

6911 PRINCE GEORGES AVENUE
TAKOMA PARK, MD 20912

March 2, 2016

Via Email & Hand Delivery

Angela Clark, MPA
Health Policy Analyst Advanced
Certificate of Need Division
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, MD 21215

**Re: Chesapeake Treatment Center, Inc.
for The Right Moves Program,
Matter No. 15-24-2371**

Dear Ms. Clark:

This letter responds to your request for completeness information dated Feb. 25, 2016 regarding the application of Chesapeake Treatment Center, Inc. ("CTC" or "the Applicant") for a Certificate of Need ("CON").

RESPONSE to Question 1.a):

The statistics for "Out-of-State Committed Placements" include all out-of-state committed placements by DJS. A "committed placement" refers to an out-of-home placement for a youth who has been committed to the custody of DJS by the juvenile court. Committed placements range from foster-care homes to treatment programs in hardware-secure facilities, although in practice all out-of-state placements are to secure (Level II or Level III) facilities.

The statistics for "Out-of-State RTC Placements" include only the out-of-state placements to those facilities which are licensed as Residential Treatment Centers (RTCs) and are therefore eligible for Medicaid reimbursement. CTC is proposing to serve primarily the patients who would otherwise be placed in out-of-state RTCs. In its financial and statistical projections CTC assumed that 90% of the patient days would be covered by Medicaid and 10% would not be covered by Medicaid (see Application, Table 3).

DJS defines the three levels of committed placements as follows:

DJS has established three levels of residential program placements based largely on the level of program restrictiveness (see Figure below). Level I includes all programs where youth reside in a community setting and attend community schools. Level II includes programs where educational programming is provided on-grounds and youth movement and freedom is restricted primarily by staff monitoring and supervision. Level III programs

provide the highest level of security by augmenting staff supervision with physical attributes of the facility, i.e., locks, bars and fences.

Maryland Department of Juvenile Services, Data Resource Guide, FY2015, p. 125. http://www.djs.maryland.gov/drg/2015/2015_Full_DRG.pdf

The Figure mentioned in the above quotation from DJS provides examples of programs for each level of care:

Level I – Community Residential

- Traditional Foster Care, Treatment Foster Care
- Group Home, Therapeutic Group Home
- Alternative Living Unit
- Independent Living

Level II – Staff Secure Residential

- Group Home, Therapeutic Group Home with on-grounds School
- Intermediate Care Facility for Addictions
- Residential Treatment Center (Medicaid)
- Non-Medicaid Residential Treatment Facility
- Behavioral Program (e.g., Youth Center)

Level III – Hardware Secure Residential

- Residential Treatment Center (Medicaid)
- Non-Medicaid Residential Treatment Facility
- Hardware Secure Behavioral Program

As shown in this list, RTCs can be either Staff Secure (Level II) or Hardware Secure (Level III).

During FY2015 the Average Daily Population (ADP) for all DJS committed placement locations of all types, both in-state and out-of-state, was 711.1. The ADP for committed placements to in-state RTCs was 126.5. The ADP for all committed placements out-of-state was 81.4, broken down as follows: 10.8 in out-of-state RTCs, 43.7 in out-of-state staff-secure facilities which are not licensed as RTCs, and 26.9 in out-of-state hardware-secure facilities which are not licensed as RTCs.

Maryland Department of Juvenile Services, Data Resource Guide, FY2015, p. 131. http://www.djs.maryland.gov/drg/2015/2015_Full_DRG.pdf

The 90% of CTC's projected patient days/admissions covered by Medicaid would otherwise have to be provided in an out-of-state Residential Treatment Center. The 10% not covered by Medicaid would presumably otherwise be provided in an out-of-state non-

Medicaid residential treatment facility. Thus, both the statistics for Out-of-State RTC Placements and the statistics for Out-of-State Committed Placements are relevant, although the figures for Out-of-State RTC Placements are the most relevant.

RESPONSE to Question 1.b):

The ALOS statistics from DJS include both “successful” and “unsuccessful” patient placements. In a certain percentage of cases, typically after a stay of six months or so, a facility will prematurely discharge or transfer the patient because of problems such as threatening staff, property damage, non-compliance, or other “acting out” issues. CTC has an extraordinarily low rate of discharges and transfers (about 5%). In contrast, during FY 2015 the rates for out-of-state placements by DJS were:

- Successful 63.2%
- Unsuccessful 21.7%
- Transferred 15.1%

Maryland Department of Juvenile Services, Data Resource Guide, FY2015, p. 147.
http://www.djs.maryland.gov/drg/2015/2015_Full_DRG.pdf

In other words, 36.8% of these placements were not successful. In contrast, CTC has historically had a much lower rate of premature discharges and transfers (about 5%), in large part because it has a “no reject/no eject” policy and rarely discharges patients for behavioral issues.

This difference in the rate of unsuccessful and transferred placements affects the overall ALOS. If we assume that a successful admission has a length of stay of one year, on average, and an unsuccessful/transferred admission has a length of stay of six months, on average, then the average length of stay for a program with a 95% success rate would be 356 days, while the average length of stay for a program with a 63.2% success rate would be 297 days.¹ Thus, most of the difference between the projected ALOS at CTC (365 days) and the historical ALOS at the out-of-state RTCs (261 days) can be explained by the difference in success rates.

Moreover, the ALOS which DJS reported for placements to out-of-state hardware secure facilities in FY 2015 was 316.7 days, much closer to the figure projected by CTC. (The “Hardware Secure” category refers to Non-Medicaid Residential Treatment Facilities and Hardware Secure Behavioral Programs rather than RTCs, but the figures for RTCs include both staff-secure and hardware-secure RTCs. Thus, neither category is precisely equivalent or comparable to CTC’s program.)

