>	
(1) Interest (Gross)	45,156,375
Inflation Allowance (2.0% per year to midpoint of each	
(2) construction phase)	10,100,000
	<hr/>
<b>TOTAL PROPOSED CAPITAL COSTS (a-d)</b>	<b>\$ 301,456,375</b>

2. Financing Cost and Other Cash Requirements:

a. Loan Placement Fees	4,503,149
b. Bond Discount	-
c. Legal Fees (CON Related)	250,000
d. Legal Fees (Other)	-
e. Printing	-
f. Consultant Fees	
CON Application Assistance	145,000
Other (Specify)	
g. Liquidation of Existing Debt	-
h. Debt Service Reserve Fund	24,475,000
i. Principal Amortization	-
Reserve Fund	
j. Other (Specify)	-
	<hr/>
<b>TOTAL (a - j)</b>	<b>\$ 29,373,149</b>

3. Working Capital Startup Costs

<b>TOTAL USES OF FUNDS (1 - 3)</b>	<b><u><u>\$ 330,829,524</u></u></b>
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B. <u>Sources of Funds for Project:</u>	Phase 1 & 2 <u>White Oak</u>
1 Cash	50,575,175
2 Pledges: Gross, less allowance for uncollectables=Net	
3 Gifts, bequests	20,000,000
4 Interest income (gross)	4,504,349
5 Authorized Bonds	244,750,000
6 Mortgage	
7 Working capital loans	
8 Grants or Appropriation	
(a) Federal	

(b) State	
(c) Local	
9 Other (Specify) (Land)	11,000,000

**TOTAL SOURCES OF FUNDS (1-9)**

**\$ 330,829,524**

2. In MHCC’s October 15<sup>th</sup> completeness letter question 29 (relating to obstetrics) and question 48 (relating to total market share) asked for explanation regarding how each of the factors WAH identified as likely to affect market share changes – i.e., “drive times, major streets and highways, current market share of other providers, and physician relationships” – were weighted to arrive at the projections WAH made. The responses received did not shed much more light on this question than the information provided in the modified application. Staff understands that there are multiple influences and that the weight attributed to each may vary to zip code, and that such projections involve both art and science.

However, in order to provide a more definitive picture of how projections were arrived at, MHCC staff asks that you provide a table that explains the market dynamics that drove the projections, as shown in the example below.

Zip Code	Current Mkt Share	Projected Mkt Share in White Oak	Rationale
xxxxx	16%	30%	<ul style="list-style-type: none"> <li>• WAH goes from 3<sup>rd</sup> most proximate hospital to closest</li> <li>• WAH currently has the second-highest market share</li> <li>• WAH has strong primary care presence in the zip code</li> </ul>
yyyyy	20%	10%	<ul style="list-style-type: none"> <li>• WAH goes from 3<sup>rd</sup> most proximate hospital to 6<sup>th</sup></li> <li>• Highway AA creates a natural boundary making access more difficult</li> </ul>

**Applicant Response:**

The response to this question uses the format suggested in the MHCC’s letter, a helpful tool in summarizing the projections. The bulleted responses are included to provide a general overview of the factors that go into such an analysis.

**Projected White Oak OB Market Share**

Zip Code	CY2013 OB Market Share	Projected White Oak OB Market Share	Rationale
20783 - Hyattsville	38.1%	38.1%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share</li> <li>• No change in distance from the center of the zip code (move to opposite side of zip)</li> </ul>
20903 - Silver Spring	38.5%	38.5%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share</li> <li>• No change in distance (move to opposite side of zip code)</li> <li>• No real change in drive times</li> </ul>

