

October 18, 2017

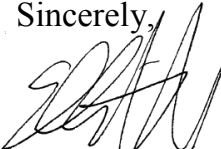
Ms. Ruby Potter
ruby.potter@maryland.gov
Health Facilities Coordination Officer
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Re: Recovery Centers of America
Waldorf—11100 Billingsley Road OPCO, LLC (Matter No. 15-08-2362)

Dear Ms. Potter:

On behalf of applicant 11100 Billingsley Road OPCO, LLC, I write to submit its Request for Post-Approval Project Change, seeking project cost increases to accommodate underestimated financial projections and a revised allocation of costs to the CON-regulated ICF portion of its project.

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

Sincerely,

Ella R. Aiken

ERA:blr
Enclosure

cc: Kevin McDonald, Chief, Certificate of Need
Suellen Wideman, Esq., Assistant Attorney General, MHCC
Dianna E. Abney, M.D., Health Officer, Charles County
JP Christen, Chief Operating Officer, Recovery Centers of America
Edmund J. Campbell, Jr., Esq.
Thomas C. Dame, Esq.

IN THE MATTER OF
RECOVERY CENTERS OF AMERICA
ESTABLISHMENT OF
INTERMEDIATE CARE FACILITY
11100 BILLINGSLEY ROAD, WALDORF, MARYLAND
Matter No. 15-08-2362

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* BEFORE THE
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* MARYLAND HEALTH
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* CARE COMMISSION
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REQUEST FOR POST APPROVAL PROJECT CHANGE

11100 Billingsley Road, LLC, an affiliate of Recovery Centers of America (“RCA Billingsley”), by its undersigned counsel, asks the Maryland Health Care Commission (the “Commission”) to approve a project change to this Certificate of Need (“CON”).

I. BACKGROUND OF APPROVED PROJECT

The Commission issued a CON on January 26, 2016, authorizing RCA Billingsley to develop a 64-bed intermediate care facility on a 20-acre site in Waldorf, located in Charles County, Maryland. The beds will be classified as American Society of Addiction Medicine Level III.7D – Medically Monitored Inpatient Detoxification (“ICF beds”). (**Exhibit 1**, January 26, 2017 CON¹) The site will include additional beds dedicated to residential treatment services that fall outside of CON regulation and review.

¹ RCA Billingsley has not received a copy of the final CON order. Exhibit 1 attaches the proposed order attached to the Recommended Decision, which became final at the January 26, 2017 Commission meeting during which the Commission unanimously approved the Recommended Decision without change. The proposed order contains apparent typos, as it refers to the number of beds approved for a related RCA project in Upper Marlboro. In addition to the proposed Order, Exhibit 1 contains the January 26, 2017 meeting minutes, as well as an excerpt from the Recommended Decision noting the correct number of beds.

Recovery Centers of America (“RCA”) will be the operator of the facility, under an arrangement with RCA Billingsley, the future licensee. RCA is a privately held company with a project mission to provide world class treatment with immediate solutions and a commitment to supporting lifelong recovery. It offers substance use disorder treatment services to its patients, family, alumni, and the larger community through a continuum of care using a technologically advanced, scientific treatment approach.

Currently, RCA operates inpatient and outpatient treatment centers in Massachusetts, New Jersey, Pennsylvania, and Maryland. The total project cost was estimated at \$28,669,470, with an approved \$10,712,744 cost allocated for the CON-regulated ICF beds. The project relies solely on private funding. RCA’s estimated operating revenue has not increased, and as a result no payer will be affected by these project cost increases.

II. BASIS FOR REQUESTED PROJECT CHANGE

RCA Billingsley is requesting an increase in capital costs based on two factors. As described more fully below, RCA Billingsley’s total project costs have increased. In addition, RCA Billingsley seeks to revise the percentage of total project costs allocated to the CON-regulated ICF portion of its project. For most line items, RCA seeks to allocate a higher percentage of total costs to the ICF portion of its project.

RCA Billingsley requests a \$5,477,843 increase in capital costs allocated for the CON-regulated ICF beds, after removing allowable inflation. Because this increase results in part from a request to increase the percentage of total capital costs allocated to CON-regulated ICF, the percent increase of ICF bed costs is higher than the percent increase of total project costs.

A. Current Progress and Increase in Project Capital Costs

RCA Billingsley has made substantial progress with the project. It has acquired the underlying real estate, secured the requisite site plan and permit approvals, and entered into a construction contract for renovations and new building required to complete the construction that will house both residential and regulated ICF beds.

After receiving construction bids for the project, it became apparent that RCA Billingsley had underestimated construction costs for its Maryland projects. As demonstrated by the revised budget, the increase costs are attributable to building costs, site and infrastructure, and increased contingency allowance.

B. Change in Allocation of ICF Expenses to Total Project Expenses

RCA Billingsley's project will include a total of 76 unregulated residential beds and 64 CON-regulated ICF beds. Because the residential beds are not regulated, the CON issued by the Commission refers only to the costs attributable to the CON-regulated ICF beds. The costs approved by the Commission are based on a budget that allocates costs between the unregulated residential beds and the CON-regulated ICF beds. In projecting project costs, RCA Billingsley based its allocations of some costs based on the number of detox beds to total residential beds, and, for other costs, on the number of detox beds in the new addition to total beds in the new addition. RCA Billingsley modified its application on several occasions, changing the number of beds, and the proportion of detox to total beds, with its modifications. Unfortunately, while the total project cost estimates were accurate at the time, RCA Billingsley did not update the allocation percentage amount for all categories of costs with each modification. This resulted in an allocation which RCA Billingsley believes is understated for the capital costs attributable to the CON-regulated ICF beds.

