SHEPPARD PRATT HEALTH SYSTEM, INC.
SHEPPARD PRATT AT ELLICOTT CITY
RELOCATION AND REPLACEMENT OF SPECIAL PSYCHIATRIC HOSPITAL
Matter No. 15-23-2367

Responses to Additional Information Questions Dated June 3, 2015

PART I – PROJECT IDENTIFICATION AND GENERAL INFORMATION

1. **Please provide the following additional information and clarifications of the comprehensive project description:**

   a. **On page 4 the application states that the current facility is licensed for 92 inpatient beds and staffed for 78 inpatient beds. Where are the 78 staffed beds located in the existing facility; please explain why there are 14 beds currently unstaffed, and how running 74% occupancy on 78 beds can support an application for 92 beds? Please supply a 5 year occupancy report as part of this response.**

Applicant Response

The 78 staffed beds in the existing facility are located in the following units:

Unit	Beds
Adult	20
Adolescent	22
Co-Occurring	18
Psychotic (Fenton)	18

Sheppard Pratt staffs only 78 of the 92 licensed beds in the existing facility due to the functional limitations of the facility. At Sheppard Pratt at Ellicott City, only one building is used, known as the Central building. That building is only suitable to operate four inpatient units and a day hospital. Sheppard Pratt has maximized the space available with 78 beds. When the facility was operated as Taylor Manor, there were other buildings on the campus being utilized for inpatient care. Sheppard Pratt deemed those buildings not to be habitable and they were not included in the lease. As the current campus is being developed residentially by the property owner, those buildings have been demolished.

The patient census at Ellicott City is artificially suppressed by the need to block beds because of patient acuity. The facility is woefully inadequate, based on today's patient population. It is not unusual to have 14 blocked beds on a given day. As shown in the need

analysis (Appl. at 33 – 42), there exists need for more than 100 beds, especially since Sheppard Pratt will be adding two additional units for young adults and geriatric patients.

Exhibit 17 is a chart showing, among other data, actual and projected occupancy for the existing facility and the proposed replacement facility. The occupancy of the existing facility is projected to approximately 75% for FY 2015. The occupancy rate does not reflect low demand, but rather functional deficiencies in the existing building, as noted above.

b. Exhibit 2 indicates that the initial lease was signed on November 7, 2007 with an initial term of five years, and renewal options up to three additional terms of two years each. Taking into account the initial five year term and the three two-year renewals, the applicant will maintain the Ellicott City location until December 2018. With an expected MHCC decision rendered by December 2015, and your estimate under Project Schedule on p. 12 that construction will take up to 38 months for completion, the Sheppard Pratt at Elkridge could potentially open around the spring of 2019. Please discuss what contingencies are in place with the Taylor Health System to maintain the operations at Ellicott City until the proposed Elkridge location is completed and operational.

Applicant Response

The timeline set forth in the CON application is a "worst case" scenario. Sheppard Pratt hopes to complete the new facility prior to the end of the lease term. However, based on discussions with representatives of the landlord, Sheppard Pratt is confident that it may extend the lease term for a short period of time (e.g., several months) if necessary to complete construction of the replacement facility and transfer operations to that building.

c. For the six inpatient units proposed for the Elkridge project, please provide the following information: the top ten diagnoses or DSM-5 codes treated on each unit; the average length of stay on each unit; the projected occupancy rates for each unit, and the assumptions used for arriving at these utilization figures.

Applicant Response

Please see Exhibit 17 for the average length of stay and occupancy rates for each unit. The statement of assumptions for Table F was previously submitted as Exhibit 16 (by letter dated May 27, 2015), and it is attached again to these responses for ease of reference.

The following are the top five diagnoses for each unit in FY 2015, based on actual experience at Sheppard Pratt – Ellicott City and, in the case of the geriatric unit and the young adult unit, the actual experience at Sheppard Pratt – Towson. Sheppard Pratt did not include the top ten diagnoses because very few patients are treated for diagnoses outside of the top five listed below.

Young Adult Unit - Towson
Major Depressive Disorder Recurrent
Bipolar I Disorder NOS
Depressive Disorder NOS
Schizoaffective Disorder
Disruptive Mood Dysregulation

Geriatric Unit - Towson
Alzheimer's Disease
Major Depressive Disorder Recurrent
Bipolar I Disorder
Schizoaffective Disorder
Depressive Disorder NOS

Ellicott City Adolescent
Disruptive Mood Dysregulation
Major Depressive Disorder Recurrent
Depressive Disorder NOS
Major Depressive Disorder Single Episode
Bipolar I Disorder, NOS

Ellicott City Adult
Major Depressive Disorder Recurrent
Bipolar Disorder NOS
Depressive Disorder NOS
Schizoaffective Disorder
Bipolar I Disorder Most Recent Episode

Ellicott City Co-Occurring
Depressive Disorder NOS
Bipolar Disorder NOS
Major Depressive Disorder Recurrent
Bipolar I Disorder Most Recent Episode
Schizoaffective Disorder

Ellicott City Fenton
Major Depressive Disorder Recurrent
Bipolar I Disorder Most Recent Episode
Schizoaffective Diosorder
Schizophrenia, Undifferentiated
Disruptive Mood Dysregulation

2. **Table A, *Physical Bed Capacity After Project Completion*, only shows a total of five inpatient units and a total of 83 inpatient psychiatric beds. Please submit a revised Table that includes the 17 beds for the proposed Young Adult unit.**

Applicant Response

Exhibit 18 is a revised Table A, which includes the bed count and room count for the proposed Young Adult unit.

3. **Statement of intent re: waiver beds:**

   a. **When does Sheppard Pratt expect to submit a waiver request to add 8 inpatient psychiatric beds?**

Applicant Response

Sheppard Pratt intends to submit a waiver request to add eight additional beds during the CON review process. Based on discussions with counsel for the Commission, Sheppard Pratt understands that the Commission Staff is considering its position on the timing of Sheppard Pratt's intent to seek waiver beds. Sheppard Pratt expects to continue discussions with counsel for the Commission concerning this issue.

   b. **Given that Sheppard Pratt reports a physical capacity of just 78 (Table A), why would waiver beds be likely to be approved?**

Applicant Response

The waiver bed request will be based upon the physical capacity of the proposed replacement facility (100 beds), not the physical capacity of the existing facility. Sheppard Pratt recognizes that the grant of waiver beds must be conditioned upon the approval of the CON application and will not be effective until the replacement facility becomes operational.