Zip Code	CY2013 OB Market Share	Projected White Oak OB Market Share	Rationale
20912 - Takoma Park	42.4%	27.4%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share in its current home zip code</li> <li>• WAH is moving out of this zip code</li> </ul>
20902 - Silver Spring	16.6%	21.6%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share</li> <li>• White Oak is a shorter distance to residents in northern portion of zip code</li> <li>• Drive times are relatively consistent on average for the entire zip code</li> </ul>
20901 - Silver Spring	20.1%	25.1%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share</li> <li>• White Oak is shorter distance to residents in northern portion of zip code</li> <li>• WAH White Oak will remain 2<sup>nd</sup> most proximate hospital</li> </ul>
20906 - Silver Spring	13.0%	18.0%	<ul style="list-style-type: none"> <li>• WAH is moving closer to this zip code in which it presently has the 3<sup>rd</sup> largest market share</li> <li>• Drive times improve to get to WAH in White Oak</li> </ul>
20904 - Silver Spring	10.5%	30.5%	<ul style="list-style-type: none"> <li>• WAH is moving into this zip code</li> <li>• Moving from 2<sup>nd</sup> most proximate hospital to most proximate</li> <li>• Drive times improve and distance decreases to get to WAH in White Oak</li> <li>• WAH will increase its market presence but will still have 2<sup>nd</sup> largest market share after the move</li> </ul>
20782 - Hyattsville	19.9%	9.9%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share</li> <li>• Moving from closest hospital to 3<sup>rd</sup> most proximate</li> <li>• Drive times and distance increases to WAH in White Oak</li> </ul>
20705 - Beltsville	13.6%	18.6%	<ul style="list-style-type: none"> <li>• WAH currently has third largest market share before move</li> <li>• Moving from 3<sup>rd</sup> most proximate hospital to most proximate</li> </ul>
20910 - Silver Spring	11.7%	3.7%	<ul style="list-style-type: none"> <li>• WAH currently has 3<sup>rd</sup> largest market share</li> <li>• WAH's current home zip code is contiguous to this zip code and WAH is moving further away from this zip code</li> <li>• Moving from 2<sup>nd</sup> most proximate hospital to 3<sup>rd</sup> most proximate</li> </ul>
20706 - Lanham	9.0%	9.0%	<ul style="list-style-type: none"> <li>• WAH currently has 4<sup>th</sup> largest market share</li> <li>• No real change in distance with Interstate 495</li> </ul>
20737 - Riverdale	13.9%	3.9%	<ul style="list-style-type: none"> <li>• WAH currently has 3<sup>rd</sup> largest market share</li> <li>• WAH is moving farther away from this zip code therefore increasing travel times and distance</li> <li>• Moving from 2<sup>nd</sup> most proximate hospital to 3<sup>rd</sup> most proximate</li> </ul>
20770 - Greenbelt	10.3%	10.3%	<ul style="list-style-type: none"> <li>• WAH currently has 4<sup>th</sup> largest market share</li> <li>• The decrease in travel time is not large enough to change the rank in proximity relative to other hospitals.</li> </ul>

Zip Code	CY2013 OB Market Share	Projected White Oak OB Market Share	Rationale
20785 - Hyattsville	5.4%	2.4%	<ul style="list-style-type: none"> <li>• WAH currently has 4<sup>th</sup> largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20740 - College Park	11.1%	11.1%	<ul style="list-style-type: none"> <li>• WAH currently has 3<sup>rd</sup> largest market share</li> <li>• No real change in distance or travel time with Interstate 495</li> </ul>
20784 - Hyattsville	5.7%	0.0%	<ul style="list-style-type: none"> <li>• WAH currently has 4<sup>th</sup> largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20712 - Mount Rainier	24.3%	14.3%	<ul style="list-style-type: none"> <li>• WAH currently has 2<sup>nd</sup> largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20781 - Hyattsville	11.1%	1.1%	<ul style="list-style-type: none"> <li>• WAH currently has 3<sup>rd</sup> largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>