RCA Billingsley believes it would be appropriate to change the allocation of costs for each category of expenses based on the total number of ICF beds to the total number of beds (ICF and residential), a 46% allocation. The approved budget used allocations between 34% and 44% for each line item.

Exhibit 2 contains updated financial projections showing three versions of RCA Billingsley's budget. **Exhibit 2-A** includes a comparison of the approved project cost attributable to ICF beds compared to RCA Billingsley's requested project increase, and includes a column showing the total variance for each line item. While this budget demonstrates the net increase in costs RCA Billingsley is requesting, it is, in some sense, an apples-to-oranges comparison because it is based not only on a request to increase project costs, but also on a request to allocate a higher portion of costs to the CON-regulated ICF beds. To put RCA Billingsley's request in context, RCA Billingsley also attaches **Exhibit 2-B**, showing what the increased costs would look like if the allocations in the approved budget were used, and **Exhibit 2-C**, showing what the increased costs would look like if the allocations that RCA Billingsley now seeks permission to use had been used in the approved budget.

III. COMPARISON OF NEW TOTAL PROJECT COSTS AND ALLOWABLE CURRENT PROJECT COSTS

To assess whether the Commission must approve the increases in project costs described above, the CON-approved costs must be inflated by means of the inflation index set forth in the Commission's regulations to determine the currently allowable project costs. This computation

is based on the process outlined in the document on the Commission’s website: “Determining the Threshold for Required Approval of Changes in Certificate of Need Approved Capital Cost.”²

The net requested increase after allowable inflation is \$5,477,843. RCA Billingsley submitted its modified CON application on October 7, 2016. The Commission approved the application on January 26, 2017. The approved project costs for the regulated portion of the project was \$10,712,744, excluding inflation. Applying the inflation index which the Commission requires applicants to use once an application is approved would add .87% for allowable inflation.

Last Modification Date: ³	2016.4				
Midpoint of Construction:	2017.3				
Step 1	2016.4	CIS Proxy	1.146		A
Step 2	2017.3	CIS Proxy	1.156		B
Step 3	B/A			1.008726	0.87%
Total Approved ICF Capital Costs:	\$8,005,499				
Inflation Percentage:	0.87%				
Allowable Inflation:	\$69,856.01				
Inflated Capital Costs:	\$8,075,355				
Total New ICF Capital Costs:	\$13,553,198				
Exceeding Approved Capital Costs:	\$5,477,843				

Because the increase in this project’s total current project cost is greater than the allowable total current project cost, RCA Billingsley must obtain Commission approval. *See* COMAR § 10.24.01.17B(2).

² http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/con_cap_cost_index_1st_qtr_2015.pdf.

³ In performing this calculation, RCA Billingsley started with the last modification date, rather than the project approval date, as the modification date better reflects the time when the estimated capital costs were current.

IV. THE REQUESTED PROJECT CHANGE IS APPROVABLE

Commission regulation, COMAR § 10.24.01.17A, requires notification of any proposed project changes. Certain types of proposed project changes are impermissible, including the following:

- (1) Changes in the fundamental nature of a facility or the services to be provided in the facility from those that were approved by the Commission;
- (2) Increases in the total licensed bed capacity or medical service categories from those approved;
- (3) Any change that requires an extension of time to meet the applicable performance requirements specified under Regulation .12 of this chapter, except as permitted under Regulation .12E of this chapter.

COMAR § 10.24.01.17C.

The proposed changes identified in this filing do not change the fundamental nature of the project; will not result in an increase in the total licensed bed capacity as previously approved; and will not require any extension of time beyond what is permitted under COMAR § 10.24.01.12E to meet applicable performance requirements.

The following types of changes to a project require formal Commission approval:

- (1) Before making a significant change in physical plant design;
- (2) Before incurring capital cost increases that exceed the approved capital cost inflated by an amount determined by applying the Building Cost Index published in Health Care Cost Review from the application submission date to the date of the filing of a request for approval of a project change;
- (3) When total projected operating expenses or revenue increases exceed the projected expenses or revenues in the approved Certificate of Need Application, inflated by 10 percent per year;
- (4) Before changing the financial mechanisms of the project;
- (5) Before changing the location or address of the project.

COMAR § 10.24.01.17B. The only applicable change here is the increase of capital costs exceeding the approved capital costs inflated by the allowable amount.

CONCLUSION

RCA Billingsley seeks project cost increases to accommodate underestimated financial projections and a revised allocation of costs to the CON-regulated ICF portion of its project.

RCA Billingsley is a privately funded project that will provide much needed substance use disorder treatment services to an underserved region in Maryland, including a commitment of 15% of the net revenue associated with total ICF patient days. RCA Billingsley's estimated operating revenue has not increased, and as a result no payer will be affected by these project cost increases. The modifications sought are permissible.

For all of the reasons set forth above, RCA Billingsley respectfully requests that the Commission approve the proposed changes described above.

Respectfully submitted,




Thomas C. Dame
Ella R. Aiken
Gallagher Evelius & Jones LLP
218 North Charles Street, Suite 400
Baltimore MD 21201
(410) 727-7702
Attorneys for 11100 Billingsley Road, LLC

Date: October 18, 2017

I hereby declare and affirm under the penalties of perjury that the facts stated in the Request for Post-Approval Project Change of 11100 Billingsley Road, LLC and its attachments are true and correct to the best of my knowledge, information, and belief.