As shown in the need analysis (Appl. at 33-44), there exists need for a 100-bed facility. Currently, patients who need care are being held in emergency departments without adequate care. Also, a 100-bed facility will foster more efficient operations and can support more infrastructure for additional corollary services, such as day hospital services, crisis services, and aftercare.

PART II – PROJECT BUDGET

4. **Your response to 10.b includes the statement: *In order to improve the overall 39.1 acre campus site for development, Sheppard Pratt has constructed an access road and has brought sewer and water lines to the perimeter of the site.* Please clarify whether these infrastructure investments have already been done or are planned to be done if/when the proposed project is approved? If they have already been done, do the costs appear on the PROJECT BUDGET (Table E)?**

Applicant Response

The site for the replacement hospital includes three parcels that may be developed. The replacement hospital will be located on one of these parcels. Sheppard Pratt expects that another parcel will be used for the development of a medical office building. The development plan for the third parcel is undetermined at this time. The work to construct the road to access the three parcels and to bring utility lines to the perimeter of the site is underway. These improvements were included in a site plan that was approved by Howard County prior to Sheppard Pratt's ownership of the property (SDP-08-082). In order to create access to the developable lots and to improve the marketability of the property, Sheppard Pratt determined to make the access road and utility improvements regardless of whether it receives approval to construct a health care facility from the Commission.

The cost of constructing the access road and bringing utility lines to the perimeter of the site were not included in the Project Budget (Table E) because the improvements would have been made without a replacement hospital project and Sheppard Pratt does not regard those improvements to be part of the project. However, the total cost of the improvements is $4,199,000.

5. **Explain the statement in the margin notes next to the purchase price of the land (i.e., *purchase amount x 31.7%*).**

Applicant Response

The statement in the margin refers to the 12.4 acre portion/ percentage of the entire 39.1 acre Elkridge site that will be used for the proposed replacement hospital. The portion of the site that will be used for the proposed replacement hospital is 12.4 acres or 31.7% of the total 39.1 acre site. The purchase price of the 39.1 acres was $8,950,000, thus $8,950,000 x 31.7% = $2,837,150. Note: The site acreage calculation for the 12.4 acre replacement hospital site is defined by north and south property lines and to the centerline of the stream to the east and west.

6. **While the Project Budget indicates the cost of purchasing 12.4 acres (as stated on p. 11) is $2,837,150, Exhibit 5 states that the cost of purchasing from Options Two, LLC about 11.0337 acres is $2,237,500. Please clarify the discrepancy in the size of the site and the cost for this land.**

Applicant Response

The entire 39.1 acre site is comprised of land purchased from: (1) Meadowridge Rock, LLC (28.029 acres); and (2) Options Two, LLC (11.0337 acres). The proposed facility will be situated on 12.4 acres that includes portions of both parcels. As noted above, Sheppard Pratt calculated the cost of the replacement hospital land acquisition for purposes of the Project Budget by totaling the land purchase prices ($6,712,500 + $2,237,500 = $8,950,000) and multiplying the total price by the percentage of land that will be used for the replacement hospital (31.7%): $8,950,000 x 31.7% = $2,837,150.

7. **Exhibit 5 includes an agreement to purchase Plats No. 21333, 21334, 21335, 21336, 21337, and 21338 at a cost of $6,712,500 from Meadowridge Rock, LLC. What is this agreement for and is this cost included in the Project Budget? How will the replacement hospital in Elkridge use this land?**

Applicant Response

Please see response to Question 6 above.

8. **Given the stated assumptions of 10% for Design & Estimating Contingency and 5% for Construction Contingency, please show the calculation resulting in a $10,237,000 Contingency Allowance.**

Applicant Response

Please see attached Exhibit 19 for the calculation of the contingency allowance.

9. **Please show the calculation that results in $2,355,972 of Gross Interest during Construction, and an Inflation Allowance of $4,122,000.**

Applicant Response

Please see attached Exhibit 20 for a schedule of interest during the construction period, and Exhibit 21 for a calculation of the inflation allowance.

10. **In the statement of assumptions accompanying Table E under Mark-Ups, explain what is meant by "Owner direct buy systems…provided as part of Owner direct buying Contracts." What is the 10% in "Owner Conditions" allocated for? Finally, where are these items in the Project Budget?**

Applicant Response

Owner direct buy contracts are all systems that typically the owner will buy through a contract between the owner and the vendor/installer in lieu of a construction contract between the owner and a contractor. The owner will buy these systems directly for the following reasons:

1. It saves the owner on mark-ups charged by either the construction manager or the general contractor.

2. Since the owner typically deals with all these vendors on a daily basis they can negotiate the best pricing.

3. Daily contact between the owner and vendor also ensures the owner will get the most current technology to fit its needs.

The systems the owner typically buys direct with estimated costs are shown on the bottom of the estimate under "Other Capital Costs" are, Moveable Medical Equipment, Dietary & Laundry Equipment, Furnishings and Technology.

All required infrastructure such as; power, water, medical gases & conduits are provided under the construction contract.

The application contains an error, stating 10% rather than the correct 15% in the Clarifications narrative; the Owner Administrative Costs & Contingencies were included in the cost estimate at 15% (not 10%) of the "Other Capital Costs". This is to cover Owner changes in scope for "Other Capital Costs" and Owner Administrative Costs.

These items are included in the Project Budget line 23 (2) Contingency Allowance part of the $10,237,000.

PART IV - CONSISTENCY WITH GENERAL REVIEW CRITERIA

a) The State Health Plan

Psychiatric Services Standards – General Standards

11. Standard AP 3a: Does Sheppard Pratt provide each of the specialized services listed in this standard directly with its own staff or via contract?

Applicant Response

Sheppard Pratt provides each of the specialized services, including individual therapy, with employed staff.