### Projected White Oak MSGA Market Share

Zip Code	CY2013 MSGA Market Share	Projected WO MSGA Market Share	Rationale
20783 - Hyattsville	60.1%	45.1%	<ul style="list-style-type: none"> <li>• WAH has largest market share</li> <li>• Increase in travel times</li> </ul>
20912 - Takoma Park	60.6%	45.6%	<ul style="list-style-type: none"> <li>• WAH has largest market share in its current home zip code</li> <li>• WAH is moving out of this zip code</li> </ul>
20782 - Hyattsville	55.2%	40.2%	<ul style="list-style-type: none"> <li>• WAH has largest market share</li> <li>• Moving from closest hospital to 3<sup>rd</sup> most proximate</li> <li>• Drive times and distance increase to WAH in White Oak</li> </ul>
20903 - Silver Spring	37.5%	40.5%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share</li> <li>• No change in distance (move to opposite side of zip)</li> <li>• Slight decrease in drive times</li> </ul>
20901 - Silver Spring	20.2%	25.2%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share</li> <li>• White Oak is shorter distance to residents in northern portion of zip code</li> <li>• WAH White Oak will remain 2<sup>nd</sup> most proximate hospital</li> </ul>
20904 - Silver Spring	9.3%	54.3%	<ul style="list-style-type: none"> <li>• WAH is moving into this zip code</li> <li>• Moving from 2<sup>nd</sup> most proximate hospital to most proximate</li> <li>• Drive times improve and distance decreases to get to WAH in White Oak</li> </ul>
20740 - College Park	26.3%	25.3%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share</li> <li>• Slight increase in distance</li> </ul>
20910 - Silver Spring	15.1%	0.1%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share</li> </ul>

Zip Code	CY2013 MSG Market Share	Projected WO MSG Market Share	Rationale
			<ul style="list-style-type: none"> <li>• WAH's current home zip code is contiguous to this zip code and WAH is moving further away from this zip code</li> <li>• Moving from 2nd most proximate hospital to 3rd most proximate</li> </ul>
20705 - Beltsville	14.8%	24.8%	<ul style="list-style-type: none"> <li>• WAH currently has 3rd largest market share before move</li> <li>• Moving from 3rd most proximate hospital to most proximate</li> </ul>
20011 - Washington	26.8%	9.8%	<ul style="list-style-type: none"> <li>• WAH has the 2nd largest market share of the hospitals located in Montgomery and Prince George's County</li> <li>• WAH is moving farther away from this zip code therefore increasing travel times and distance</li> <li>• Moving from 2nd most proximate hospital to 3rd most proximate</li> </ul>
20737 - Riverdale	18.3%	3.3%	<ul style="list-style-type: none"> <li>• WAH has 2nd largest market share</li> <li>• WAH is moving farther away from this zip therefore increasing travel times and distance</li> <li>• Moving from 2nd most proximate hospital to 3rd most proximate</li> </ul>
20902 - Silver Spring	6.6%	6.6%	<ul style="list-style-type: none"> <li>• WAH has 3rd largest market share</li> <li>• Drive times are relatively consistent on average for the entire zip code</li> </ul>
20770 - Greenbelt	11.8%	13.8%	<ul style="list-style-type: none"> <li>• WAH has 2nd largest market share</li> <li>• Drive times improve and distance decreases to get to WAH in White Oak</li> </ul>
20784 - Hyattsville	8.1%	7.1%	<ul style="list-style-type: none"> <li>• WAH has 4th largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20706 - Lanham	5.1%	4.1%	<ul style="list-style-type: none"> <li>• WAH has 4th largest market share</li> <li>• Slight increase in drive times</li> </ul>
20781 - Hyattsville	22.8%	7.8%	<ul style="list-style-type: none"> <li>• WAH has 2nd largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20906 - Silver Spring	2.6%	7.6%	<ul style="list-style-type: none"> <li>• WAH is moving closer to this zip code in which it presently has the 5th largest market share</li> <li>• Drive times improve to get to WAH in White Oak</li> </ul>
20712 - Mount Rainier	42.2%	22.2%	<ul style="list-style-type: none"> <li>• WAH has the largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20785 - Hyattsville	4.8%	3.8%	<ul style="list-style-type: none"> <li>• WAH has 4th largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20012 - Washington	38.2%	23.2%	<ul style="list-style-type: none"> <li>• WAH has the largest market share of the hospitals located in Montgomery and Prince George's County</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20707 - Laurel	5.1%	10.1%	<ul style="list-style-type: none"> <li>• WAH has the 3rd largest market share</li> <li>• Drive times improve and distance decreases to get to</li> </ul>