10/17/17
Date


JP Christen
Chief Operating Officer
Recovery Centers of America, LLC

I hereby declare and affirm under the penalties of perjury that the facts stated in the Request for Post-Approval Project Change of 11100 Billingsley Road, LLC and its attachments are true and correct to the best of my knowledge, information, and belief.

10/16/17

Date



Kevin McClure
Chief Financial Officer
Recovery Centers of America, LLC

EXHIBIT 1

IN THE MATTER OF

**1100 BILLINGSLEY ROAD
OPCO, L.L.C.**

Docket No. 15-08-2362

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**BEFORE THE
MARYLAND HEALTH
CARE COMMISSION**

Reviewer’s Recommended Decision

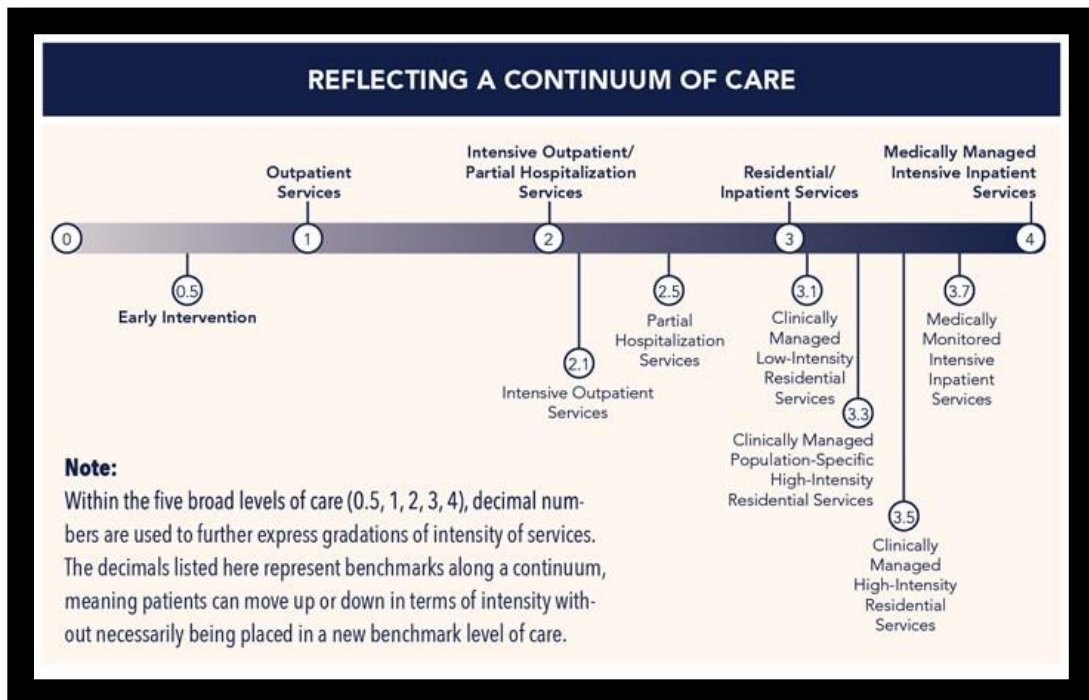
January 9, 2017

B. The Project

The applicant proposes to establish an alcohol and drug abuse intermediate care facility ('ICF') in Waldorf (Charles County), providing inpatient detoxification services and residential treatment.

The proposed facility will include 64 detoxification/assessment beds and 76 residential beds. The applicant expects to license these beds to provide Level III.7D – Medically Monitored Inpatient Detoxification services and Level III.5 – Clinically Managed High-Intensity Residential Treatment, respectively, as defined by the American Society of Addiction Medicine ("ASAM"). Certificate of Need ('CON') review and approval is sought only for the detoxification facility beds in which inpatient detoxification care will be provided..

Patients in the residential facility will receive intensive, structured, multidisciplinary treatment 24 hours a day provided by clinical, nursing and medical staff. Patients in the detoxification program will undergo a comprehensive medical and psychosocial evaluation and will receive detoxification services, including medications, to ensure a medically safe withdrawal. Patients will be closely monitored 24 hours a day by medical and nursing staff. The diagram that follows illustrates the continuum of care within addiction medicine as defined by the ASAM level of care definitions.



Source: The ASAM Criteria - American Society of Addiction Medicine
<http://asamcontinuum.org/knowledgebase/what-are-the-asam-levels-of-care/>

At the end of the fifth year of full operation following completion of the approved project, RCA-Waldorf will provide a report to the Commission on its program effectiveness using measures, drawn from recognized organizations that develop and promote the use of quality measures from other sources, that are approved by Commission staff within 120 days from the grant of first use approval. The evaluation of program effectiveness shall include, at a minimum, evaluation of treatment success through follow-up of discharged patients and collaborative efforts with similar treatment programs in Maryland and other states to initiate standardized peer review for study and improvement of program effectiveness.

B. NEED

COMAR 10.24.01.08G(3)(b) Need. The Commission shall consider the applicable need analysis in the State Health Plan. If no State Health Plan need analysis is applicable, the Commission shall consider whether the applicant has demonstrated unmet needs of the population to be served, and established that the proposed project meets those needs.

Applicant's Response and Interested Party Comments.

The applicant referenced its response to Section 10.24.14.05B, *supra*, pp. 8-15. Interested party comments related to need are discussed there as well.