12. Standard AP 6: Please provide evidence that Sheppard Pratt has a separate written quality assurance programs, program evaluation, and treatment protocols for each of the populations specified in the standard that it plans to treat, i.e., for adults, adolescents, young adult, co-occurring, geriatric, and "Fenton." Note that the Exhibit provided in the application (Exhibit 10) does not relate to quality assurance, but was *a right to consent to treatment* policy.

Applicant Response

Sheppard Pratt's overarching Safety and Performance Improvement Plan is the JCAHO required document, which is approved annually by the Board of Trustees and governs all quality improvement activities. A copy of the current Safety and Performance Improvement Plan is attached as Exhibit 22.

Each Sheppard Pratt facility measures, analyzes, and tracks the following outcomes and/or processes of care, hospital services and operations for all inpatients (adults and children and adolescents): medication incidents, patient falls, patient injuries, adverse patient incidents, seclusion and restraint use, client satisfaction, infection control surveillance, and patient complaints. In addition, clinical contractual services and documentation of services provided by clinicians are monitored for effectiveness and safety of services. Data are analyzed, reviewed for prevalent trends, used to identify opportunities for improvement and change, and reported to leadership and various committees, including committees of the Board of Trustees.

Each clinical unit has its own quality improvement activities, which are tracked on a dashboard to ensure it meets its quality goals. Sample dashboards are attached as Exhibit 23.

Each inpatient unit establishes LEAN quality improvement goals and projects. Every morning, the executive team attends the daily huddles where three key projects are discussed in each unit. This is an individualized and effective quality improvement plan that is part of the hospital's SPIRIT (Sheppard Pratt Improvement Initiatives Inspired by Toyota). Examples of LEAN initiatives for Sheppard Pratt at Ellicott City appear below:

Sheppard Pratt at Ellicott City – Entire Facility

- Blocked beds are checked daily and rationale for each is updated.
- Missed admissions in the health suite.
- Assaults, falls, and medication errors

Recent Unit Based LEAN Projects
Adolescent Unit

- improving MTP compliance
- Dietary Tray Accuracy
- Reducing Episodes of Seclusion and Restraint

Adult Unit

- Satisfaction Survey Return Rate
- Management of Patient Belongings
- Important Message from Medicare Compliance rate

Co-occurring Unit

- Timely and Complete Discharge Planning
- Detox Protocol compliance
- Important Message from Medicare Compliance rate

Geriatric Unit

- Reducing use of Antipsychotics with Dementia Population
- Fall Prevention
- Reducing ER Sendouts

Fenton Unit (Psychotic Disorders)

- Documentation Compliance
- Reduction of Medication Errors
- Agression Risk Assessment

Young Adult Unit

- Satisfaction Survey Comments
- MTP completion
- Contact with Aftercare Provider

Each program has its own program evaluation; the survey and results for a representative period are attached as Exhibit 24.

Attached collectively as Exhibit 25 are treatment protocols for each of the units to be included in Sheppard Pratt at Elkridge.

13. **Standard AP 8: Please cite the source for the FY 2014 Actual Uncompensated Care data for Central Maryland reported in your CON application. What are these UCC% rates based on, i.e., Net or Total Patient Revenue, or some other factor? Please provide the total dollar amount of UCC provided at Sheppard and Enoch Pratt Hospital and at the Ellicott City facility for FY 2014.**

Applicant Response

The data displayed comes from the FY2014 PDA schedule of the FY2014 Annual Filings for selected facilities. The UCC% rates are based on HSCRC Regulated Gross Patient Revenue. The calculation for the UCC% rates is completed by dividing Line G (Total Uncompensated Care, HSCRC Regulated) of the applicable PDA schedule by Line A (Total Gross Patient Revenue, HSCRC Regulated) of the same PDA schedule. The total dollar amount of UCC provided at Sheppard and Enoch Pratt Hospital and at the Ellicott City facility for FY2014 was $9,611,100.

Table 14
Total Uncompensated Care FY2014

Sheppard Pratt – Towson	$6,478,000
Sheppard Pratt – Ellicott City	$3,133,100
Total (Regulated Only)	**$9,611,100**

14. **Standard AP 10: In light of the fact that Sheppard Pratt is applying to increase its capacity from its currently-operating 78 beds (listed as physical capacity on Table A), please address this standard, which prohibits expansion of a facility operating below 90% occupancy. Provide an occupancy history (admissions, patient-days, % occupancy) for at least three consecutive years prior to submission of the application.**

Applicant Response

The census at Sheppard Pratt - Ellicott City has been suppressed largely due to the limitations of the physical plant, as explained in the application and in response to other completeness questions.

Standard AP 10 applies to expansion of bed capacity in an existing hospital. Sheppard Pratt does not seek to expand bed capacity in its current location, which is functionally inadequate. Rather, it seeks approval to establish a new replacement facility in a new location. The need for the replacement facility of the proposed size is well supported by the analysis included in the CON application (Appl. at 33-44). Also, as shown in the letters of support (*see*

Exhibit 14), area hospitals and mental health organizations strongly support the proposed project based on the need for more inpatient mental health services.

Furthermore, possible changes in public mental health services may generate even more demand for the proposed project. In recent conversations with DHMH leadership at DHMH, it was indicated that there is a desire to reduce state hospital capacity and additional inpatient mental health resources in the community will be imperative. DHMH leadership sees a need for these additional beds to reduce wait times in ED's and to create capacity to replace state capacity that will be titrated down over time.

Please see Exhibit 17 for the recent occupancy history of Sheppard Pratt – Ellicott City.

15. **Standard AP 12 b: The response to this standard addresses aftercare adequately, but is not clear on the should *include therapists for patients without a private therapist* portion of the standard. Please address this.**

Applicant Response

Patients receive individual therapy from members of the multidisciplinary treatment team while on the inpatient units. While the majority of the therapeutic activity on the crisis stabilization units (as opposed to units focused on slightly longer treatment such as eating disorders and trauma disorders) takes place in group settings, there is one-on-one therapeutic engagement and exchange that takes place between a licensed member of the multi-disciplinary treatment team and the patient throughout the course of the treatment day. Members of the treatment teams have been trained in the evidence based practice of Dialectical Behavior Therapy (DBT), which informs the individual therapy communication.

