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September 28, 2015

VIA EMAIL & HAND DELIVERY

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

Re: Baltimore Washington Medical Center, Inc.
t/a University of Maryland Baltimore Washington Medical Center
Cardiac Surgery, Research, and Training Program
Docket No. 15-02-2361

Dear Ms. Potter:

On behalf of applicant Baltimore Washington Medical Center, Inc. *t/a* University of Maryland Baltimore Washington Medical Center, we are submitting six copies of its Response to Modification Comments by AAMC—Cost Effectiveness in the above-referenced matter. A Word version and the native Excel files will be provided in a separate email.

I hereby certify that a copy of this submission has been forwarded to the appropriate local health planning agencies as noted below. Thank you for your assistance.

Sincerely,



Thomas C. Dame

TCD:blr

Enclosures

cc: Kevin McDonald, Chief, Certificate of Need
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Suellen Wideman, Esq., Assistant Attorney General, MHCC
Jinlene Chan, M.D., Health Officer, Anne Arundel County (w/ enclosures)
Leana S. Wen, M.D., Health Commissioner, Baltimore City (w/ enclosures)
Leland D. Spencer, M.D, Health Officer, Caroline County (w/ enclosures)
Thomas J. McCarty, Acting Health Officer, Talbot County (w/ enclosures)
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IN THE MATTER OF UNIVERSITY OF *
 *
 MARYLAND BALTIMORE WASHINGTON * BEFORE THE MARYLAND
 *
 MEDICAL CENTER * HEALTH CARE COMMISSION
 *
 Docket No. 15-02-2361 *
 *

UM BWMC’S RESPONSE TO
COMMENTS SUBMITTED BY ANNE ARUNDEL MEDICAL CENTER CONCERNING
UM BWMC’S MODIFICATION TO CON APPLICATION

University of Maryland Baltimore Washington Medical Center (“UM BWMC”), by its undersigned counsel and pursuant to COMAR § 10.24.01.08F, submits this response to the comments filed by Anne Arundel Medical Center (“AAMC”) addressing UM BWMC’s Modification to its Certificate of Need application.

I. UM BWMC’S PROPOSED PROJECT IS FINANCIALLY FEASIBLE

AAMC asserts that UM BWMC does not satisfy the financial feasibility standard because as a stand-alone location of the UM Division of Cardiac Surgery, the additional cardiac surgery volume at UM BWMC would not generate excess revenue over total expenses within three years. AAMC Comments on Modification at 3. However, AAMC fails to note that UM BWMC’s proposed program would be financially feasible as a stand-alone program if UM BWMC used AAMC’s assumption that it will receive 85% variable revenue for cardiac surgery volume shifted from other providers.¹ See UM BWMC Responses to Interested Party Comments at 20-21 (Table 41).

¹ As noted in prior submissions, UM BWMC does not believe it is reasonable to assume that the Health Services Cost Review Commission (“HSCRC”) will approve payment for market shifts at 85% variable revenue for cardiac surgery. Indeed, the HSCRC general policy is to

Notwithstanding AAMC's objections, it is appropriate for UM BWMC to demonstrate financial feasibility of the proposed program by demonstrating the financial feasibility of the combined UM Division of Cardiac Surgery because the proposed program is a new location within an existing integrated cardiac surgery program. All locations are part of the University of Maryland Medical System ("UMMS"), and each is staffed and operated by the UM Division of Cardiac Surgery. Showing program-wide financial feasibility throughout UMMS is consistent with the global budget revenue system for hospital rate-setting. UMMS, like other Maryland hospital systems, has a single global budget revenue agreement for all of its affiliated hospitals, and the agreement permits UMMS, like other systems, to redistribute revenue among its affiliated hospitals.² To require UM BWMC to show financial feasibility for a single location of the UM Division of Cardiac Surgery program would impose an impractical limitation that does not recognize the effect affiliated hospitals have on the costs and savings of programs system-wide, and would be inconsistent with the global budget revenue model.

AAMC complains that UM BWMC did not project financial feasibility for the entire UMMS cardiac surgery program because cardiac surgery volume at University of Maryland St. Joseph Medical Center ("UM SJMC") was not included in the projections, and UM BWMC did not show the projections using the Commission's form financial tables. To address these complaints, UM BWMC presents the financial tables attached as Exhibit 56 to show that the addition of UM SJMC does not materially alter the financial feasibility of the combined cardiac surgery program. On an uninflated basis, the projections for the combined cardiac surgery

adjust hospital revenue for market shifts at a 50% variable revenue factor. *See* UM BWMC Comments on AAMC's Application at 27 (Exhibit 5).

² <http://www.hsrc.state.md.us/gbr-tpr.cfm>

program at University of Maryland Medical Center (“UMMC”), UM SJMC, and UM BWMC show a contribution margin of \$43M in the third year of operation after the addition of UM BWMC.³ *See* Exhibit 56, Table J (UMMS System-wide).