Reviewer's Analysis and Findings

When I previously discussed the need for these beds earlier in this Recommended Decision at COMAR 10.24.14.05B, *supra*, p. 12, I found that the projected maximum need for additional beds to serve Southern Maryland residents is greater than the number of beds proposed by the applicant, and the projected statewide need for additional beds *at the minimum range* is more than twice the total of 140 ICF beds proposed by RCA at the three locations. Furthermore, I found that, based on the catchment area of a similar private pay facility, it is likely that the proposed facility will serve a substantial number of patients originating outside of the Southern Maryland region and outside of Maryland

Therefore, I find that the RCA-Waldorf's proposal to operate 64 ICF detox beds at RCA-Waldorf is consistent with the applicable need standard of the SHP and with this criterion.

C. AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES

COMAR 10.24.01.08G(3)(c)Availability of More Cost-Effective Alternatives. The Commission shall compare the cost effectiveness of the proposed project with the cost effectiveness of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.

Applicant's Response

RCA reiterated the perceived scope of the problem of alcohol and drug abuse and the current lack of capacity to meet what it calls a growing need, stating that its "bed need calculations

IN THE MATTER OF

1100 BILLINGSLEY ROAD
OPCO, L.L.C.

Docket No. 15-08-2362

*** BEFORE THE**
*** MARYLAND HEALTH**
*** CARE COMMISSION**
*** ***

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FINAL ORDER

Based on the analysis and findings in the Reviewer’s Recommended Decision, it is this 26th day of January, 2017, **ORDERED:**

That the application of 11100 Billingsley Road OPCO LLC (“RCA-Waldorf”) for a Certificate of Need to establish an alcohol and drug abuse treatment facility with 55 Intermediate Care Facility beds to be licensed to provide ASAM Level III.7D – Medically Monitored Inpatient Detoxification services at a total project cost of \$10,712,744 be and hereby is **APPROVED**, subject to the following conditions:

1. RCA-Waldorf shall provide a charity care commitment to indigent and gray area patients that is equivalent to 15% of the net revenue associated with total detox patient days (i.e., patient days in Level 3.7-D beds). RCA-Waldorf shall document its provision of care to indigent and gray area patients on an annual basis by submitting an annual report completed by an independent firm of Certified Public Accountants using Agreed-Upon Procedures documents: its total net revenue; its net revenue from total detox patient days; the value of the charity care provided to indigent and gray area patients; and details the procedures used in the analysis. Each audited annual report shall be submitted to the Commission within 120 days of the end of RCA-Waldorf’s fiscal year, from the project’s inception and continuing for five years thereafter;
2. RCA-Waldorf must receive accreditation by the Commission on Accreditation of Rehabilitation Facilities prior to receipt of First Use Approval.
3. Prior to first use approval, RCA-Waldorf must provide executed transfer and referral agreements with the remaining categories of providers in standard .05J, for which it has not provided the agreements clearly identifying the category each provider or agency occupies;
4. Prior to first use approval, the applicant must document additional referral

agreements with sources likely to refer indigent or gray area populations for treatment at RCA-Waldorf, consistent with COMAR 10.24.14.05K; and

5. At the end of the fifth year of full operation following completion of the approved project, RCA-Waldorf will provide a report to the Commission on its program effectiveness using measures, drawn from recognized organizations that develop and promote the use of quality measures from other sources, that are approved by Commission staff within 120 days from the grant of first use approval. The evaluation of program effectiveness shall include, at a minimum, evaluation of treatment success through follow-up of discharged patients and collaborative efforts with similar treatment programs in Maryland and other states to initiate standardized peer review for study and improvement of program effectiveness.

MARYLAND HEALTH CARE COMMISSION

Craig P. Tanio, M.D.
CHAIR



Ben Steffen
EXECUTIVE DIRECTOR

MARYLAND HEALTH CARE COMMISSION

4160 PATTERSON AVENUE – BALTIMORE, MARYLAND 21215
TELEPHONE: 410-764-3460 FAX: 410-358-1236

Thursday, January 26, 2017

Minutes

Chairman Tanio called the meeting to order at 1:10 p.m.

Commissioners present: Fleig, Moffit, O'Connor, O'Grady, Phillips, Pollak, Sergent, Stollenwerk, Thomas, Tomarchio, and Weinstein. Commissioners Hafey and Metz participated via telephone.

ITEM 1.

Approval of the Minutes

Commissioner Fleig made a motion to approve the minutes of the December 15, 2016 meeting of the Commission, which was seconded by Commissioner Moffit and unanimously approved.

ITEM 2.

Before turning to the Update of Activities, Chairman Tanio said that agenda item number seven, which concerned the consideration of revised proposed regulations regarding Freestanding Medical Facilities, will not be considered today. He noted that those proposed regulations will be considered at the February public meeting of the Commission.

Update of Activities

David Sharp, Director of the Center for Health Information Technology and Innovative Care Delivery, asked Nicole Majewski, Chief of Health Information Technology, to present on highlights from the report, Health Information Technology, An Assessment of Maryland Acute Care Hospitals. Ms. Majewski noted that the annual report overviews health IT adoption and use among all 48 acute care hospitals in Maryland and includes a national comparison. Ms. Majewski reported that Maryland hospitals continue to make notable progress in establishing the necessary health IT infrastructure to store, protect, retrieve, and securely exchange electronic health information. She also emphasized that a robust health IT infrastructure is essential for hospitals to achieve health care reform goals under Maryland's All-Payer Model.

