

ANNE ARUNDEL MEDICAL CENTER  
CERTIFICATE OF NEED APPLICATION

Anne Arundel Medical Center Mental Health Hospital

AUGUST 1, 2016 PROJECT COST AND SHELL SPACE UPDATES



## Summary of Mental Health Hospital CON Application Cost Updates

The following updates have been made that impact the Total Capital Cost of the project:

- Continued refinement of the Concept of Operations based upon best practices which decreased the BGSF (building gross square feet)
- Application of “lean” principles to the design
- Anne Arundel County relocated the adjacent well project allowing for repositioning of the building to better utilize the natural grades
- Incorporated inflation using the MHCC document for Determining the Threshold for Required Approval of Changes in Certificate of Need Approved Capital Cost updated 5/12/2016.

The project operational and design program has been refined by continuing to apply best practices and “lean” principles based on further development and elaboration of the Concept of Operations by the clinical team with the design team members.<sup>1</sup> The adjacent county well project was relocated by the county to avoid interfering with the new facility and as a result, the lower level of the building was reconfigured along with site access from Harry Truman Parkway. A constructability analysis was performed by a construction management company in conjunction with the civil engineer.

### **TABLE B: DEPARTMENTAL GROSS SQUARE FEET AFFECTED BY PROPOSED PROJECT**

Table B was updated to reflect the change in building gross square footage from 66,752 to 56,236.

### **TABLE C: CONSTRUCTION CHARACTERISTICS**

Table C was updated to reflect the changes in construction characteristics.

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<sup>1</sup> “Lean” principles incorporate continuous improvement progression focusing on reducing waste throughout the planning, design and construction processes while delivering a facility that is centered on efficient, safe and effective patient care.

**TABLE D: ONSITE AND OFFSITE COSTS INCLUDED AND EXCLUDED IN MARSHALL VALUATION COSTS**

Table D has been updated to reflect changes in design and construction techniques. Below is a summary of the changes.

	CON APPLICATION SUBMISSION	UPDATE	CHANGE
<b>SITE PREPARATION COSTS</b>			
Normal Site Preparation	\$0	\$0	\$0
Utilities from Structure to Lot Line	\$0	\$0	\$0
<b>Subtotal included in Marshall Valuation Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Site Demolition Costs	\$40,000	\$138,796	\$98,796
Storm Drains/Water/Sewer	\$150,000	\$797,619	\$647,619
Rough Grading	\$80,000	\$739,840	\$659,840
Hillside Foundation	\$0	\$325,751	\$325,751
Paving	\$50,000	\$205,648	\$155,648
Exterior Signs	\$25,000		-\$25,000
Landscaping	\$75,000	\$123,970	\$48,970
Walls	\$30,000		-\$30,000
Normal Site Preparation	\$150,000	\$64,612	-\$85,388
Utilities from Structure to Lot Line	\$121,545		-\$121,545
Sediment & Erosion Control	\$50,000		-\$50,000
Site Work (ramps, curbs, sidewalks, courtyard)	\$150,000		-\$150,000
<b>Subtotal On-Site excluded from Marshall Valuation Costs</b>	<b>\$936,545</b>	<b>\$2,396,235</b>	<b>\$1,474,690</b>
<b>OFFSITE COSTS</b>			
Roads	\$10,000		-\$10,000
Utilities	\$40,000		-\$40,000
Jurisdictional Hook-up Fees	\$374,528	\$374,528	\$0
Other ( <i>Specify/add rows if needed</i> )			
<b>Subtotal Off-Site excluded from Marshall Valuation Costs</b>	<b>\$424,528</b>	<b>\$374,528</b>	<b>-\$50,000</b>

TOTAL Estimated On-Site and Off-Site Costs <u>not</u> included in Marshall Valuation Costs	\$1,361,073	\$2,770,763	\$1,424,690
TOTAL Site and Off-Site Costs included and excluded from Marshall Valuation Service*	\$1,361,073	\$2,770,763	\$1,424,690

TABLE E. PROJECT BUDGET

Table E has been update to reflect changes in design. Below is a summary of the changes.