Finally, AAMC contends that UM BWMC’s program-wide financial projections are implausible and may reflect overcharging. AAMC Comments on Modification at 4-5. Neither contention is true. The Net Income line on the tables in Exhibit 56, using the Commission’s form Tables J and K, reflects the contribution margin, which represents the revenue generated less the direct expenses required to generate the revenue. The contribution margin generated by an entity represents the total earnings available to pay for indirect and overhead expenses and to generate a return on investment. In other words, this calculation does not account for indirect and overhead expenses, which would reduce the “profitability” of the program. The financial tables prepared by AAMC to show the projected financial performance of its proposed new service (Tables J and K) also exclude indirect expenses. Thus, despite AAMC’s rhetoric, UM BWMC’s financial projections of the UMMS system-wide cardiac surgery program are consistent with the Commission’s form tables and instructions, and the projections do not show implausible or overcharging results.

³ Although the cardiac surgery program at Prince George’s Hospital Center (“PGHC”) is operated by the UM Division of Cardiac Surgery under a contractual arrangement, PGHC is not part of UMMS. PGHC is not a party to UMMS’ Global Budget Revenue (“GBR”) agreement with the HSCRC, and hospital revenue from PGHC cannot be redistributed under the UMMS GBR agreement. Therefore, Exhibit 56 does not include the financial performance of the cardiac surgery program at PGHC.

II. UM BWMC'S PROPOSED PROJECT IF MORE COST EFFECTIVE THAN AAMC'S PROPOSED PROJECT

A. Impact on the Maryland All-Payer Model Agreement.

AAMC and UM BWMC each have discussed and analyzed the impact of the proposed programs on the tests set forth in the Maryland All-Payer Model Agreement between the State and the Centers for Medicare and Medicaid Services (the "All-Payer Agreement"). One test requires the State to limit the cumulative per capita all-payer total Maryland hospital revenue to a specified per capital growth ceiling (the "All-Payer Waiver Test"). Another test requires the State to produce aggregate savings in Medicare spending per Maryland beneficiary (the "Medicare Savings Waiver Test"). UM BWMC's Modification addresses the cost effectiveness standard in the context of these Medicare waiver tests. UM BWMC's Modification demonstrates that its proposed program would have favorable impact on both the All-Payer Waiver Test as well as the Medicare Savings Waiver Test. *See* UM BWMC Modification (Exhibits 49 and 50).

In disputing the relative cost effectiveness of UM BWMC's proposed program, AAMC largely ignores the undisputed adverse effect its own proposed program would have on the All-Payer Waiver Test. Also, in commending its supposedly superior savings under the Medicare Savings Waiver Test, AAMC overstates the savings by including purported savings to all payers outside the State, not just Medicare savings.

AAMC's Exhibit 11, by which AAMC shows the "Aggregate Reduction in Charges to the System," supposedly refutes UM BWMC's savings calculation. While the "GBR Target Budget Adjustment" and "Reduction of Maryland Hospital Target Budgets" sections of AAMC's Exhibit 11 are relevant measurements, the portion labeled "Reduction of Washington, DC Hospitals" is irrelevant because, with respect to payments made to hospitals outside of Maryland,

the Medicare Savings Waiver Test addresses and measures only Medicare payments. Thus, AAMC overstates its favorable impact by including alleged savings for all payers in the District of Columbia, rather than only Medicare savings. UM BWMC prepared a revised version of AAMC's Exhibit 11, Table 44 below, to accurately show the relevant cost impacts. A full-page version of Table 44 is attached as Exhibit 57.

Table 44
AAMC vs BWMC System Savings Comparison
Aggregate Reduction in Charges to the System
(Revision of AAMC EXHIBIT 11)