Linda Bartnyska, Director, Center for Analysis and Information Systems, provided an update on the Commission's Total Cost of Care work with the Network for Regional Health Care Improvements (NRHI). Ms. Bartnyska noted that the report was released by the Robert Wood Johnson Foundation, and that Forbes published the report's findings. She pointed out that Maryland had the lowest total cost of care for the commercially insured population among five regions (Maryland, Minnesota, Oregon, St. Louis, and Utah) in the study.

ITEM 3.

PRESENTATION: Overview of Maryland's Comprehensive Primary Care Redesign Program

Howard Haft, M.D., Deputy Secretary for Public Health Services at the Department of Health and Mental Hygiene, and Chad Perman, Director of Health Systems Transformation in the Office of Population Health Improvement, presented the State of Maryland's proposal for the Maryland Comprehensive Primary Care Model, which was submitted to the Centers for Medicare & Medicaid Services (CMS). Dr. Haft participated in the presentation remotely. Melanie Cavaliere, Chief of Innovative Care Delivery, joined Mr. Perman at the table. Dr. Haft provided a summary of program. Mr. Perman explained how the program will help support the work of the All-Payer Model. Dr. Haft noted that primary care transformation is critical to the development of a strong long-term plan for improving the health of Marylanders. Dr. Haft also stated that the Comprehensive Primary Care Model is essential to the success of the next phase of the All-Payer Model. The proposal is currently under review by CMS.

ITEM 4.

ACTION: Certificate of Need – Recommended Decision – Recovery Centers of America - Waldorf (Docket No. 15-08-2362)

Chairman Tanio stated that Recovery Centers of America sought Certificate of Need approval to develop an intermediate care facility in Waldorf, Montgomery County, Maryland that contains alcoholism and substance abuse detoxification beds that are regulated by the Commission. He added that the Commissioners had previously received the Recommended Decision of Commissioner Randy Sergent, who served as the Reviewer of this application, which was contested by one interested party, Pathways, a subsidiary of Anne Arundel Medical Center. He noted that the interested party did not file exceptions to the Recommended Decision so there would not be an exceptions hearing. Commissioner Sergent said that, based on his review and analysis of the application and the record in the review, Recovery Centers of America – Waldorf's proposed project complied with the applicable State Health Plan standards and Certificate of Need review criteria. He noted that the project's impact on existing providers will not be overly negative, especially in the longer term, while it will have a positive impact on consumers' access to services, especially the population that will benefit from the required charity care that will be offered. **Commissioner Sergent recommended that the Commission adopt his Recommended Decision as its decision and approve the Certificate of Need application, as modified, to establish an Alcohol and Drug Abuse Intermediate Care Facility at 1100 Billingsley Road, Waldorf, Maryland, with certain conditions. Commissioner Moffit made a motion to adopt the Recommended Decision, which was seconded by Commissioner Thomas and unanimously approved.**

ACTION: Certificate of Need – Recommended Decision – Recovery Centers of America - Waldorf (Docket No. 15-08-2362) is hereby APPROVED.

ITEM 5.

ACTION: Certificate of Need –Recommended Decision – Recovery Centers of America – Upper Marlboro (Docket No. 15-16-2364)

Chairman Tanio announced that Recovery Centers of America also sought Certificate of Need approval to develop an intermediate care facility in Upper Marlboro, Prince George’s County, Maryland that contains alcoholism and substance abuse detoxification (or intermediate care facility) beds. The members of the Commission had also previously received the Recommended Decision of Commissioner Sergent, which was also contested by Pathways. As in the RCA-Waldorf application, Pathways did not file exceptions to the Recommended Decision.

Commissioner Sergent presented his recommendation regarding the grant of a Certificate of Need and stated that, based on his review and analysis of the application and the record in the review, Recovery Centers of America – Upper Marlboro’s proposed project complied with the applicable State Health Plan standards and Certificate of Need review criteria. He noted that the project’s impact was the same as the RCA project that had just been discussed. Commissioner Sergent recommended that the Commission adopt his Recommended Decision as its decision and approve the Certificate of Need application, as modified, to establish an Alcohol and Drug Abuse Intermediate Care Facility at Upper Marlboro, Maryland, with certain conditions. Commissioner O’Connor made a motion to adopt the Recommended Decision, which was seconded by Commissioner Weinstein and unanimously approved.

ACTION: Certificate of Need –Recommended Decision – Recovery Centers of America – Upper Marlboro (Docket No. 15-16-2364) is hereby APPROVED.

ITEM 6.

ACTION: COMAR 10.24.15: State Health Plan for Facilities and Services: Organ Transplant Services – Final Regulations

Eileen Fleck, Chief of Acute Care Policy and Planning, presented COMAR 10.24.15 - State Health Plan for Facilities and Services: Organ Transplant Services for consideration as final regulations. Ms. Fleck stated that the Commission had received no additional comments on the proposed regulations and that staff recommended no further changes. Commissioner Pollak made a motion that the Commission adopt the regulations as final, which was seconded by Commissioner Moffit and unanimously approved.

ACTION: COMAR 10.24.15: State Health Plan for Facilities and Services: Organ Transplant Services –are adopted as final regulation.

ITEM 7.

ACTION: COMAR 10.24.19: State Health Plan for Facilities and Services: Freestanding Medical Facilities – Proposed Regulations

Consideration of this matter has been postponed to the February 2017 meeting of the Commission, as noted in the Update section above.

ITEM 8.