16. **Standard AP 14: Please provide a letter of acknowledgement from the Maryland Department of Health and Mental Hygiene.**

Applicant Response

A letter of acknowledgement from DHMH Secretary Van Mitchell is attached as Exhibit 26.

b) Need

17. **Please cite the source of the statewide use rates referred to in this response.**

Applicant Response

The use rates are calculated by dividing cohort discharges by cohort population. Cohort discharges reflect FY2010 to FY2014 psychiatric discharges derived from the Non-Confidential Statewide Data Sets released by the HSCRC. A psychiatric discharge is defined using the APR-DRG product line for psychiatry (where APR-DRG is 750 through 760). The product line mapping was provided by D. Johnson from the HSCRC. Cohort population figures were derived from the Claritas population database (a Nielson SiteReports product). The cohort population is defined using the unique zip codes from the aforementioned psychiatric discharge data. The list of zip codes used to compile population data for each cohort is attached as Exhibit 27.

18. Regarding the Geriatric Program on p. 38 – 39, please respond to the following:

a. Is it a correct interpretation of applicant's presentation that you are projecting a statewide market share of 5%?

Applicant Response

This is correct. The Certificate of Need Application, as presented, projects a Geriatric statewide market share of 5% in FY2022 for Sheppard Pratt at Elkridge. The projected statewide market share is based on the following factors: (1) statewide population shift towards the Geriatric age range (65+), (2) Sheppard Pratt at Towson's market share (17.3% in FY2014) in the Geriatric age cohort – as reflected by a mature Geriatric program offered by the same entity, (3) Sheppard Pratt at Ellicott City's current market share amongst current service offerings, which exceed 5% in all cohorts, and (4) "No Bed Available" call logs where a potential Geriatric case could not be accepted due to lack of bed availability.

b. Please cite the source of the population projections stated on p. 38.

Applicant Response

The population projections shown on page 38 of the CON application reflect projected figures derived from the Claritas population database (a Nielson SiteReports product). The populations are defined by unique zip codes from which a psychiatric discharge occurred in FY 2014 in the State of Maryland. . The list of zip codes used to compile population data for each cohort is attached as Exhibit 27. A psychiatric discharge is defined using the APR-DRG product line for psychiatry (where APR-DRG is 750 through 760). The product line mapping was provided by D. Johnson from the HSCRC.

c. What type of Geriatric cases will the proposed 15 bed Geriatric Unit treat?

Applicant Response

The geriatric unit will work with adults ages 65 and over with a variety of diagnoses such as major depression, bipolar disorder, schizophrenia, as well as Alzheimers and dementia Patients will come from home environments and from a variety of longer term care settings for stabilization of their behavioral health condition.

d. If Sheppard Pratt – EC has a market share of only 0.4%, please discuss why the applicant does not locate the Geriatric Unit at the Towson facility.

Applicant Response

The market share in geriatric services in Sheppard Pratt at Ellicott is very low because the existing facility does not have a geriatric unit.

A geriatric unit in Sheppard Pratt at Elkridge will enable families of older patients living in that area to receive the specialized treatment that is offered in the Towson area. The Howard County population, in particular, is aging and older psychiatric patients, particularly those with dementia, generally do not do well on general psychiatric units.

e. Please provide copies of the call logs for FY 2012, FY 2013, and FY 2014 cited on p. 39. Does this list indicate the type of treatment or service requested by these patients and/or families, and how many of these patients on this list would receive treatment or service on the proposed 15 bed Geriatric Unit in Elkridge, or referred to another program for care.

Applicant Response

Copies of the bed non-availability logs for FY 2012, FY 2013, FY 2014, and FY 2015 are attached as Exhibit 28.

19. Please provide a need assessment for establishing the new 17 bed Young Adult Unit in Elkridge.

Applicant Response

Young adults can be treated in any inpatient unit, but based on experience with the Young Adult Unit in Sheppard Pratt – Towson, patients in the young adult age band are best served in a setting where they are being treated with their peers. This allows the group content to be focused on their needs and for a sense of hopefulness to be conveyed. The proximity of large colleges to the proposed site of Sheppard Pratt at Elkridge will stimulate referrals to this service.

The projected bed count for the Young Adult Unit is based upon FY2014 market share by cohort shown on Table 2 of the Certificate of Need Application. Additionally, the Young Adult population is expected to grow by 2.6% between FY2014 and FY2022 based on Claritas data, and the Young Adult use rate is expected to remain at 11.56 per 1,000 population through FY2022.

20. Please provide a copy of the Log of Referrals that could not be accepted for FY 2013 through FY 2015, as cited on p. 39.

Applicant Response

Please see Exhibit 28.

21. Regarding Table 8:

a. How did you arrive at the Projected Discharges for FY 2022 Maryland Total?

Applicant Response

Total Maryland Projected Discharges for FY2022 were calculated in a multi-step process.

First, actual FY2014 Psychiatric Discharges by Age Cohort and by Facility were determined from the FY2014 Non-Confidential Statewide Data Set released by the HSCRC. A psychiatric discharge is defined using the APR-DRG product line for psychiatry (where APR-DRG is 750 through 760). The product line mapping was provided by D. Johnson from the HSCRC. The resulting list of psychiatric discharges then provided a list of unique zip codes from

which these patients originated. For the complete list of zip codes, please refer to the response to Question No. 17.

This unique zip code listing then provided the base for population estimates derived from the Claritas population database (a Nielson SiteReports product). A FY2014 Use Rate was calculated by dividing Cohort Psychiatric Discharges by Cohort Population.

Additional assumptions by cohort were layered on as follows, based on historical trends:

- Adolescent Cohort: 1% growth in use rate in FY2015 and FY2016, then remains stable through FY2022
- Young Adult Cohort: Use Rate remains unchanged through FY2022
- Adult Cohort: 0.5% decline in use rate in FY2015 and FY2016, then remains stable through FY2022
- Geriatric Cohort: 1% decline in use rate in FY2015 and FY2016, then remains table through FY2022

The above steps result in Projected FY2022 Use Rates, as shown below.