	AAMC Aug 25th Response		A	B	C
	BWMC	AAMC - CON	AAMC @ BWMC Cases with AAMC Distribution between DC & MD	AAMC - CON @ 50% VCF	AAMC @ 50% VCF & BWMC Cases with AAMC Distrib'n between DC & MD
GBR Target Budget Adjustment					
Hospital CPC @ CMI 1.0	\$ 11,911	\$ 10,962	\$ 10,962	\$ 10,962	\$ 10,962
Estimated Cardiac Surgery CMI	3.40	3.42	3.42	3.42	3.42
Imputed Charge per OHS Case	\$ 40,490	\$ 37,501	\$ 37,501	\$ 37,501	\$ 37,501
Total OHS Cases	228	337	228	337	228
Subtotal: Incremental Charges	\$ 9,231,720	\$ 12,637,837	\$ 8,550,228	\$ 12,637,837	\$ 8,550,228
Less: Existing Transfer Revenue	-	(1,489,856)	(1,007,974)	(1,489,856)	(1,007,974)
Total Incremental Charges	\$ 9,231,720	\$ 11,147,981	\$ 7,542,254	\$ 11,147,981	\$ 7,542,254
VCF	50%	85%	85%	50%	50%
GBR Adjustments	\$ 4,615,860	\$ 9,475,784	\$ 6,410,916	\$ 5,573,991	\$ 3,771,127
Reduction of Maryland Hospital Target Budgets					
Hospital CPC @ CMI 1.00	\$ 19,412	\$ 19,386	\$ 19,386	\$ 19,386	\$ 19,386
Estimated Cardiac Surgery CMI	3.40	3.42	3.42	3.42	3.42
Imputed Charge per OHS Case	\$ 65,990	\$ 66,318	\$ 66,318	\$ 66,318	\$ 66,318
OHS Cases Shifting from MD Hospitals	(198)	(110)	(74)	(110)	(74)
Incremental Charge Reduction	\$ (13,066,028)	\$ (7,294,946)	\$ (4,935,453)	\$ (7,294,946)	\$ (4,935,453)
VCF	50%	50%	50%	50%	50%
GBR Adjustments	\$ (6,533,014)	\$ (3,647,473)	\$ (2,467,727)	\$ (3,647,473)	\$ (2,467,727)
Net Reduction in Charges at MD Hosp. (1)	\$ (1,917,154)	\$ 5,828,311	\$ 3,943,190	\$ 1,926,518	\$ 1,303,401

The first two columns of Table 44 (labeled “AAMC August 25th Response”) match AAMC’s Exhibit 11. However, Table 44 omits the bottom portion of AAMC’s Exhibit 11 (“Reduction of Washington, DC Hospitals”) as it is irrelevant and misleading. With respect to the All-Payer Waiver Test, AAMC’s own analysis demonstrates that UM BWMC’s proposed program would result in a favorable impact (reduction) on Maryland hospital charges of \$1.9 million, while AAMC’s proposed program would result in an unfavorable impact (increase) on Maryland hospital charges of \$5.8 million.

While AAMC’s analysis shows that UM BWMC’s proposed program would be more cost effective, several of AAMC’s assumptions for its own program, such as its assumed projected volume and the assumed compensation based on an 85% revenue variability factor, are not reasonable.⁴ Thus, as explained below, Table 44 includes several alternate scenarios to recalculate projected savings with more realistic assumptions.

Scenario A replaces AAMC’s projected 337 cases with UM BWMC’s projected 228 cases to provide for a level comparison.⁵ In doing so, UM BWMC assumed that the breakdown between cases expected to come to AAMC from Maryland versus D.C. hospitals would remain consistent with the relationship projected by AAMC; UM BWMC used its own projection for the breakdown of cases at UM BWMC. The result still yielded an unfavorable result for AAMC’s program of \$3.9 million under the All-Payer Waiver Test, which compares to the projected UM BWMC savings of \$1.9 million. This scenario is unrealistic because of the 85% revenue

⁴ In its Comments on the AAMC CON Application, UM BWMC addressed AAMC’s unrealistic volume projections at pages 6 – 18, and addressed AAMC’s unsupported assumption about revenue for market shifts at pages 27 – 28.

⁵ As discussed in UM BWMC’s Comments on AAMC’s application, AAMC has not supported its ability to achieve even 200 cases.

variability assumption used by AAMC, which, as noted, does not align with the current HSCRC methodology for market share related volume growth (50%).

Scenario **B** assumes the same projected volume as presented by AAMC (337 cases), but adjusts the 85% revenue variability factor down to 50%. The result yields an unfavorable result for AAMC's program of \$1.9 million under the All-Payer Waiver Test, which compares to the projected UM BWMC savings of \$1.9 million. This scenario has already been proven to drive results for the projected AAMC program that are not financially feasible. *See* UM BWMC Comments on AAMC CON Application at 28 (Table 10). Therefore, at 337 cases and a 50% revenue variability factor, AAMC's program is not feasible *and* produces a net increase in charges at Maryland hospitals.

Scenario **C** assumes both the UM BWMC projected cases of 228 and a 50% revenue variability factor for both proposed projects, which truly aligns the projected financial performance of the two proposed programs. As a result, AAMC's proposed program still yields unfavorable results in Maryland of \$1.3 million under the All-Payer Waiver Test, which compares to the projected UM BWMC savings of \$1.9 million.

These scenarios demonstrate that AAMC's fundamental assumptions do not drive savings for the All-Payer Waiver Test. For UM BWMC's full analysis of the proposed programs' projected impacts on the Medicare savings test, see Exhibit 49, which was presented in UM BWMC's CON Modification. While AAMC's proposed program may result in more savings for the Medicare Savings Waiver Test because AAMC projects to draw most of its cases from higher cost District of Columbia hospitals, UM BWMC's projections still yield favorable results on both waiver tests. In short, UM BWMC's proposed program drives results that are fully aligned with the All-Payer Agreement, while AAMC's produces unfavorable results on the

All-Payer Waiver Test that cannot be offset by favorable performance on the Medicare Savings Waiver Test.