ACTION: COMAR 10.25.18 – Health Information Exchanges: Privacy and Security of Protected Health Information – Proposed Regulations

Angela Evatt, Chief of Health Information Exchange, presented staff's recommendations for proposed permanent amendments to COMAR 10.25.18: Health Information Exchanges: Privacy and Security of Protected Health Information. The recommended amendments to the regulations would require HIE organizations that offer consumers access to their protected health information to implement certain privacy and security protections. Commissioner Stollenwerk made a motion that the Commission adopt the proposed regulations, which was seconded by Commissioner Weinstein and unanimously approved.

ACTION: COMAR 10.25.18 – Health Information Exchanges: Privacy and Security of Protected Health Information – Proposed Regulations are adopted as proposed permanent regulations.

ITEM 9.

PRESENTATION: Round 5 Telehealth Award

Angela Evatt announced the Round Five telehealth grant award to the University of Maryland Shore Regional Health (UMSRH). She stated that UMSRH will use telehealth to provide in-patient palliative care for the residents at Shore Nursing and Rehabilitation Center and will also use telehealth for in-patient and ED psychiatric assessments at the University of Maryland Shore Medical Center at Chestertown, and for ED visits at Shore Regional Emergency Center at Queen Anne's. Joining Ms. Evatt in discussing the project were William Roth, Regional Director - Care Transitions and Palliative Care and John Mistrangelo, Program Administrator for Behavioral Health at Shore Regional Health

ITEM 10.

Overview of Upcoming Initiatives

Mr. Steffen said that the February 2017 meeting of the Commission will include the proposed regulations for COMAR 10.24.19: State Health Plan for Facilities and Services: Freestanding Medical Facilities; an update on the Maryland Health Care Quality Reports website; a Certificate of Need action; an update regarding potential legislation, and, tentatively, State recognition of Electronic Advance Directive Services.

ITEM 11.

ADJOURNMENT

There being no further business, the meeting was adjourned at 4:38 p.m. following a motion by Commissioner Stollenwerk, which was seconded by Commissioner O'Connor and unanimously approved.

EXHIBIT 2

EXHIBIT 2-A

TABLE E. PROJECT BUDGET - BILLINGSLEY - Comparison of Approved Project Cost to Requested Increase in Project Costs, showing variance

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

		Approved ICF Costs	Original % Allocation of ICF Project Costs to Total Project Costs	Variance in ICF Project Costs (Revised Costs - Approved Costs)	Variance in % Allocation of ICF to Total Costs (in raw % points)	Revised ICF Costs	Revised % Allocation of ICF Project Costs to Total Project Costs
A.	USE OF FUNDS						
	1. CAPITAL COSTS						
	a. Land Purchase	\$ 1,831,325	39%	\$ 360,575	7%	\$ 2,191,900	46%
	b. New Construction						
	(1) Building	\$ 952,090	44%	\$ 445,333	2%	\$ 1,397,423	46%
	(2) Fixed Equipment	\$ -		\$ -		\$ -	
	(3) Site and Infrastructure	\$ 326,001	39%	\$ 64,963	7%	\$ 390,964	46%
	(4) Architect/Engineering Fees	\$ 77,776	39%	\$ 414,319	7%	\$ 492,095	46%
	(5) Permits (Building, Utilities, Etc.)	\$ 44,965	39%	\$ 8,683	7%	\$ 53,648	46%
	SUBTOTAL	\$ 1,400,832		\$ 933,298		\$ 2,334,130	
	c. Renovations						
	(1) Building	\$ 3,521,570	34%	\$ 3,226,532	12%	\$ 6,748,102	46%
	(2) Fixed Equipment (not included in construction)	\$ -		\$ -		\$ -	
	(3) Architect/Engineering Fees	\$ 71,793	39%	\$ 382,448	7%	\$ 454,241	46%
	(4) Permits (Building, Utilities, Etc.)	\$ 41,619	39%	\$ 8,038	7%	\$ 49,657	46%
	(5) Site and Infrastructure	\$ -		\$ 101,459	N/A (approved cost \$0)	\$ 101,459	46%
	SUBTOTAL	\$ 3,634,982	\$ 1	\$ 3,718,477		\$ 7,353,459	
	d. Other Capital Costs						
	(1) Movable Equipment	\$ 563,200	39%	\$ 108,768	7%	\$ 671,968	46%
	(2) Contingency Allowance	\$ 459,497	39%	\$ 404,244	7%	\$ 863,741	46%
	(3) Gross interest during construction period	\$ -		\$ -		\$ -	
	(4) Legal Fees	\$ 96,386	39%	\$ 18,614	7%	\$ 115,000	46%
	(5) Property Due Diligence	\$ 19,277	39%	\$ 3,723	7%	\$ 23,000	46%
	SUBTOTAL	\$ 1,138,360		\$ 535,349		\$ 1,673,709	
	TOTAL CURRENT CAPITAL COSTS	\$ 8,005,499		\$ 5,547,699		\$ 13,553,198	
	e. Inflation Allowance					\$ -	
	TOTAL CAPITAL COSTS	\$ 8,005,499		\$ 5,547,699		\$ 13,553,198	

TABLE E. PROJECT BUDGET - BILLINGSLEY - Comparison of Approved Project Cost to Requested Increase in Project Costs, showing variance