Zip Code	CY2013 MSG Market Share	Projected WO MSG Market Share	Rationale
			WAH in White Oak
20708 - Laurel	5.7%	6.7%	<ul style="list-style-type: none"> <li>• WAH has 4<sup>th</sup> largest market share</li> <li>• Drive times improve and distance decreases to get to WAH in White Oak</li> </ul>
20722 - Brentwood	25.1%	10.1%	<ul style="list-style-type: none"> <li>• WAH has 2<sup>nd</sup> largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20743 - Capitol Heights	2.9%	1.9%	<ul style="list-style-type: none"> <li>• WAH has 5<sup>th</sup> largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20019 - Washington	6.5%	0.0%	<ul style="list-style-type: none"> <li>• WAH has the 5<sup>th</sup> largest market share of the hospitals located in Montgomery and Prince George's County</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20017 - Washington	32.2%	15.2%	<ul style="list-style-type: none"> <li>• WAH has the largest market share of the hospitals located in Montgomery and Prince George's County</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20020 - Washington	10.1%	0.0%	<ul style="list-style-type: none"> <li>• WAH has the 4<sup>th</sup> largest market share of the hospitals located in Montgomery and Prince George's County</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20774 - Upper Marlboro	2.9%	1.9%	<ul style="list-style-type: none"> <li>• WAH has the 5<sup>th</sup> largest market share</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20002 - Washington	14.1%	0.0%	<ul style="list-style-type: none"> <li>• WAH has the 2<sup>nd</sup> largest market share of the hospitals located in Montgomery and Prince George's County</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20747 - District Heights	2.7%	2.7%	<ul style="list-style-type: none"> <li>• WAH has 5<sup>th</sup> largest market share</li> <li>• No real change in drive times</li> </ul>
20710 - Bladensburg	11.0%	10.0%	<ul style="list-style-type: none"> <li>• WAH has 3<sup>rd</sup> largest market share</li> <li>• Slight increase in travel times and distance</li> </ul>
20018 - Washington	21.5%	4.5%	<ul style="list-style-type: none"> <li>• WAH has the 2<sup>nd</sup> largest market share of the hospitals located in Montgomery and Prince George's County</li> <li>• WAH is moving farther away from this zip code</li> </ul>
20905 - Silver Spring	5.6%	20.6%	<ul style="list-style-type: none"> <li>• WAH has 4<sup>th</sup> largest market share</li> <li>• Drive times improve and distance decreases to get to WAH in White Oak</li> </ul>
20877 - Gaithersburg	2.2%	1.2%	<ul style="list-style-type: none"> <li>• WAH has 5<sup>th</sup> largest market share</li> <li>• Slight increase in travel times and distance</li> </ul>
20721 - Bowie	3.2%	3.2%	<ul style="list-style-type: none"> <li>• WAH has 4<sup>th</sup> largest market share</li> <li>• No real change in distance or travel time</li> </ul>
20772 - Upper Marlboro	2.0%	2.0%	<ul style="list-style-type: none"> <li>• WAH has 5<sup>th</sup> largest market share</li> <li>• No real change in distance or travel time</li> </ul>
20866 - Burtonsville	6.7%	21.7%	<ul style="list-style-type: none"> <li>• WAH is moving closer to this zip code in which it presently has the 4<sup>th</sup> largest market share</li> <li>• Drive times and distance improve to get to WAH in White Oak</li> </ul>

Zip Code	CY2013 MSG Market Share	Projected WO MSG Market Share	Rationale
20715 - Bowie	2.1%	2.1%	<ul style="list-style-type: none"> <li>• WAH has 4<sup>th</sup> largest market share</li> <li>• No real change in distance or travel time</li> </ul>
20874 - Germantown	1.5%	0.0%	<ul style="list-style-type: none"> <li>• WAH has 5<sup>th</sup> largest market share</li> <li>• New hospital being established in this area</li> </ul>
20850 - Rockville	1.4%	1.4%	<ul style="list-style-type: none"> <li>• WAH has 5<sup>th</sup> largest market share</li> <li>• No real change in distance or travel time</li> </ul>
20853 - Rockville	2.2%	2.2%	<ul style="list-style-type: none"> <li>• WAH has 5<sup>th</sup> largest market share</li> <li>• No real change in distance</li> </ul>
20723 - Laurel	2.6%	7.6%	<ul style="list-style-type: none"> <li>• WAH has 3<sup>rd</sup> largest market share</li> <li>• Drive times improve and distance decreases to get to WAH in White Oak</li> </ul>
20001 - Washington	14.7%	0.0%	<ul style="list-style-type: none"> <li>• WAH has the 2<sup>nd</sup> largest market share of the hospitals located in Montgomery and Prince George's County</li> <li>• WAH is moving farther away from this zip code</li> </ul>