B. Rate Center Methodology for Determining Actual Charges to Payers

As explained in UM BWMC's Modification, hospitals generate bills to payers, and the HSCRC approves unit rates, using the rate center methodology, not the charge per case methodology. Thus, to assess the savings to any particular payer, the rate center charges should be calculated. AAMC seems to concede this point. AAMC Comments on Modification at 7 ("In general, the rate center methodology derives hospital service line's charge per case . . ."). AAMC quarrels with UM BWMC's calculation of AAMC's likely charges under the rate center approach, and claims that its charges likely will be \$45,254, rather than \$50,749. *Id.* at 8. However, even using AAMC's estimated charge of \$45,254, and after deducting for a Medicare discount, AAMC will not produce significant savings over the Medicare charges for cardiac surgery performed in hospitals in the District of Columbia. AAMC states that the average Medicare payment for cardiac surgery cases performed in the District of Columbia is \$44,080. AAMC Application at 169. Therefore, the projected substantial savings to Medicare that supposedly will occur when AAMC attempts to pull hundreds of cases out of the District of Columbia will not materialize to the extent AAMC claims.

C. Inclusion of Observation Cases to Compare Charge per Case

To accurately analyze the relative efficiency and price competitiveness of the two applicants, it is important to assess the charge per case for inpatient volume as well as observation case volume. As explained below, when inpatient and observation cases are combined, UM BWMC is more price competitive than AAMC.

As presented in Exhibit 58, attached, UM BWMC has significantly more observation cases than AAMC. While AAMC had more inpatient cases than UM BWMC in FY 2014 (31,687 versus 18,626), it only had 3,522 observation cases compared to 6,602 cases at UM BWMC. When considering inpatient and observation patients together, the Observation cases at UM BWMC represent 26.2% of the total inpatient and observation cases, while AAMC's observation cases only represent 10.0% of its combined inpatient and observation cases.

The greater number of observation cases at UM BWMC reflects a shift of lower acuity inpatient cases to observation status, which is consistent with the experience at many hospitals throughout the State. This shift does not appear to have occurred at AAMC where lower acuity patients are still treated in an inpatient setting. This difference is further reflected in the inpatient case mix at UM BWMC and AAMC. With a shift of lower acuity patients to observation status, the case mix of the remaining inpatient cases at UM BWMC is 1.108 while it was 0.938 at AAMC in FY2014.

These differences are further accentuated when comparing cardiac related services at UM BWMC and AAMC. Observation cases represent a majority 58.9% of UM BWMC's combined inpatient and observation cardiac related cases, but only 37.8% of AAMC's inpatient and observation cardiac related cases.

With such a large difference in the mix of inpatient and observation cases, the two categories should be combined when comparing the two hospitals. Because of the lack of case mix information related to observation cases, UM BWMC assumed that the case mix of observation cases will be consistent with that of the relevant inpatient cases for comparison purposes.

As presented in Exhibit 58 and summarized in Table 45 below, UM BWMC has a 6.0% higher case mix adjusted charge per case than AAMC for all inpatient services. Combined with observations cases, though, it has a 6.3% lower case mix adjusted charge per case than AAMC. For cardiac related services, UM BWMC actually has a 0.5% lower case mix adjusted charge per case than AAMC for inpatient services only, and a 20.7% lower case mix adjusted charge per case than AAMC for inpatient and observation cases combined.

Table 45
BWMC & AAMC
Comparison of Inpatient and Observation Charge per Case, Case Mix Adjusted

	Cases		Charge per Case, CMI Adj		BWMC %
	AAMC	BWMC	AAMC	BWMC	Over (Under) AAMC
All Services					
Inpatient Cases	31,687	18,626	\$ 10,294	\$ 10,917	6.0%
Observation Cases	3,522	6,602	\$ 3,657	\$ 3,680	0.6%
Total	35,209	25,228	\$ 9,630	\$ 9,023	-6.3%
Observation % of Total	10.0%	26.2%			
Cardiac Related Services (1)					
Inpatient Cases	2,462	2,422	\$ 7,324	\$ 7,290	-0.5%
Observation Cases	1,495	3,466	\$ 2,579	\$ 2,360	-8.5%
Total	3,957	5,888	\$ 5,531	\$ 4,388	-20.7%
Observation % of Total	37.8%	58.9%			

Note (1): Cardiac related services include: Vascular Surgery, Myocardial Infarction, Cardiology, EP/Chronic Rhythm Mgmt., Cardiothoracic Surgery, Invasive Cardiology

Because observation cases represent such a significant portion of UM BWMC's business, it is necessary to include these cases in any comparison of charge per case between hospitals. When inpatient and observation cases are combined, UM BWMC is the more price competitive (efficient) hospital.