	CON APPLICATION SUBMISSION	UPDATE	CHANGE
<b>A. USE OF FUNDS</b>			
<b>1. CAPITAL COSTS</b>			
a. Land Purchase	\$0	\$0	\$0
<b>b. New Construction</b>			
(1) Building	\$12,790,057	\$16,080,433	\$3,290,376
(2) Fixed Equipment			\$0
(3) Site and Infrastructure	\$1,361,073	\$2,770,763	\$1,409,690
(4) Architect/Engineering Fees	\$1,373,350	\$1,373,350	\$0
(5) Permits (Building, Utilities, Etc.)	\$23,757	\$23,757	\$0
<b>SUBTOTAL</b>	<b>\$15,548,237</b>	<b>\$20,248,303</b>	<b>\$4,700,066</b>
<b>c. Renovations</b>			
(1) Building	\$0	\$0	\$0
(2) Fixed Equipment (not included in construction)	\$0	\$0	\$0
(3) Architect/Engineering Fees	\$0	\$0	\$0
(4) Permits (Building, Utilities, Etc.)	\$0	\$0	\$0
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>d. Other Capital Costs</b>			
(1) Movable Equipment	\$900,000	\$900,000	\$900,000
(2) Contingency Allowance	\$550,000	\$1,750,000	\$1,200,000
(3) Gross interest during construction period	\$0	\$0	\$0
(4) Other (minor equipment)	\$0	\$0	\$0
Commissioning / Testing	\$0	\$375,000	\$375,000
IT / Integration	\$0	\$700,000	\$700,000
Exterior Courtyard / Hardscaping	\$0	\$500,000	\$500,000
<b>SUBTOTAL</b>	<b>\$1,450,000</b>	<b>\$4,225,000</b>	<b>\$2,775,000</b>

<b>TOTAL CURRENT CAPITAL COSTS</b>	<b>\$16,998,237</b>	<b>\$24,473,303</b>	<b>\$7,475,7066</b>
e. Inflation Allowance	\$0	\$511,492	\$511,492
<b>TOTAL CAPITAL COSTS</b>	<b>\$16,998,237</b>	<b>\$24,984,795</b>	<b>\$7,986,558</b>

## MARSHAL VALUATION SERVICE ANALYSIS

The building cost estimate was updated based upon revised based civil and architectural plans dated 07.19.16 and modified design narratives for mechanical, plumbing, electrical, telecommunications and security. The project is targeted to achieve LEED Silver certification and the mechanical system includes the costs for a chilled beam system.

### 1. MVS Allowable Cost Determination

#### Base Cost

Construction Quality	Good
Construction Class	A
Stories	4
Average Floor to Floor Height	14'-6"
<u>Average Floor Area</u>	<u>14,059 SF</u>
<b>Base Cost per Square Foot</b>	<b>\$ 365.78</b>

#### Base Cost Adjustments

Sprinkler System	\$3.30/SF
Floor Area Multiplier	0.985
Story Height Multiplier	1.050
Current Cost Multiplier	1.020
<u>Local Multiplier</u>	<u>1.040</u>
<b>MVS Allowable Cost per Square Foot</b>	<b>\$404.93</b>

**MVS Allowable Construction Cost = \$404.93 x 56.236 sf = \$22,771,643**

### 2. MVS Differential Cost Analysis

<u>Dept.</u>	<u>Adjustment Factor</u>	<u>DGSF</u>	<u>Cost</u>
Nursing Unit	1.06	14,593	\$ 6,263,686
PHP	0.99	5,568	\$ 2,232,102
Dietary	1.52	1,555	\$ 957,092

Shell	0.5	17,132	\$ 3,468,627
Mechanical	0.7	2,139	\$ 606,301
Public	0.8	4,781	\$ 1,548,775
Housekeeping	1.31	1,302	\$ 690,656
Corridors	0.6	2,564	\$ 622,944
<u>Building Grossing Factor</u>	<u>0.5</u>	<u>6,602</u>	<u>\$ 1,336,673</u>
Subtotal		56,236	\$17,726,855
<u>Deduct Architect Fees (Sec.99 Pg.2)</u>		<u>-7.3%</u>	<u>-\$ 1,294,060</u>
<b>Differential Construction Costs</b>			<b>\$ 16,432,795</b>

**Differential Construction Cost per Square Foot \$292.21**

### 3. Proposed Construction Cost

**Proposed Construction Cost (Revised Table E. Line A.1.b(1)) = \$16,080,433**

**Proposed Cost per Square Foot = \$16,080,433 / 56,236 bgsf = \$285.95**

### 4. Cost Comparison

In comparison, the Proposed Construction cost per square foot for the project of \$285.95 is \$118.98 below the MVS Allowable Construction cost per square foot of \$404.93. See chart below.