**3. The response to question 17 in the October 15 letter (page 12) says that for rate year 2014 WAH's approved GBR plus Uncompensated Care pool payment was \$262,516,036; however, the table on page 13 appears to show the amount to be \$261,582,675. Please correct or reconcile.**

**Applicant Response:**

The corrected response is as follows:

The figure \$262,516,036 is incorrect. Washington Adventist Hospital is on a calendar year fiscal year. A detailed revenue analysis between Calendar year and Fiscal year can be seen below. For rate year 2014, Washington Adventist Hospital's approved GBR revenue plus Uncompensated Care pool payment was \$261,582,675. For rate year 2015, Washington Adventist Hospital's approved GBR revenue plus Uncompensated Care pool payment is \$272,837,858.

**Reconciliation to Approved GBR Revenue  
FY 2014 and FY 2015**

	CY 2013		CY 2014		CY 2015	
	FY 2014		FY 2015			
	Jan - June	July - Dec	Jan - June	July - Dec	Jan - June	July - Dec
Allowed GBR Revenue	\$ 123,828,481	\$ 122,111,688	\$ 132,830,522	\$ 129,332,186	\$ 129,332,186	\$ 135,219,433
UCC pool payments	1,815,801	3,052,455	3,666,000	7,126,507	7,734,300	7,761,958
Amortization of Prior Year Price Variances	<u>1,238,321</u>	<u>1,238,321</u>	-	-	-	-
	\$ 126,882,603	\$ 126,402,464	\$ 136,496,522	\$ 136,458,693	\$ 137,066,486	\$ 142,981,391
<b>Calendar Year Total</b>	\$ 253,285,067		\$ 272,955,215		\$ 280,047,877	
<b>Fiscal Year Total</b>			\$ 262,898,986		\$ 273,525,179	

Approved Rate Order + UCC Pool Pmts  
Variance

261,582,675  
(\$1,316,311) <sup>(1)</sup>

\$272,837,858  
(\$687,321) <sup>(2)</sup>

(1) Washington Adventist Hospital recognizes revenue at the approved revenue amount rather than actual charges. The variance in FY 2014 Revenue to the GBR allowable revenue is attributable to the amortization of prior year price variances and immaterial rounding.

(2) The variance in FY 2015 projected revenue is due to a significant reduction in the assessment amount being reduced in rates in the final rate order. An equal variance will be present in the deduction from revenue section because the Assessment % is held constant at FY 2013 levels, in both the amounts in rates and the payment throughout the projection. Because these assessments are pass-thru (built into rates and subsequently paid out) this variance will have no impact on profitability.

- 4. Please identify each line from page 46 of the audited financial statement for the obligated group that is included in and sums to the long term debt of \$321,193,000 used in the calculation of the debt to capitalization ratio. (Follow up on Question 54 from October 15 letter.)**

**Applicant Response:**

Q4 Components of Long Term Debt	
December 31, 2013	
(per page 46 of 2013 Audited Financial Statements)	
Current portion of long-term obligations	\$ 22,925,596
Long-term debt subject to short-term remarketing and repayment arrangements	41,985,000
Bonds payable	221,015,919
Notes payable	18,916,729
Capital Lease obligation	16,348,680
	<u>\$ 321,191,924</u>
Long-term Debt (per above) in thousands	\$ 321,192

5. Your response to question 11 in the October 15 letter requesting a *detailed explanation of the assumptions made in preparing the financial projections for Options 2 and 3* raises the following questions:

- a. Why – under option 2, the TP campus option – are the outpatient volumes identified as WO? This is probably a mistake?