In sum, UM BWMC's CON Application, as modified, provides a more cost effective program than the AAMC proposal. The Commission should grant UM BWMC's Application and deny the AAMC Application.

Respectfully submitted,



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*Attorneys for University of Maryland Baltimore
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September 28, 2015

CERTIFICATE OF SERVICE

I hereby certify that on the 28th day of September 2015, a copy of University of Maryland Baltimore Washington Medical Center's Response to Modification Comments by AAMC—Cost Effectiveness was sent via email and first-class mail to:

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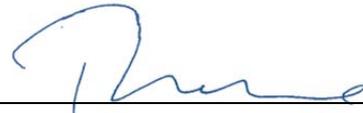
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Thomas C. Dame

I hereby declare and affirm under the penalties of perjury that the facts stated in
UM BWMC's Response to Comments Submitted by Anne Arundel Medical Center
Concerning UM BWMC's Modification to CON Application and its attachments are true
and correct to the best of my knowledge, information, and belief.

September 28, 2015

Date



Keith D. Persinger
Executive Vice President & COO
UMMC

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Concerning UM BWMC's Modification to CON Application and its attachments are true
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September 28, 2015

Date

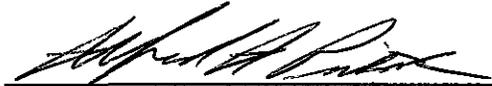


Craig Fleischmann
Vice President, Finance
University of Maryland Medical Center

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Concerning UM BWMC's Modification to CON Application and its attachments are true
and correct to the best of my knowledge, information, and belief.

September 28, 2015

Date



Alfred Pietsch
Senior Vice President and CFO
UM BWMC

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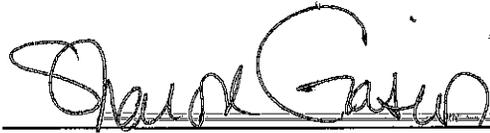


Daniel Donaldson
Director of Finance Decision Support
UM BWMC

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Concerning UM BWMC's Modification to CON Application and its attachments are true
and correct to the best of my knowledge, information, and belief.

September 28, 2015

Date



Sharon Gasior
Director of Budget and Decision Support
UM St. Joseph Medical Center

EXHIBIT 56

UMMS SYSTEM WIDE

TABLE K. REVENUES & EXPENSES, INFLATED - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table K should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table I. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Projected Years (ending five years after completion) Add columns of needed.						
Indicate CY or FY							
1. REVENUE							
a. Inpatient Services	\$ 148,914,263	\$ 150,306,099	\$ 151,267,696	\$ 152,366,488	\$ 153,879,916	\$ 155,605,218	
b. Outpatient Services							
Gross Patient Service Revenues	\$ 148,914,263	\$ 150,306,099	\$ 151,267,696	\$ 152,366,488	\$ 153,879,916	\$ 155,605,218	\$ -
c. Allowance For Bad Debt	\$ 1,679,840	\$ 1,795,126	\$ 1,833,879	\$ 1,872,783	\$ 1,908,952	\$ 1,941,613	
d. Contractual Allowance	\$ 1,121,420	\$ 1,211,003	\$ 1,239,252	\$ 1,267,260	\$ 1,292,812	\$ 1,315,111	
e. Charity Care	\$ 6,306,071	\$ 6,342,018	\$ 6,412,704	\$ 6,494,745	\$ 6,586,263	\$ 6,693,303	
Net Patient Services Revenue	\$ 139,806,932	\$ 140,957,951	\$ 141,781,861	\$ 142,731,700	\$ 144,091,889	\$ 145,655,190	\$ -
f. Other Operating Revenues (Specify/add rows of needed)							
NET OPERATING REVENUE	\$ 139,806,932	\$ 140,957,951	\$ 141,781,861	\$ 142,731,700	\$ 144,091,889	\$ 145,655,190	\$ -
2. EXPENSES							
a. Salaries & Wages (including benefits)	\$ 41,434,106	\$ 42,005,776	\$ 42,233,999	\$ 42,540,452	\$ 42,728,259	\$ 42,954,926	
b. Contractual Services	\$ 12,126,276	\$ 12,260,428	\$ 12,307,008	\$ 12,377,275	\$ 12,412,026	\$ 12,459,592	
c. Interest on Current Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
e. Current Depreciation	\$ 3,634,969	\$ 3,593,411	\$ 3,576,787	\$ 3,568,476	\$ 3,551,852	\$ 3,543,541	
f. Project Depreciation	\$ 107,890	\$ 215,779	\$ 215,779	\$ 215,779	\$ 215,779	\$ 107,890	
g. Current Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
h. Project Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
i. Supplies	\$ 36,794,281	\$ 38,006,641	\$ 38,419,445	\$ 38,893,055	\$ 39,229,610	\$ 39,559,403	
j. Other Expenses (Specify/add rows of needed)	\$ 213,360	\$ 533,705	\$ 612,505	\$ 688,436	\$ 745,716	\$ 783,785	
TOTAL OPERATING EXPENSES	\$ 94,310,882	\$ 96,615,739	\$ 97,365,523	\$ 98,283,472	\$ 98,883,241	\$ 99,409,135	\$ -