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

			Approved ICF Costs	Original % Allocation of ICF Project Costs to Total Project Costs	Variance in ICF Project Costs (Revised Costs - Approved Costs)	Variance in % Allocation of ICF to Total Costs (in raw % points)	Revised ICF Costs	Revised % Allocation of ICF Project Costs to Total Project Costs
2.	Financing Cost and Other Cash Requirements				\$ -		\$ -	
	a.	Loan Placement Fees	\$ -		\$ -		\$ -	
	b.	Bond Discount	\$ -		\$ -		\$ -	
	c.	Legal Fees	\$ -		\$ -		\$ -	
	d.	Non-Legal Consultant Fees	\$ -		\$ -		\$ -	
	e.	Liquidation of Existing Debt	\$ -		\$ -		\$ -	
	f.	Debt Service Reserve Fund	\$ -		\$ -		\$ -	
	g.	Transaction Costs	\$ 424,174	39%	\$ 81,919	7%	\$ 506,093	46%
	h.	Acquisition Costs	\$ 164,819	39%	\$ 31,831	7%	\$ 196,650	46%
	i.	Due Diligence Costs	\$ 57,831	39%	\$ 11,169	7%	\$ 69,000	46%
			\$ 646,824		\$ 124,919		\$ 771,743	
3.	Working Capital Startup Costs		\$ 2,060,421	39%	\$ 397,932	7%	\$ 2,458,353	46%
		SUBTOTAL	\$ 10,712,744		\$ 6,070,550		\$ 16,783,294	
B. Sources of Funds								
1.	Cash	TOTAL USES OF FUNDS	\$ -		\$ -		\$ -	
2.	Philanthropy (to date and expected)		\$ -		\$ -		\$ -	
3.	Authorized Bonds		\$ -		\$ -		\$ -	
4.	Interest Income from bond proceeds listed in #3		\$ -		\$ -		\$ -	
5.	Mortgage		\$ 9,212,960		\$ 5,220,673		\$ 14,433,633	
6.	Working Capital Loans		\$ -		\$ -		\$ -	
7.	Grants or Appropriations		\$ -		\$ -		\$ -	
	a.		\$ -		\$ -		\$ -	
	b.	State	\$ -		\$ -		\$ -	
	c.	Federal	\$ -		\$ -		\$ -	
8.	Equity fund	State	\$ 1,499,784		\$ 849,877		\$ 2,349,661	
		Local	\$ 10,712,744		\$ 6,070,550		\$ 16,783,294	
Annual Lease Costs (if applicable)								
1.	Land	TOTAL SOURCES OF FUNDS						
2.	Building							
3.	Major Movable Equipment							
4.	Minor Movable Equipment							
5.	Other (Specify/add rows if needed)							

Describe the terms of the lease(s) below, including information on the fair market value of the item(s), and the number of years, annual cost, and the interest rate for the lease.

EXHIBIT 2-B

TABLE E. PROJECT BUDGET - BILLINGSLEY - Project Costs based only on % Cost Allocation in Approved Budget

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

			Approved ICF Costs	Variance in ICF Project Costs (Revised Costs - Approved Costs)	Revised ICF Costs	% Allocation in Approved Budget (applied to both cost columns)
A.	USE OF FUNDS					
	1.	CAPITAL COSTS				
	a.	Land Purchase	\$ 1,831,325	\$ 5,783	\$ 1,837,108	39%
	b.	New Construction	\$ -			
	(1)	Building	\$ 952,090	\$ 398,077	\$ 1,350,167	44%
	(2)	Fixed Equipment	\$ -	\$ -	\$ -	
	(3)	Site and Infrastructure	\$ 326,001	\$ 1,680	\$ 327,681	39%
	(4)	Architect/Engineering Fees	\$ 77,776	\$ 334,665	\$ 412,441	39%
	(5)	Permits (Building, Utilities, Etc.)	\$ 44,965	\$ -	\$ 44,965	39%
		SUBTOTAL	\$ 1,400,832	\$ 734,422	\$ 2,135,254	
	c.	Renovations				
	(1)	Building	\$ 3,521,570	\$ 1,472,400	\$ 4,993,970	34%
	(2)	Fixed Equipment (not included in construction)	\$ -	\$ -	\$ -	
	(3)	Architect/Engineering Fees	\$ 71,793	\$ 308,921	\$ 380,714	39%
	(4)	Permits (Building, Utilities, Etc.)	\$ 41,619	\$ -	\$ 41,619	39%
	(5)	Site and Infrastructure	\$ -	\$ 101,459	\$ 101,459	46%*
		SUBTOTAL	\$ 3,634,982	\$ 1,882,780	\$ 5,517,762	
	d.	Other Capital Costs				
	(1)	Movable Equipment	\$ 563,200	\$ -	\$ 563,200	39%
	(2)	Contingency Allowance	\$ 459,497	\$ 264,435	\$ 723,932	39%
	(3)	Gross interest during construction period	\$ -	\$ -	\$ -	
	(4)	Legal Fees	\$ 96,386	\$ -	\$ 96,386	39%
	(5)	Property Due Diligence	\$ 19,277	\$ -	\$ 19,277	39%
		SUBTOTAL	\$ 1,138,360	\$ 264,435	\$ 1,402,795	
		TOTAL CURRENT CAPITAL COSTS	\$ 8,005,499	\$ 2,887,420	\$ 10,892,919	

TABLE E. PROJECT BUDGET - BILLINGSLEY - Project Costs based only on % Cost Allocation in Approved Budget