Table 15
Projected Discharges—Step-by-Step Analysis

Maryland Use Rates (per 1,000 pop)

Cohort	Age Range	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY14 - FY22 Change
Adolescent	12-17	9.55	9.64	9.74	9.74	9.74	9.74	9.74	9.74	9.74	2.0%
Young Adult	18-29	11.56	11.56	11.56	11.56	11.56	11.56	11.56	11.56	11.56	0.0%
Adult	30-64	8.56	8.52	8.47	8.47	8.47	8.47	8.47	8.47	8.47	-1.0%
Geriatric	65+	4.01	3.97	3.93	3.93	3.93	3.93	3.93	3.93	3.93	-2.0%
Total		**8.49**	**8.45**	**8.40**	**8.37**	**8.35**	**8.32**	**8.29**	**8.26**	**8.23**	**-3.1%**

Maryland Projected Population

Cohort	Age Range	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY14 - FY22 Change
Adolescent	12-17	464,041	462,567	463,987	465,410	466,838	468,270	469,707	471,148	472,594	1.8%
Young Adult	18-29	967,324	974,697	977,163	979,635	982,114	984,599	987,090	989,587	992,091	2.6%
Adult	30-64	2,821,039	2,832,778	2,839,735	2,846,708	2,853,699	2,860,707	2,867,732	2,874,774	2,881,834	2.2%
Geriatric	65+	812,453	840,996	874,101	908,509	944,271	981,441	1,020,074	1,060,228	1,101,962	35.6%
Total		**5,064,857**	**5,111,038**	**5,154,985**	**5,200,262**	**5,246,922**	**5,295,017**	**5,344,603**	**5,395,738**	**5,448,482**	**7.6%**

Maryland Projected Discharges

Cohort	Age Range	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY14 - FY22 Change
Adolescent	12-17	4,430	4,460	4,519	4,532	4,546	4,560	4,574	4,588	4,602	3.9%
Young Adult	18-29	11,179	11,264	11,293	11,321	11,350	11,379	11,407	11,436	11,465	2.6%
Adult	30-64	24,148	24,127	24,066	24,125	24,184	24,243	24,303	24,363	24,422	1.1%
Geriatric	65+	3,255	3,336	3,432	3,567	3,708	3,854	4,005	4,163	4,327	32.9%
Total		**43,012**	**43,187**	**43,309**	**43,546**	**43,788**	**44,036**	**44,290**	**44,550**	**44,817**	**4.2%**

These Projected FY2022 Use Rates were divided by 1,000 and then multiplied by the FY2022 projected Maryland population estimates from Claritas.

b. How did you arrive at the FY2022 Sheppard Pratt Elkridge Maryland Market Share, especially for the Young Adult and Geriatric populations? What assumption did you use to arrive at your market share?

Applicant Response

Cohort discharges reflect FY2010 to FY2014 psychiatric discharges derived from the Non-Confidential Statewide Data Sets released by the HSCRC. A psychiatric discharge is defined using the APR-DRG product line for psychiatry (where APR-DRG is 750 through 760). The product line mapping was provided by D. Johnson from the HSCRC. Actual use rates for FY2010 to FY2014 were calculated by utilizing cohort population figures. Cohort population figures were derived from the Claritas population database (a Nielson SiteReports product). Please refer to the response to Question No. 17 for a complete zip code listing. Cohort-specific assumptions were applied to the use rates (see response to Question #21a) to produce projected FY2022 discharges. FY2022 market share was then calculated by multiplying FY2022 projected discharges by the actual FY2014 market share. The following exceptions were made to the actual FY2014 market share for the Adult and Geriatric cohorts:

- Adult Cohort: market share includes additional consideration of referral calls referenced on page 39 of the Certificate of Need Application.
- Geriatric Cohort: market share is based upon the projected statewide market share with additional assumptions applied (see answer to Question 18a).

c. What is the footnote identified as (1) by Geriatric Maryland Market Share?

Applicant Response

This footnote should indicate that the Geriatric market share shown reflects several factors, which are explained in the response to Question No. 18(a).

d. Provide the FY 2022 Projected Discharges for the Co-Occurring and Fenton Units.

Applicant Response

FY2022 Projected Discharges	
Co-Occurring	950
Fenton	522

22. Regarding Table 9:

a. Provide the ALOS for the Co-Occurring and Fenton Units.

Applicant Response

ALOS	FY2013	FY2014	FY2022 Projected
Co-Occurring	5.8	5.9	6.0
Fenton	8.1	9.9	10.1

b. Given that AP 10 of COMAR 10.24.07 states that an existing adult acute psychiatric facility must show 90% occupancy for an institution with more than 40 inpatient beds, why is bed need figured using an 85% occupancy?

Applicant Response

The table below provides a revision of the occupancy percentage to reflect AP 10 of COMAR 10.24.07. Under this revision, the proposed relocated facility will have a baseline bed need of 106. Both 85% and 90% occupancy rates support the need for the requested 100 bed facility.

Table 16
Revised Bed Need
Based on 90% Occupancy Standard

	Elkridge FY2022 Total Patient Days	Occupancy Rate per CON	Bed Need Projected, Rounded Up
Adolescent Ages 12-17	5,657	90%	18
Adult Ages 18+	26,905	90%	88
Average/Total	32,562		106

23. In Table 10 on p. 42:

a. Into which of the four categories listed does the projected bed need for the Co-Occurring and Fenton Units fall?

Applicant Response

Both the Co-Occurring and Fenton units apply to the Adult Age Cohort

b. Given that standard AP 10 cites a 90% occupancy standard for a facility of the proposed size, why is bed need figured using an 85% occupancy?

Applicant Response

Please refer to the response to response to Question No. 22(b).

c) Availability of More Cost-Effective Alternatives

24. Please provide all of the calculations and assumptions used in your Marshall Valuation Service Analysis to support that the Sheppard Pratt's estimated construction cost per square foot is lower.

Applicant Response

The calculations and assumptions provided are based on the Marshall Valuation Service. The Building Cost of $55,672,612 covers the items as described in Section 1 entitled "What The Costs Contain" and "What They Do Not Contain," located on page 3. The method is based on the Calculator Method described in Section 1 – Selection of Method, page 11. The Allowable Square Foot Cost Analysis is based on Section 15 – Calculator Method for Medical Buildings. Please see attached Exhibit 29 for the tables containing detailed calculations and sources of allowable costs supporting the analysis.