	<u>\$/SF</u>	<u>Cost</u>	<u>Variance from MVS Allow</u>
MVS Allowable Construction Cost	\$ 404.93	\$ 22,771,643	
Differential Construction Cost	\$ 292.21	\$ 16,432,721	- \$ 112.72
<u>Proposed Construction Budget</u>	<u>\$ 285.95</u>	<u>\$ 16,080,433</u>	<u>- \$ 118.98</u>

Given that the Proposed Construction Budget is below both the MVS Allowable Construction Cost and the Differential Construction Cost, the Proposed Construction Budget is reasonable.

**UPDATED APPLICATION PAGES (CHANGES MARKED)**

Institute for Healthcare Improvement's Triple Aim: Better patient experience, better population health, and lower cost per case.

Community stakeholders have identified improved mental health services to be one of the highest priority health care needs in Anne Arundel County, as described by the FY 2016 Community Health Needs Assessment conducted in Anne Arundel County (Exhibit 1). The lack of an inpatient setting for effective treatment planning, the disjointed medical and psychiatric care management, and the poor care coordination across regions contribute to high ED utilization and the number of readmissions for patients with mental health diagnoses.

Residents of Anne Arundel County and surrounding counties rely heavily on AAMC as the first point of contact. In FY 2015, AAMC served more than 2,400 adult ED patients with a mental health diagnosis as their primary diagnosis, representing an 8 percent increase over prior year volume at AAMC. This patient volume included 1,837 visits for Anne Arundel County residents, or 36 percent of all adult Anne Arundel County residents who sought mental health services in an ED. In other words, more than one third of Anne Arundel County residents who sought emergency care for mental health conditions came to AAMC. Similarly, more than 20 percent of all adult residents from Queen Anne's County who sought emergency care for mental health conditions came to AAMC. The proposed program largely aims to meet the needs of patients already coming to AAMC for care.

Through this project, AAMC will deliver a comprehensive system of care consisting of inpatient psychiatric care, psychiatric partial hospitalization, and intensive outpatient programs all located in Anne Arundel County and carefully coordinated with existing providers of care and programs of self-help and patient advocacy, aimed at reducing inpatient utilization and recidivism and to improving outcomes.

Please refer to the Comprehensive Project Description below for a more detailed discussion of the rationale for the project.

*(1) Cost*

The capital cost of the project is ~~\$16,998,237~~ \$24,984,795. Details on cost are in Appendix 1 - Table E.

*(2) Master Facility Plans*

A description of how the project fits in AAMC's long term plans is discussed in part (6) of the Comprehensive Project Description below.



Primary Building Features: The proposed facility will be a ~~66,725~~ 56,236-square-foot, four-story structure with three stories above grade on the courtyard and main entrance sides of the building, and four stories above grade on the service entrance side of the building. Exterior façade will be similar to the existing Pathways building. Façade materials include the following: split face concrete masonry units at the building base, face brick as the predominant material, stucco in selected areas, and metal-framed windows with insulated glass and appropriate security features. Roofing materials consist of standing seam metal roofing on sloped surfaces and built-up roofing on flat surfaces. Each of the building floors includes the following functional areas:

Basement Floor: This floor of the building serves primarily to provide the various support facilities for the entire building to include the following: centralized mechanical systems, central electrical systems, loading dock, kitchen, soiled and clean laundry storage, and supply and dietary storage. In addition, the secure ambulance entrance is located on this floor with an enclosed ambulance bay leading to the appropriate intake and holding area (where patients are examined by an Intake Coordinator), and then transport via a secure elevator to the inpatient unit on the second floor.

First Floor: The main entrance to the building occurs on this floor with access available from nearby parking as well as a drop-off lane adjacent to the building entrance. Upon entering the building, appropriate security features are in place before access to the remainder of the building is granted. A multi-purpose room next to the vestibule provides space for outside group meetings without having to enter the secure portion of the building. Once passing through security, the reception, meditation, waiting, vending, and public toilet facilities are immediately available. Elevators are configured adjacent to the lobby for appropriate secure access to the inpatient unit on the second floor. Beyond the lobby, a public corridor provides access to the other functions on this floor. The corridor will be glass-enclosed on the building edge providing views and controlled access to the outdoor enclosed courtyard. Shell space is included for the future outpatient programs. Space is provided for the mental health partial hospitalization program with separate areas for adolescent patients, adult patients, and staff support functions. At the rear of the building, the service elevator is located with access to all building floors. Some storage is also available next to the service elevator.