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

				<i>Approved ICF Costs</i>	<i>Variance in ICF Project Costs (Revised Costs - Approved Costs)</i>	<i>Revised ICF Costs</i>	<i>% Allocation in Approved Budget (applied to both cost columns)</i>
		e.	Inflation Allowance				
			TOTAL CAPITAL COSTS	\$ 8,005,499	\$ 2,887,420	\$ 10,892,919	
2.			Financing Cost and Other Cash Requirements		\$ -		
		a.	Loan Placement Fees	\$ -	\$ -	\$ -	
		b.	Bond Discount	\$ -	\$ -	\$ -	
		c.	Legal Fees	\$ -	\$ -	\$ -	
		d.	Non-Legal Consultant Fees	\$ -	\$ -	\$ -	
		e.	Liquidation of Existing Debt	\$ -	\$ -	\$ -	
		f.	Debt Service Reserve Fund	\$ -	\$ -	\$ -	
		g.	Transaction Costs	\$ 424,174	\$ -	\$ 424,174	39%
		h.	Acquisition Costs	\$ 164,819	\$ -	\$ 164,819	39%
		i.	Due Diligence Costs	\$ 57,831	\$ -	\$ 57,831	39%
			SUBTOTAL	\$ 646,824	\$ -	\$ 646,824	
3.			Working Capital Startup Costs	\$ 2,060,421	\$ -	\$ 2,060,421	39%
			TOTAL USES OF FUNDS	\$ 10,712,744	\$ 2,887,420	\$ 13,600,164	

EXHIBIT 2-C

TABLE E. PROJECT BUDGET - BILLINGSLEY - Project Costs based only on % Cost Allocation in Revised Budget

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

			Approved ICF Costs	Variance in ICF Project Costs (Revised Costs - Approved Costs)	Revised ICF Costs	% Allocation Based on Requested Change in Allocation (applied to both cost columns)
A.	USE OF FUNDS					
	1.	CAPITAL COSTS				
	a.	Land Purchase	\$ 2,185,000	\$ 6,900	\$ 2,191,900	46%
	b.	New Construction				
	(1)	Building	\$ 985,413	\$ 412,010	\$ 1,397,423	46%
	(2)	Fixed Equipment				
	(3)	Site and Infrastructure	\$ 388,960	\$ 2,004	\$ 390,964	46%
	(4)	Architect/Engineering Fees	\$ 92,797	\$ 399,298	\$ 492,095	46%
	(5)	Permits (Building, Utilities, Etc.)	\$ 53,648	\$ -	\$ 53,648	46%
		SUBTOTAL	\$ 1,520,817	\$ 813,313	\$ 2,334,130	
	c.	Renovations				
	(1)	Building	\$ 4,758,522	\$ 1,989,580	\$ 6,748,102	46%
	(2)	Fixed Equipment (not included in construction)	\$ -	\$ -	\$ -	
	(3)	Architect/Engineering Fees	\$ 85,658	\$ 368,583	\$ 454,241	46%
	(4)	Permits (Building, Utilities, Etc.)	\$ 49,657	\$ -	\$ 49,657	46%
	(5)	Site and Infrastructure	\$ -	\$ 101,459	\$ 101,459	46%
		SUBTOTAL	\$ 4,893,837	\$ 2,459,622	\$ 7,353,459	
	d.	Other Capital Costs				
	(1)	Movable Equipment	\$ 671,968	\$ -	\$ 671,968	46%
	(2)	Contingency Allowance	\$ 548,237	\$ 315,504	\$ 863,741	46%
	(3)	Gross interest during construction period	\$ -	\$ -	\$ -	
	(4)	Legal Fees	\$ 115,000	\$ -	\$ 115,000	46%
	(5)	Property Due Diligence	\$ 23,000	\$ -	\$ 23,000	46%
		SUBTOTAL	\$ 1,358,205	\$ 315,504	\$ 1,673,709	
		TOTAL CURRENT CAPITAL COSTS	\$ 9,957,859	\$ 3,595,339	\$ 13,553,198	

TABLE E. PROJECT BUDGET - BILLINGSLEY - Project Costs based only on % Cost Allocation in Revised Budget

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

				<i>Approved ICF Costs</i>	<i>Variance in ICF Project Costs (Revised Costs - Approved Costs)</i>	<i>Revised ICF Costs</i>	<i>% Allocation Based on Requested Change in Allocation (applied to both cost columns)</i>
		e.	Inflation Allowance				
			TOTAL CAPITAL COSTS	\$ 9,957,859	\$ 3,595,339	\$ 13,553,198	
2.	Financing Cost and Other Cash Requirements				\$ -		
	a.	Loan Placement Fees		\$ -	\$ -	\$ -	
	b.	Bond Discount		\$ -	\$ -	\$ -	
	c.	Legal Fees		\$ -	\$ -	\$ -	
	d.	Non-Legal Consultant Fees		\$ -	\$ -	\$ -	
	e.	Liquidation of Existing Debt		\$ -	\$ -	\$ -	
	f.	Debt Service Reserve Fund		\$ -	\$ -	\$ -	
	g.	Transaction Costs		\$ 506,093	\$ -	\$ 506,093	46%
	h.	Acquisition Costs		\$ 196,650	\$ -	\$ 196,650	46%
	i.	Due Diligence Costs		\$ 69,000	\$ -	\$ 69,000	46%
			SUBTOTAL	\$ 771,743	\$ -	\$ 771,743	
3.	Working Capital Startup Costs			\$ 2,458,353	\$ -	\$ 2,458,353	46%
			TOTAL USES OF FUNDS	\$ 13,187,955	\$ 3,595,339	\$ 16,783,294	