25. As required in the application instructions, please address whether Sheppard Pratt considered alternatives "including … providing the service through existing facilities, including outpatient facilities or population-based planning activities or resources that may lessen hospital admissions," when projecting the utilization rates for the relocated facility.

Applicant Response

Sheppard Pratt considered outpatient alternatives to building a replacement hospital, but concluded there is need for inpatient treatment that cannot be fully satisfied by outpatient alternatives.

Sheppard Pratt also considered relocating to an existing facility, but the option of utilizing space in other facilities was determined not to be viable. Sheppard Pratt proposes to build a state of the art facility in Howard County that will remedy many of the physical plant difficulties that exist in the existing facility. There are no viable existing locations in Howard County where the facility could be relocated into appropriate existing space.

Sheppard Pratt believes in and endorses the concepts of population health and the impact of such activities was considered in our demand analysis discussions. However, knowing that the State hopes to reduce its public sector capacity is an indicator that more short term inpatient capacity will be needed.

d) Viability of the Proposal

26. The project funding described on p. 46 of the application ($15 million in equity contribution, $15 million in philanthropy, the balance to be borrowed) does not agree with the source of funds in Table E ($17.7 million in cash, about $7.5 million

in philanthropy $7.5 million in state grants or appropriations). Please reconcile this information, replacing Table E if necessary. Also:

a. Document the availability of the $7.5 million in State Grants or Appropriations as a Source of Funds.

Applicant Response

Sheppard Pratt intends to request a capital appropriation from the Governor's capital budget for FY 2017 and 2018. We have had meetings with leadership in the State government administration and the General Assembly and have been given verbal assurances that the State is interested in providing financial support to the project in this fashion. The awards have not yet been made, but we are optimistic. Our last hospital project was funded in part through this mechanism.

b. Please provide a copy relevant excerpts (including the executive summary) of the feasibility study completed by Ghiorsi and Sorrenti regarding raising $15 million from public and private sources.

Applicant Response

The salient excerpt from the Ghiorsi & Sorrenti Capital Campaign Planning Study is attached as Exhibit 30. The report addresses the private donation portion of the fundraising. The report supports total private fundraising of $9,144,500 (the Project Budget identifies $7,500,000 in private gifts.

c. Describe Sheppard Pratt's track record and success in raising funds in the past.

Applicant Response

Through a capital campaign in 2002 for the replacement of the original hospital in Towson, Sheppard Pratt raised $6.1 million dollars from private donors and $5 million from the Weinberg Foundation. In the last two capital campaign in 2008, which was for a number of smaller projects, Sheppard Pratt raised $5.5 million. Both campaigns had Gubernatorial capital appropriations in addition to private and foundation donor support.

d. Has Sheppard Pratt submitted a request for a $70 million long term tax exempt bond issue from the Maryland Health and Higher Educational Facilities Authority? Describe the process for a decision regarding its inclusion in such an issuance.

Applicant Response

Sheppard Pratt has not yet submitted a request for tax exempt bond financing, but it is working with its lender to commence the process and has an oral commitment from the lender. Exhibit 31, attached, is a summary of the Maryland Health and Higher Educational Facilities Authority financing process.

27. **The application states an intent to request *an increase in rates equal to approximately 50% of the increase in capital costs (principal and interest) associated with the proposed project* from HSCRC.**

    a. **Has this request been submitted? If so, what has been the reaction and feedback.**

Applicant Response

This request has not yet been submitted.

    b. **Explain the statement that *"Applying Sheppard Pratt's approved markup (1.0815) to 50%* of *annual principal and interest results in an estimate of gross revenue related to the project of about $2.2 million;"* show the associated calculation. Also explain *Allocation of Capital Funding to SPHS-Elkridge Gross Impact* (p. 47).**

Applicant Response

Sheppard Pratt calculated its rate request by assuming the bond issuance would be $70 million as presented on Table E in Exhibit 1. With annual principal debt payments of $1.2 million and annual interest on project-related debt of $2.8 million, total annual principal and interest sums to $4.0 million. A request of 50% results in $2.0 million, which is grossed up by the FY 2015 Sheppard Pratt HSCRC-approved markup in rates of 1.0815 to arrive at $2.2 million.

The "Allocation of Capital Funding to SPHS – Elkridge" table on page 47 of the CON Application considers that Sheppard Pratt has one rate adjustment file and thus, one set of rates. Therefore, in determining financial projections for Sheppard Pratt at Elkridge, Sheppard Pratt had to calculate the portion of the $2.2 million rate request that would be recognized on Sheppard Pratt at Elkridge's vs. Sheppard Pratt -Towson's financial statements. Sheppard Pratt used uninflated revenue projections to determine the portion of the rate request that should be allocated to each entity. Sheppard Pratt also considered that Sheppard Pratt at Elkridge is not projected to open until December 2018 in determining the partial rate request recognized in FY 2019. Example calculations presented below:

- FY 2015 Approved Sheppard Pratt Revenue $139.3M
- + Projected Year 1 Sheppard Pratt Revenue Growth of $9.2M
- = $148.5M Pro-Forma Sheppard Pratt FY 2015 Revenue with Sheppard Pratt at Elkridge
- Uninflated Sheppard Pratt at Elkridge FY 2019 Projected Revenue = $37.8M
- Sheppard Pratt at Elkridge as % of Sheppard Pratt = $37.8M / $148.5M = 25.5%

- Rate Request = $2.2M annually
- Partial Year given Dec 2018 opening = 7 months / 12 months = 58.3%
- 58.3% * $2.2M = $1.3M Partial FY 2019 rate request
- Sheppard Pratt at Elkridge % of Sheppard Pratt = 25.5% * $1.3M
- = $322, 251 FY 2019 Sheppard Pratt at Elkridge Impact

Sheppard Pratt at Elkridge opens at 25.5% of Sheppard Pratt's total revenue base and grows to 31.8% by FY 2022. The $322,251 gross impact of the rate request on Sheppard Pratt at Elkridge represents 25.5% of 7/12 (partial) of the $2.2M annual amount. In FY 2022, the projected $689,343 represents 31.8% of the $2.2M annual request.