UMMC ONLY

TABLE K. REVENUES & EXPENSES, INFLATED - NEW FACILITY OR SERVICE

INSTRUCTION : After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table K should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table I. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Projected Years (ending five years after completion) Add columns of needed.						
Indicate CY or FY							
1. REVENUE							
a. Inpatient Services	\$ 123,864,894	\$ 122,327,907	\$ 122,236,503	\$ 122,277,457	\$ 122,900,517	\$ 123,839,989	
b. Outpatient Services							
Gross Patient Service Revenues	\$ 123,864,894	\$ 122,327,907	\$ 122,236,503	\$ 122,277,457	\$ 122,900,517	\$ 123,839,989	\$ -
c. Allowance For Bad Debt	\$ 887,612	\$ 876,598	\$ 875,943	\$ 876,237	\$ 880,701	\$ 887,434	
d. Contractual Allowance	\$ 587,872	\$ 580,577	\$ 580,143	\$ 580,338	\$ 583,295	\$ 587,754	
e. Charity Care	\$ 3,479,112	\$ 3,435,941	\$ 3,433,374	\$ 3,434,524	\$ 3,452,024	\$ 3,478,412	
Net Patient Services Revenue	\$ 118,910,298	\$ 117,434,790	\$ 117,347,043	\$ 117,386,359	\$ 117,984,496	\$ 118,886,390	\$ -
f. Other Operating Revenues (Specify/add rows of needed)							
NET OPERATING REVENUE	\$ 118,910,298	\$ 117,434,790	\$ 117,347,043	\$ 117,386,359	\$ 117,984,496	\$ 118,886,390	\$ -
2. EXPENSES							
a. Salaries & Wages (including benefits)	\$ 34,593,300	\$ 34,196,587	\$ 34,037,903	\$ 33,958,560	\$ 33,799,875	\$ 33,720,533	
b. Contractual Services	\$ 10,609,229	\$ 10,487,563	\$ 10,438,897	\$ 10,414,564	\$ 10,365,898	\$ 10,341,565	
c. Interest on Current Debt	\$ -						
d. Interest on Project Debt	\$ -						
e. Current Depreciation	\$ 3,623,888	\$ 3,582,330	\$ 3,565,706	\$ 3,557,395	\$ 3,540,771	\$ 3,532,460	
f. Project Depreciation	\$ -						
g. Current Amortization	\$ -						
h. Project Amortization	\$ -						
i. Supplies	\$ 28,867,620	\$ 28,536,570	\$ 28,404,149	\$ 28,337,939	\$ 28,205,519	\$ 28,139,309	
j. Other Expenses (Specify/add rows of needed)	\$ -						
TOTAL OPERATING EXPENSES	\$ 77,694,037	\$ 76,803,050	\$ 76,446,655	\$ 76,268,458	\$ 75,912,063	\$ 75,733,866	\$ -

UM ST. JOSEPH MEDICAL CENTER ONLY

TABLE K. REVENUES & EXPENSES, INFLATED - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table K should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table I. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Projected Years (ending five years after completion)						Add columns of needed.
Indicate CY or FY							
1. REVENUE							
a. Inpatient Services	\$ 23,346,131	\$ 23,729,211	\$ 24,285,157	\$ 24,911,794	\$ 25,494,613	\$ 26,152,027	
b. Outpatient Services							
Gross Patient Service Revenues	\$ 23,346,131	\$ 23,729,211	\$ 24,285,157	\$ 24,911,794	\$ 25,494,613	\$ 26,152,027	\$ -
c. Allowance For Bad Debt	\$ 715,582	\$ 727,324	\$ 744,364	\$ 763,571	\$ 781,435	\$ 801,585	
d. Contractual Allowance	\$ 473,935	\$ 481,712	\$ 492,998	\$ 505,719	\$ 517,550	\$ 530,896	
e. Charity Care	\$ 2,804,817	\$ 2,850,840	\$ 2,917,632	\$ 2,992,917	\$ 3,062,937	\$ 3,141,919	
Net Patient Services Revenue	\$ 19,351,797	\$ 19,669,335	\$ 20,130,163	\$ 20,649,587	\$ 21,132,691	\$ 21,677,627	\$ -
f. Other Operating Revenues (Specify/add rows of needed)							
NET OPERATING REVENUE	\$ 19,351,797	\$ 19,669,335	\$ 20,130,163	\$ 20,649,587	\$ 21,132,691	\$ 21,677,627	\$ -
2. EXPENSES							
a. Salaries & Wages (including benefits)	\$ 5,789,414	\$ 5,963,096	\$ 6,141,989	\$ 6,326,249	\$ 6,516,036	\$ 6,711,518	
b. Contractual Services	\$ 833,621	\$ 858,630	\$ 884,389	\$ 910,920	\$ 938,248	\$ 966,395	
c. Interest on Current Debt							
d. Interest on Project Debt							
e. Current Depreciation	\$ 11,081	\$ 11,081	\$ 11,081	\$ 11,081	\$ 11,081	\$ 11,081	
f. Project Depreciation							
g. Current Amortization							
h. Project Amortization							
i. Supplies	\$ 7,039,353	\$ 7,250,534	\$ 7,468,050	\$ 7,692,091	\$ 7,922,854	\$ 8,160,539	
j. Other Expenses (Specify/add rows of needed)							
TOTAL OPERATING EXPENSES	\$ 13,673,469	\$ 14,083,341	\$ 14,505,508	\$ 14,940,341	\$ 15,388,219	\$ 15,849,533	\$ -