**Applicant Response:**

Under Option 2, which is the TP option, the line labeled “Outpatient Volume – WO” should have been labeled “Outpatient Volume – TP”.

- b. Why are there no fixed expenses for Takoma Park under option 2?

**Applicant Response:**

Under Option 2, the section labeled “Fixed Expenses – Hospital” describes the fixed expenses in Takoma Park. Again, this is an error in labeling.

- c. Under options 3 and 4 why is there no TP walk-in clinic volumes?

**Applicant Response:**

TP walk-in/urgent care clinic volumes were inadvertently omitted from the assumptions. We have assumed the following walk-in clinic visits:

2019	2020	2021	2022	2023
8,000	7,600	7,220	6,859	6,516

- d. **Under option 4 – the proposed project – are beds and volume shown for Behavioral Health when under this option the inpatient Psychiatric service will be separated from WAH and remain in TP?**

**Applicant Response:**

The beds and volumes shown for Behavioral Health in Option 4 are the inpatient Psychiatric service which will be separated from Washington Adventist Hospital and remain in Takoma Park. Our assumptions about ALOS, patient days and occupancy are also shown in the Option 4 pro forma for years 2019 through 2023.

6. **With regard to WAH’s decision to allow a third party developer to build the central utility plant (CUP) that will service the campus:**
- a. **Please estimate the capital cost avoidance this choice will enable.**

**Applicant Response:**

The estimated capital cost avoidance is in the range of \$12 million to \$16 million.

- b. **Is there an estimate of the impact upon annual operating costs attached to the two options, i.e., build your own vs. third party approach?**

**Applicant Response:**

We currently do not have a specific estimate of the impact upon annual operating costs attached to the two options (build your own vs. third party approach) as detailed architectural and engineering work for the project has not yet begun. However, we do know from the experience of others, and the work of engineering consultants, that the third party approach to developing the central utility plant results in lower energy operating costs while improving the quality of utilities provided. One reason the third party model offers a discount on standard operating and maintenance costs is due to the third party owner’s ability to achieve significant discount on parts, training, compliance management, and ability to access and leverage new best practices and technology to improve performance. These lower operating costs are then factored into the Power Purchase Agreement rate the hospital will pay.

AFFIRMATION

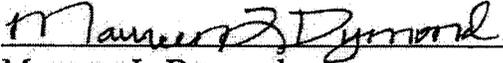
I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

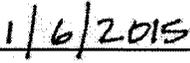
  
\_\_\_\_\_  
Linda Beth Berman  
Grant Manager  
Adventist Healthcare

  
\_\_\_\_\_  
Date

AFFIRMATION

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.

  
\_\_\_\_\_  
Maureen L. Dymond  
Vice President, Financial Operations  
Adventist Healthcare

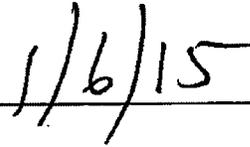
  
\_\_\_\_\_  
Date

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Robert E. Jepson  
Vice President, Business Development  
Adventist Healthcare



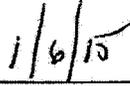
Date

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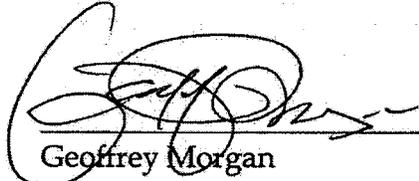
Pippa Laundy  
Deloitte Financial Advisory Services LLP



Date

AFFIRMATION

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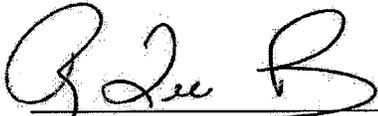


Geoffrey Morgan  
Vice President, Expanded Access  
Washington Adventist Hospital

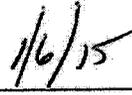
1/6/15  
Date

AFFIRMATION

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.



R. Lee Piekarz  
Deloitte Financial Advisory Services, LLP



Date

AFFIRMATION

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.



\_\_\_\_\_  
Kristen Pulio  
Vice President, Revenue Management  
Adventist Healthcare

1/6/15

\_\_\_\_\_  
Date