28. Regarding Table F:

a. Please provide the historical utilization (FY 2013 through FY 2018) for each of the four existing psychiatric units in operation (i.e., General Adult, Adolescent, Co-Occurring, and Fenton Unit).

Applicant Response

Table 17
Historical Utilization by Unit

Discharges	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Adolescent	818	783	835	840	840	840
General Adult	631	640	688	706	706	706
Co-Occurring	900	896	885	915	915	915
Fenton Unit	562	489	533	509	509	509

b. Please provide the projected utilization for the six inpatient units individually from FY 2019 through FY 2022.

Applicant Response

Table 18
Projected Utilization by Unit

Discharges	FY2019	FY2020	FY2021	FY2022
Adolescent	734	734	734	734
Young Adult	182	472	567	567
General Adult	706	756	807	807
Co-Occurring	915	915	950	950
Fenton Unit	509	522	522	522
Geriatric	92	233	233	233

c. What are the assumptions that are used to project the utilization for the Young Adult Unit and the Geriatric Unit, including the referral network in place to send future patients to these new units?

Applicant Response

Sheppard Pratt operates under a central admissions system; therefore, Sheppard Pratt has control over whether patients are admitted to Towson or Ellicott City/Elkridge.

Cohort	Population Growth	Actual Utilization in FY2014	Actual Market Share in FY2014
Young Adult	2.6%	11.56 per 1,000 population statewide	6.19%
Geriatric	35.6%	4.01 per 1,000 population statewide – includes a 1.0% decline in utilization during FY2015 and FY2016	0.4% (Ellicott City) 17.3% (Towson) 5% (assumed for Elkridge)

29. Regarding Tables G and H, please revise these Revenue and Expense statements to reflect the financial viability of an inpatient psychiatric hospital with only 92 beds at Elkridge.

Applicant Response

The figures reflected in Tables G and H were calculated using volumes rather than bed count; therefore, a decrease in bed count would not change the financial results.

30. While Table L reports that Contractual Employees will total about $124,525 in FY 2021, Table G indicates that Sheppard Pratt will incur $1,357,308 in costs for Contractual Services. Please reconcile this difference in costs.

Applicant Response

The amounts are different because they reflect different expenses. The line item in Table L entitled "Contractual Employees" reflects expenses for direct care employees. This amount is included in the "Salaries and Wages" line in Table G. The line item for "Contractual Services" in Table G includes food, housekeeping, radiology lab, and other items.

e) Impact

31. Table 13 does not seem to address all cohorts the applicant intends to serve, listing impacts for only adult and geriatric categories. Please provide a complete picture, and show the aggregate impact projected for each provider in descending order.

Applicant Response

Table 19
(Revised Table 13)

Sheppard Pratt Health System
Changes in Hospital Discharges
FY2014 - FY2022
Maryland Only

	A	B	C	D	E	F	G
				Adjustments			
	FY2014 Maryland Discharges	Population/ Use Rate Adjustment	FY2022 Maryland Discharges at Current Mkt Share[1]	Impact of Elkridge Geriatric Service[2]	Impact of Adult Referral Recoupment[3]	FY2022 Maryland Discharges at Proj Mkt Share	Total Impact Based on Geriatric and Adult Assumptions
Sheppard Pratt - EC	2,676	63	2,739	200	723	3,663	924
Sheppard Pratt - Towson [1]	5,486	308	5,794	-	-	5,794	-
Johns Hopkins	2,247	102	2,349	(14)	(43)	2,291	(57)
Union Memorial	1,683	48	1,731	(6)	(43)	1,683	(48)
Bon Secours	1,663	36	1,699	(3)	(42)	1,654	(45)
Adventist BH	2,431	93	2,524	(11)	(42)	2,472	(52)
Maryland General	1,442	60	1,502	(10)	(38)	1,455	(48)
Franklin Square	1,988	78	2,066	(9)	(36)	2,021	(46)
U of MD	1,463	66	1,529	(10)	(29)	1,490	(39)
Harford Memorial	1,282	41	1,323	(5)	(27)	1,291	(32)
Washington Adventist	1,347	47	1,394	(6)	(27)	1,361	(33)
Sinai	1,161	49	1,210	(8)	(27)	1,175	(35)
PGHC	1,227	42	1,269	(5)	(25)	1,239	(30)
Frederick Memorial	1,061	32	1,093	(4)	(24)	1,066	(27)
Northwest	1,127	55	1,182	(9)	(24)	1,149	(32)
BWMC	902	28	930	(4)	(23)	904	(26)
Suburban	1,129	57	1,186	(9)	(21)	1,156	(30)
Carroll County	1,093	38	1,131	(4)	(21)	1,105	(25)
Bayview	877	39	916	(6)	(21)	888	(27)
Howard County	1,045	53	1,098	(9)	(20)	1,069	(29)
Meritus	922	37	959	(5)	(20)	934	(25)
Saint Joseph	788	39	827	(6)	(18)	802	(24)
Western Maryland	812	29	841	(4)	(18)	819	(22)
Montgomery	1,042	43	1,085	(5)	(18)	1,062	(23)
Peninsula	788	34	822	(5)	(17)	800	(22)
Southern Maryland	814	29	843	(4)	(16)	823	(20)
Laurel	739	22	761	(2)	(16)	743	(18)
Union of Cecil	610	19	629	(2)	(15)	612	(17)
Dorchester General	582	20	602	(3)	(13)	587	(16)
St. Mary's	609	21	630	(3)	(13)	615	(15)
Calvert	680	21	701	(2)	(12)	688	(13)
Brook Lane	571	22	593	(2)	(8)	583	(10)
Holy Cross	96	16	112	(3)	(1)	107	(5)
Shady Grove	44	7	51	(2)	(1)	49	(2)
Good Sam	65	16	81	(4)	(1)	77	(4)
St. Agnes	43	8	51	(2)	(1)	49	(2)
Mercy	29	4	33	(1)	(1)	32	(1)
Anne Arundel	91	24	115	(5)	(0)	109	(6)
Memorial at Easton	28	6	34	(1)	(0)	33	(2)
Upper Chesapeake	50	14	64	(3)	(0)	61	(3)
Civista	18	3	21	(1)	(0)	20	(1)
Harbor Hospital	13	2	15	(0)	(0)	14	(1)
GBMC	59	16	75	(4)	(0)	71	(4)
Chester River	7	1	8	(0)	(0)	8	(0)
Fort Washington	10	2	12	(1)	(0)	12	(1)
UMD Shock Trauma	3	0	3	-	(0)	3	(0)
Doctors	17	5	22	(1)	(0)	21	(1)
Garrett County	4	1	5	(0)	(0)	4	(0)
Johns Hopkins Oncology	3	0	3	(0)	(0)	3	(0)
Adventist Rehab	1	0	1	(0)	-	1	(0)
McCready	1	0	1	(0)	-	1	(0)
Atlantic General	1	0	1	(0)	-	1	(0)
Adventist Dorchester	142	6	148	-	-	148	-
Total	**43,012**	**1,805**	**44,817**	**(0)**	**(0)**	**44,817**	**(0)**