UM BWMC ONLY

TABLE K. REVENUES & EXPENSES, INFLATED - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table K should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table I. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Projected Years (ending five years after completion) Add columns of needed.						
Indicate CY or FY							
1. REVENUE							
a. Inpatient Services	\$ 1,703,238	\$ 4,248,981	\$ 4,746,035	\$ 5,177,237	\$ 5,484,786	\$ 5,613,201	
b. Outpatient Services							
Gross Patient Service Revenues	\$ 1,703,238	\$ 4,248,981	\$ 4,746,035	\$ 5,177,237	\$ 5,484,786	\$ 5,613,201	\$ -
c. Allowance For Bad Debt	\$ 76,646	\$ 191,204	\$ 213,572	\$ 232,976	\$ 246,815	\$ 252,594	
d. Contractual Allowance	\$ 59,613	\$ 148,714	\$ 166,111	\$ 181,203	\$ 191,968	\$ 196,462	
e. Charity Care	\$ 22,142	\$ 55,237	\$ 61,698	\$ 67,304	\$ 71,302	\$ 72,972	
Net Patient Services Revenue	\$ 1,544,837	\$ 3,853,826	\$ 4,304,654	\$ 4,695,754	\$ 4,974,701	\$ 5,091,174	\$ -
f. Other Operating Revenues (Specify/add rows of needed)							
NET OPERATING REVENUE	\$ 1,544,837	\$ 3,853,826	\$ 4,304,654	\$ 4,695,754	\$ 4,974,701	\$ 5,091,174	\$ -
2. EXPENSES							
a. Salaries & Wages (including benefits)	\$ 1,051,392	\$ 1,846,092	\$ 2,054,107	\$ 2,255,642	\$ 2,412,347	\$ 2,522,875	
b. Contractual Services	\$ 683,426	\$ 914,235	\$ 983,723	\$ 1,051,790	\$ 1,107,880	\$ 1,151,631	
c. Interest on Current Debt							
d. Interest on Project Debt							
e. Current Depreciation							
f. Project Depreciation	\$ 107,890	\$ 215,779	\$ 215,779	\$ 215,779	\$ 215,779	\$ 107,890	
g. Current Amortization							
h. Project Amortization							
i. Supplies	\$ 887,308	\$ 2,219,537	\$ 2,547,246	\$ 2,863,025	\$ 3,101,237	\$ 3,259,554	
j. Other Expenses (Specify/add rows of needed)	\$ 213,360	\$ 533,705	\$ 612,505	\$ 688,436	\$ 745,716	\$ 783,785	
TOTAL OPERATING EXPENSES	\$ 2,943,376	\$ 5,729,348	\$ 6,413,359	\$ 7,074,673	\$ 7,582,959	\$ 7,825,735	\$ -

EXHIBIT 57

AAMC vs BWMC System Savings Comparison - EXHIBIT 11
Aggregate Reduction in Charges to the System

