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MARYLAND HEALTH CARE COMMISSION

4160 PATTERSON AVENUE – BALTIMORE, MARYLAND 21215
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December 12, 2013

VIA Email & U.S. MAIL

Richard G. McAlee, Hospital Counsel
MedStar Southern Maryland Hospital Center, Inc.
2000 North 15th Street, Suite 302
Arlington, VA 22201

Re: MedStar Southern Maryland Hospital Center
New Construction and Renovations
Matter No. 13-16-2350

Dear Mr. McAlee:

Maryland Health Care Commission (MHCC) staff has reviewed the information submitted by MedStar Southern Maryland Hospital Center (MSMHC) on November 21, 2013 in response to the additional information questions posed in a letter on October 23, 2013. Further clarification is required prior to docketing.

1. Regarding the response to Question #1 and Exhibit 1, please respond to the following:
 - a. The applicant reports an increase in the number of total rooms and patient beds for the medical/surgical nursing unit located on Tower I, 1st floor East compared to the inventory reported in your 2007 CON application.

	2007 Bed Capacity				Current Bed Capacity			
	Total Rooms	Four Bed Rooms	Semi Private Rooms	Physical Capacity	Total Rooms	Four Bed Rooms	Semi Private Rooms	Physical Capacity
Tower I, 1 st Floor East	10	2	8	24	16	2	14	36

- Please explain why and when MSMHC made this increase of 12 medical/surgical beds. What space was used for this expansion of the nursing unit by six semi-private rooms?
- b. Exhibit 1 contains inaccuracies and inconsistencies in the room and bed counts. The math doesn't work. Please correct and resubmit it. (E.g., are there 17 or 15 Total Rooms on Tower 1, 2nd floor East? Are there 4 or 2 Total Rooms for the Pediatric nursing unit? Will MSMHC have a total of 183 or 179 Total Rooms after project completion?) It is vital that we capture current status and future state. Please be sure that all tables reporting bed inventories and proposed future beds are accurate.
 - c. Please include the 24 subacute beds in Exhibit 1 by adding rows for total acute beds and subacute beds above the row for total inpatient beds.
2. Following up on your response to Question #4:
- a. Please explain why the proposed square footage for the critical care beds (44.1%) and observation beds (17.0%) will exceed the benchmark indicated in Exhibit 2 for these two respective services.
 - b. Please provide the executive summary of the facilities Master Plan. If that is considered confidential, summarize its key findings and recommendations.
3. Exhibit 3 submitted in response to question 4d states that the West Addition will be six stories in total, including the Ground Level which will actually be below grade...., and Levels 2, 3, 4, 5 and Roof over Level 5." On p. 1, the memo states that the "West Addition is a 6-story addition that will have ...several shell floors." Exhibit 4 in your response to completeness questions indicates there will be a Ground Level and four floors, with one level of shell space on Level 4. Please explain this apparent discrepancy. Clarify whether the proposed project will have six- or five-stories, and the number of levels with shell space. If the proposed project is for six-stories including the multiple levels for shell space, please submit a revised chart 1 that reflects this and a budget that accounts for all costs. In addition, submit a revised response to all standards impacted by this change especially #7, construction cost of hospital space and standard 16, shell space that accounts for all of the space.
- 4.. Regarding the response to Question #7, Commission staff is unable to calculate the budgeted amounts based on the responses to subparts b, c, and d. Therefore, please respond to the following:
- a. Regarding the estimated contingency, subpart b, submit the calculation of the contingency and specify the amounts of new construction, renovation and site improvements included in the calculation. If the amount of any of these three items does not equal the amount in the project budget, explain why not.
 - b. Regarding the estimation of the interest costs, subpart c, submit the calculation of the interest cost for each of the four years of the construction period.
 - c.. Regarding future inflation, subpart d, submit the calculations clearly identifying the project budget line items estimated at 10% and the budget line items estimated at 8%. Specify the time frame covered by the future inflation calculation.

5. Regarding the response to Question #11, please provide the headings for the table on Quality Measure Action Plans on p. 13. What is the period of time for the quality measures on this table?
6. The response to Question #12 and accompanying Exhibit 12 provide a thorough view of the process, findings, and recommendations for the Emergency Department. Please provide the executive summaries of this report for the other departments involved in this project.
7. With respect to Exhibit 13, please explain how Options A, B, and C in this exhibit relate to the various Options identified in your Facility Master Plan Options identified in the CON application, p. 26 through 28.
8. Regarding the response to Question #13 and Exhibit 14, please provide the following clarifications:
 - a. Identify the market area selected for the local multiplier and explain why the particular area was selected.
 - b. Regarding the response to subpart b, explain how the interest column amounts were calculated.
 - c. Regarding the response to subpart d, are these escalation amounts included in the project budget on any line other than future inflation such as new construction-building or renovation-building? If yes, explain why the estimated future inflation in the project budget does not duplicate these amounts.
 - d. Regarding the response to subpart e, specify the quantities and unit rates used to calculate the adjustment for pilings
 - e. Regarding the response to subpart f, specify the quantities and unit rates used to calculate the adjustment for major earthworks. Does the \$440,818 on adjustment line e include the cost of demolition, site clearing, and rough grading? If the yes, differentiate such costs from the costs included in site earthworks (demolition, rough grading, etc.) or revise the adjustments.
 - f. Regarding the response to subpart I, explain the design/estimating contingency. Where are these amounts included in the project budget?
9. Regarding the response to Question #15, please identify which of the listed operational efficiency actions cited (a through h) apply to each of the services (i.e., Emergency Department, Surgery Department, Critical Care Unit, Cardiovascular Services, Observation Unit, and the Main Entrance Plaza).
10. Regarding the response to Question #17:
 - a. Reconcile the admissions and patient days reported for FY2013 through FY 2018 on p. 28 of your response to completeness questions with the projections reported in Table 1, p. 56 of your CON application.
 - b. The response to this question shows changes in admissions and patient days over time, both historical and projected, but does not address use rate trends. Please demonstrate what population-based use rates (admissions per 1,000 population) were assumed in the projections and how those compare to the use rates in the past five years.