Notes:
(1) Current market share reflects FY2014 market share levels applied to projected population and use rates for FY2022.
(2) SPHS has elected to offer a new Geriatric service in the Elkridge facility to accommodate population shifts and demands for patients in that age cohort.
(3) SPHS expects to accommodate a greater number of calls for adult inpatient psychiatric beds in Central Maryland.
(4) SPHS-Towson was held constant, as SPHS has a centralized admissions process whereby they control the admission of referred patients. The increases in market share at SPHS-Elkridge are not expected to draw from utilization at SPHS-Towson.

An Excel version of the table above is provided as Exhibit 32.

Market shares were not projected to change in the Adolescent and Young Adult cohorts; therefore, the impact of the relocation for those cohorts is reflected in Column B, which is simply the impact of population growth and use rate decline. Additional adjustments applied to Geriatric and Adult cohorts are listed separately in Columns D and E, respectively. These columns are used to further illustrate the change in discharges that are NOT related to population and use rate changes. Column G represents the impact that SPHS-Elkridge will have on existing providers based on expanded capacity and new service offerings. Other market shares are projected to remain at current levels. Please refer to the response to question #21b for additional information regarding additional considerations made for the Adult and Geriatric cohorts.

32. Please provide a response that complies with the instructions addressing:

a. The impact on access to health care services for the service area population that will be served; and

Applicant Response

Mental health services are a vital part of the continuum of care for a community. In Maryland, many emergency departments see and treat an increasing number of psychiatric patients. Many of these patients are frequent utilizers of hospital emergency departments, and face the possibility of being "boarded" for days at a time. "Boarding" refers to keeping a psychiatric patient in the emergency room while waiting for an inpatient bed to become available at an appropriate psychiatric facility or department. Emergency departments are overcrowded and delayed, leading to deterioration in overall patient care and inefficient charging. While the exact financial loss varies between facilities, emergency rooms face a greater strain on the quality of care for all patients. Prolonged emergency department stays for the psychiatric patient can also increase anxiety and agitation, creating a less than optimal environment for other patients and healthcare workers.

Research has shown that a lack of inpatient psychiatric beds is one of the biggest contributors to boarding[1]. The relocation and expansion of Sheppard Pratt in Elkridge positions SPHS to become a larger presence in the community and for the State of Maryland in terms of appropriate psychiatric care. It is a crucial step to improving access to appropriate levels of care in the community and to improve efficiencies of care across facilities.

[1] ACEP Emergency Medicine Practice Committee, "Care of the Psychiatric Patient in the Emergency Department – A Review of the Literature," American College of Emergency Physicians, October 2014. Available at: http://www.acep.org/uploadedFiles/ACEP/Clinical_and_Practice_Management/Resources/Mental_Health_and_Substance_Abuse/Psychiatric%20Patient%20Care%20in%20the%20ED%202014.pdf Accessed 17 July 2015.

b. A summary of the impact on the costs and charges to the health care delivery system consistent with the information provided in the Project Budget, the projections of revenues and expenses, and the work force information.

Applicant Response

Effective mental health care is a necessary component of a comprehensive health care system. When a psychiatric patient receives proper care, such care can prevent unnecessary medical utilization and reduce future demand on medical resources. Maryland emergency departments see and treat over a dozen psychiatric patients daily and can board up to a dozen for multiple days at a time[2]. This is also evidenced by the "No Bed Available Logs" referenced in the SPHS CON Application, which documents calls received from hospitals requesting a psychiatric bed to no avail. Patients in these situations are often frequent visitors to hospital emergency rooms and can exhibit certain behaviors that are disruptive to operations of the emergency department. By creating more available beds in Elkridge, SPHS can accommodate psychiatric patients coming from a variety of settings and thus alleviate the costs of treating such patients on multiple levels. The future Elkridge facility is an investment in the continuity of care through more cost effective and clinically appropriate mental health services.

[2] Maryland Patient Safety Center. "Strategies for Handling the Psychiatric Patient Population," July 2006. Available at:http://www.marylandpatientsafety.org/html/collaboratives/ed/documents/StrategiesforHandlingPsychPatientPopulation.pdf Accessed 17 July 2015.

Table of Exhibits

Table of Tables

I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Completeness Questions Dated June 3, 2015 and its attachments are true and correct to the best of my knowledge, information, and belief.

July 31, 2015
Date

Bonnie Katz
Vice President, Business Development
and Support Operations
Sheppard Pratt Health System, Inc.

I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Completeness Questions Dated June 3, 2015 and its attachments are true and correct to the best of my knowledge, information, and belief.

July 31, 2015
Date

Gerald A. Noll
Vice President and Chief Financial Officer
Sheppard Pratt Health System, Inc.

#524243
011000-0005

I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Completeness Questions Dated June 3, 2015 and its attachments are true and correct to the best of my knowledge, information, and belief.

July 31, 2015
Date

Thomas D. Hess
Special Assistant to the President
Sheppard Pratt Health System, Inc.

I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Completeness Questions Dated June 3, 2015 and its attachments are true and correct to the best of my knowledge, information, and belief.

July 31, 2015
Date

Scott Thomas
Architect and Senior Vice President
Cannon Design