	AAMC Aug 25th Response		A	B	C
	BWMC	AAMC - CON	AAMC @ BWMC Cases with AAMC Distribution between DC & MD	AAMC - CON @ 50% VCF	AAMC @ 50% VCF & BWMC Cases with AAMC Distribution between DC & MD
GBR Target Budget Adjustment					
Hospital CPC @ CMI 1.0	\$ 11,911	\$ 10,962	\$ 10,962	\$ 10,962	\$ 10,962
Estimated Cardiac Surgery CMI	3.40	3.42	3.42	3.42	3.42
Imputed Charge per OHS Case	\$ 40,490	\$ 37,501	\$ 37,501	\$ 37,501	\$ 37,501
Total OHS Cases	228	337	228	337	228
Subtotal: Incremental Charges	\$ 9,231,720	\$ 12,637,837	\$ 8,550,228	\$ 12,637,837	\$ 8,550,228
Less: Existing Transfer Revenue	-	(1,489,856)	(1,007,974)	(1,489,856)	(1,007,974)
Total Incremental Charges	\$ 9,231,720	\$ 11,147,981	\$ 7,542,254	\$ 11,147,981	\$ 7,542,254
VCF	50%	85%	85%	50%	50%
GBR Adjustments	\$ 4,615,860	\$ 9,475,784	\$ 6,410,916	\$ 5,573,991	\$ 3,771,127
Reduction of Maryland Hospital Target Budgets					
Hospital CPC @ CMI 1.00	\$ 19,412	\$ 19,386	\$ 19,386	\$ 19,386	\$ 19,386
Estimated Cardiac Surgery CMI	3.40	3.42	3.42	3.42	3.42
Imputed Charge per OHS Case	\$ 65,990	\$ 66,318	\$ 66,318	\$ 66,318	\$ 66,318
OHS Cases Shifting from MD Hospitals	(198)	(110)	(74)	(110)	(74)
Incremental Charge Reduction	\$ (13,066,028)	\$ (7,294,946)	\$ (4,935,453)	\$ (7,294,946)	\$ (4,935,453)
VCF	50%	50%	50%	50%	50%
GBR Adjustments	\$ (6,533,014)	\$ (3,647,473)	\$ (2,467,727)	\$ (3,647,473)	\$ (2,467,727)
Net Reduction in Charges at Maryland Hospitals (1)	\$ (1,917,154)	\$ 5,828,311	\$ 3,943,190	\$ 1,926,518	\$ 1,303,401

Reduction of Washington, DC Hospitals - Not Applicable to Medicare Waiver Test or Maryland All Payer Test

Note (1): Reflects Maryland's All Payer Test

EXHIBIT 58

Baltimore Washington Medical Center & Anne Arundel Medical Center
Comparison of Inpatient and Observation Charge per Case (CPC)
FY2014

	<u>Cases</u>		<u>Charges</u>		<u>CPC</u>		<u>CMI ⁽¹⁾</u>		<u>Case Mix Adj. CPC</u>		<u>Percent Variance</u>
	<u>AAMC</u>	<u>BWMC</u>	<u>AAMC</u>	<u>BWMC</u>	<u>AAMC</u>	<u>BWMC</u>	<u>AAMC</u>	<u>BWMC</u>	<u>AAMC</u>	<u>BWMC</u>	
<u>All Service Lines</u>											
Inpatient Cases	31,687	18,626	\$ 306,022,038	\$ 225,211,131	\$ 9,658	\$ 12,091	0.938	1.108	\$ 10,294	\$ 10,917	6.0%
Observation Visits	3,522	6,602	12,083,685	26,908,442	3,431	4,076	0.938	1.108	3,657	3,680	0.6%
Total	<u>35,209</u>	<u>25,228</u>	<u>\$ 318,105,723</u>	<u>\$ 252,119,573</u>	<u>\$ 9,035</u>	<u>\$ 9,994</u>	<u>0.938</u>	<u>1.108</u>	<u>\$ 9,630</u>	<u>\$ 9,023</u>	<u>-6.3%</u>
<i>Observation % of Total</i>	<i>10.0%</i>	<i>26.2%</i>									
<u>Cardiac-Related Services ⁽²⁾</u>											
Inpatient Cases	2,462	2,422	\$ 25,085,553	\$ 29,431,465	\$ 10,189	\$ 12,152	1.391	1.667	\$ 7,324	\$ 7,290	-0.5%
Observation Visits ⁽³⁾	1,495	3,466	5,363,408	13,634,290	3,588	3,934	1.391	1.667	2,579	2,360	-8.5%
Total	<u>3,957</u>	<u>5,888</u>	<u>\$ 30,448,961</u>	<u>\$ 43,065,755</u>	<u>\$ 7,695</u>	<u>\$ 7,314</u>	<u>1.391</u>	<u>1.667</u>	<u>\$ 5,531</u>	<u>\$ 4,388</u>	<u>-20.7%</u>
<i>OBV % of Total</i>	<i>37.8%</i>	<i>58.9%</i>									

Note (1): CMI data based on CY 2014 Grouper version 32

Note (2): Cardiac related services include: Vascular Surgery, Myocardial Infarction, Cardiology, EP/Chronic Rhythm Mgmt., Cardiothoracic Surgery, Invasive Cardiology

Note (3): Cardiac related Observation is defined as having an APG category 5 (Cardiovascular Procedures) or 56 (Diseases and Disorders of the Circulatory System) occurrence and rate center 80 (OBV) units >0

Source: St. Paul Inpatient & Outpatient Data Tapes