Maryland Department of Juvenile Services, Data Resource Guide, FY2015, p. 131.
http://www.djs.maryland.gov/drg/2015/2015_Full_DRG.pdf

¹ $(1 \text{ year} \times 0.95) + (0.5 \text{ year} \times 0.05) = 0.975 \text{ year} = 356 \text{ days.}$

$(1 \text{ year} \times 0.632) + (0.5 \text{ year} \times 0.368) = 0.816 \text{ year} = 297 \text{ days.}$

RESPONSE to Question 1.c):

The reference to 135 boys expected to need Level III services on any given day, which appears in the 2013 Services Gap Analysis by DJS, refers to the total need for Level III services and contrasts that need with current Level III capacity in Maryland of 48 boys. As discussed in the Response to Question 1.a) above, CTC proposes to primarily serve the population needing RTC services, which is a subset of the placements for Level II and Level III services. The single most relevant statistic is the Average Daily Population of 10.8 patients in out-of-state RTCs during FY2015.

RESPONSE to Question 2:

The revised pages for Table 1 and table 2 were included at pages 20 and 21 of the letter dated Feb. 16. They are also included at the end of this letter.

RESPONSE to Question 3:

When adjusted for the two-year difference between FY 2015 and FY 2017, the projected CTC per diem is within the range of per diems for out-of-state RTCs. The per diem rate of \$479.92 which CTC projected in the CON application is for FY 2017. The figures quoted for per diem rates of out-of-state RTCs (\$273.77 - \$458.00, average \$362.83) are for FY 2015. RTC per diems were increased by 3.9% for FY 2016 and 3.4% for FY 2017, based on the Federal rate of increase used to adjust Medicaid reimbursement to RTCs. CTC's Medicaid rate for FY 2015 was \$451.84, and its current rate (for FY 2016) is \$469.46. If the figures reported by DJS for FY 2015 (Maryland Department of Juvenile Services, Data Resource Guide, FY2015, p. 193, Appendix E) are adjusted by the update factors for FY 2016 and FY 2017, the range is \$294.12 to \$492.04, and the average rate is \$389.79.²

We are reaching out to DJS to see if we can obtain additional information about its costs for placements at out-of-state RTCs, and will let you know if we can obtain additional information on this subject.

² However, footnote ** to Appendix E states: "Average per diem rate should not be used to calculate the total cost by program type given the range of per diem rates. The average per diem rate does not take into account individual program utilization and the total cost may vary substantially based on the number of youth who actually participate in each program."

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I am mailing or hand-delivering six copies of this letter, and submitting it, in both Word and PDF format, to Ruby Potter (ruby.potter@maryland.gov).

Below is a statement from Barbara Groves affirming the facts set forth in these responses.

Sincerely,



Richard G. McAlee

cc: Pat Bixler
Barbara Groves
Gregory Wm. Branch, M.D., MBA, CPE, Baltimore County Health Department

STATEMENT AFFIRMING SUPPLEMENTARY INFORMATION

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

Date: March 2, 2016

Signature: _____



Barbara Groves
Executive Vice-President
Chesapeake Treatment Centers, Inc.

TABLE 1: STATISTICAL PROJECTIONS - ENTIRE FACILITY -

	Two Most Actual Ended Recent Years		Current Year Projected	Projected Years (ending with first full year at full utilization)			
CY or FY (Circle)	2014__	2015__	2016__	2017__	20__	20__	20__
1. Admissions							
a. ICF-MR							
b. RTC-Residents	22	12	17	25			
Day Students							
c. ICF-C/D							
d. Other (Specify)							
e. TOTAL							
2. Patient Days							
a. ICF-MR							
b. RTC-Residents	8673	6236	6205	9125			
c. ICF-C/D							
d. Other (Specify)							
e. TOTAL							

TABLE 2: STATISTICAL PROJECTIONS - PROPOSED PROJECT

	Projected Years (Ending with first full year at full utilization)			
CY or FY (Circle)	2017	20	20	20
1. Admissions				
a. ICF-MR				
b. RTC-Residents	8			
Day Students				
c. ICF-C/D				
d. Other (Specify)				
e. TOTAL				
2. Patient Days				
a. ICF-MR				
b. Residential Treatment Ctr	2920			
c. ICF-C/D				
d. Other (Specify)				
e. TOTAL				
3. Average Length of Stay				
a. ICF-MR				
b. Residential Treatment Ctr	365			
c. ICF-C/D				
d. Other (Specify)				
e. TOTAL				
4. Occupancy Percentage*				
a. ICF-MR				
b. Residential Treatment Ctr	100%			
c. ICF-C/D				
d. Other (Specify)				
e. TOTAL				

Table 2 Cont.	Projected Years (Ending with first full year at full utilization)			
CY or FY (Circle)	2017	20	20	20
5. Number of Licensed Beds				
a. ICF-MR				
b. Residential Treatment Ctr	29			
c. ICF-C/D				
d. Other (Specify)				
e. TOTAL				
6. Home Health Agencies				
a. SN Visits				
b. Home Health Aide				
c.				
d.				
e. Total patients served				
7. Hospice Programs				
a. SN Visits				
b. Social work visits				
c. Other staff visits				
d. Total patients served				
8. Ambulatory Surgical Facilities				
a. Number of operating rooms (ORs)				
• Total Procedures in ORs				
• Total Cases in ORs				
• Total Surgical Minutes in ORs**				
b. Number of Procedure Rooms (PRs)				
• Total Procedures in PRs				
• Total Cases in PRs				

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• Total Minutes in PRs**				
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*Do not include turnover time