11. Regarding the response to Question #18, please respond to the following:
 - a. Were the numbers on page 29, especially the number of uninsured used in the projection of ED volume presented on page 35 of the application? If yes, how? If not, why not?
 - b. For subpart b, please provide the quantifiable impact of MSMHC's initiatives to divert nonemergency cases from the emergency department to more appropriate primary care or urgent care settings.

12. Regarding the response the shell space standard in the application and to Question #20, please respond to the following:
 - a. What is the most likely use of the Level 04 shell space?
 - b. What is the most likely schedule for finishing the space and explain why.
 - c. Demonstrate that the hospital is likely to need the space for the most likely identified use in the projected time frame.
 - d. Regarding the response to subpart d, please provide a more detailed explanation of how each line item in the table was calculated. Submit calculations.

13. Regarding Exhibit 15, please provide the following clarifying information:
 - a. Explain why the total construction cost outflow is limited to the building cost as opposed to the total cost identified in the table on page 32.
 - b. Explain how the net present value numbers were calculated specifying the discount rate assumptions.
 - c. What is the rate at average 5 years and what is the reference to Tab 2?
 - d. Provide a detailed explanation of the construction remobilization costs and how it was calculated
 - e. For each of the operational costs explain why they are included in this analysis (why such additional costs will be incurred in the future build alternative) and explain how each one was calculated (submit calculations).

14. Following up on your responses to questions 24 and 25:
 - a. Estimate the number and percent of patients from MSMHC's PSA and SSA who previously would have outmigrated and received care at either MedStar Washington Hospital Center or MedStar Georgetown University Hospital and will in the future remain with MSMHC.
 - b. Have the initiatives described in Exhibit 18 (MedStar Health Population Health Management Initiatives) resulted in any measurable impact on retaining patients for inpatient acute care services at MSMHC.
 - c. Please define what use rates (discharges/100 population) are assumed for MSMHC service area in the projections made in this application, and compare them to historical use rate trends.
 - d. Table 1 in the application shows an increase of 1,390 admissions between 2012 and 2018 in a market that you project to lose 2,890 discharges over the same timeframe (p. 35 of your completeness response). This requires significant market shift, which you attribute mostly to an internal shifting of point of service between MedStar hospitals. Your

- response to question #26 alludes to “bringing new hospital services and physicians to MSMHC. Please be specific with regard to these initiatives which will consciously work to shift that market.
- e. To supplement the information presented in the response to Question #27, please identify the number of days per month in CY 2012 and CY 2013 to date that the ADC reached the capacity of 18.
15. To clarify the response to Question #28, please provide the average daily census of Observation patients for each month covered by the chart provided. (CY 2011 to CY 2013).
16. Referencing the NEED criteria as it applies to the surgery component of this project, please demonstrate the need for the 10 existing and proposed operating rooms by providing the following data and analysis:
- a. Historic trends in the use of the Hospital’s surgical facilities for inpatients and outpatients (both cases and operating room time)
 - b. Compare the historical utilization to optimal capacity using the assumptions for operating room capacity located in COMAR 10.24.11.06.
 - c. Provide a needs assessment demonstrating that each of the 10 operating rooms is likely to be utilized at optimal capacity or higher levels within three years of project completion of the operating room component of this project. The applicant should use the assumptions for operating room capacity located in COMAR 10.24.11.06 in calculating optimal capacity for each of the ten operating rooms.
17. Regarding the response to Question #35 and Exhibit 22, please revise Table 3 or:
- a. Explain the decrease in the percentage of patient days paid for by Medicaid from 2018 through 2019
 - b. Explain the discrepancy between the percentage of Medicaid days in FY 2019 and 2020 (4.3%) and the percentage of revenue coming from Medicaid in those years (17%).
18. Regarding the response to Question #36, please respond to the following:
- a. Please respond to the request under subpart a for “the assumptions regarding hospital rates and charges and to submit detail on the calculation of revenue projections, both inpatient and outpatient.”
 - b. Subpart e requested a Table 5 that ties to line 2a of Table 3 and shows the change in staffing as a result of this project. It will be necessary to add columns for current costs and for changes in staffing and associated costs that are not directly related to the proposed project. Staff regrets that the format of the application Table 5 does not accomplish this.
 - c. . Under subpart f and g, please explain how the change in ownership and the conversion from calendar year to fiscal year resulted in increases in the cost of contractual services and interest on current debt.

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19. Please elaborate more on your response to Question #41 (derived from **10.24.01.08G(3)(f)**. **Impact on Existing Providers**, by quantifying the decline other facilities will experience as patients are retained locally.

Please submit a response to these question 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,

A handwritten signature in black ink, appearing to read "Bill Chan".

Bill Chan, Health Policy Analyst

cc: Patricia G. Cameron, MedStar Health
Pamela Creekmur, Prince George's County Health Officer
(internal distribution)