Second Floor: This floor of the building serves as a 16-bed inpatient unit. Patients arriving by ambulance will be transported to this floor via the secure elevator discharging into a secure vestibule and subsequent intake into the unit. At the front of the building, the other elevator will provide access for families and visitors to the unit. Immediately adjacent to this elevator are a waiting room, public toilets, consult rooms, staff offices, and a staff team room. Upon entering the unit, there are two wings of patient rooms. All patient rooms are single occupancy with code compliant toilet and shower facilities. In the center of the building, the common areas for patients are located with views into the secure courtyard and views to the other portions of the site. Staff support areas are also located in the center of the building with nurse station sight lines directly down each patient wing corridor. At the rear of the building, the occupational therapy

## F.

### SHELL SPACE ANALYSIS

In the absence of an applicable shell space review standard in this context, AAMC applied the project review standard for shell space in an acute care general hospital project (COMAR 10.24.10.16), which provides as follows:

- a) Unfinished hospital shell space for which there is no immediate need or use shall not be built unless the applicant can demonstrate that construction of the shell space is cost effective
- b) If the proposed shell space is not supporting finished building space being constructed above the shell space, the applicant shall provide an analysis demonstrating that constructing the space in the proposed time frame has a positive net present value that:
  - i) Considers the most likely use identified by the hospital for the unfinished space;
  - ii) Considers the time frame projected for finishing the space; and
  - iii) Demonstrates that the hospital is likely to need the space for the most likely identified use in the projected time frame.
- c) Shell space being constructed on lower floors of a building addition that supports finished building space on upper floors does not require a net present value analysis. Applicants shall provide information on the cost, the most likely uses, and the likely time frame for using such shell space.
- d) The cost of shell space included in an approved project and those portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure that are based on the construction cost of the shell space will be excluded from consideration in any rate adjustment by the Health Service Cost Review Commission.

#### **Applicant Response:**

##### *First Floor Shell Space*

There is approximately ~~6,500~~ 3,421 SF of shell space located on the First Floor. Under COMAR 10.24.10 (16)(c), using current cost estimates to fit out the shell space at ~~\$115/sf~~ \$125/sf would be approximately ~~\$747,500~~ \$427,625. AAMC expects to utilize the space for outpatient mental health services, as described further on page 78a-b. The expected timeframe to fit out the shell space is three to five years.

##### *Third Floor Shell Space*

There is approximately ~~16,668~~ 11,908 SF of shell space located on the Third Floor, which will not support finished space. Please refer to page 78a-b for a description of the likely use of and need for this shell space. ~~The most likely use will be for inpatient mental health beds and associated clinical and operational support space, as need develops and subject to the resolution of the IMD Exclusion issue, or alternatively for additional outpatient mental health programs. For further discussion of the IMD Exclusion issue, please refer to Part (A)(11) under the Need standard (page 53) above.~~ The anticipated timeframe to fit out the shell space is likely to be three to five years after building opening.

## *Value Analysis*

The current cost to construct the Third Floor shell space based upon the Marshal Swift Valuation (MSV) services is \$1.30 million and time adjusted for escalation at 3.5% a year is \$1.53 million a construction estimate provided by a construction management company is \$2.0 million, which includes contingency at 5 percent and inflation calculated per the MHCC document for Determining the Threshold for Required Approval of Changes in Certificate of Need Approved Capital Cost updated 5/12/2016 The actual anticipated cost to add a Third Floor on top of an in-use mental health facility would be substantially increased over the MSC this value due to operational impacts such as infection control requirements, segregation of construction personnel and materials, utility outages and potential relocation of patients. An additional multiplier of 75 percent is justified and would result in an anticipated total cost of \$2.68 million, which includes 15 percent contingency and inflation the complexity of adding a floor above an active inpatient unit. The additional factors that would increase the cost of construction include, but are not limited to, the following:

- The existing building will be in use and provisions will be made to protect the patients, staff and visitors from adverse effects from construction through the use of infection prevention controls. These costs would not be necessary as part of the initial project.
- The project duration will be longer accounting for additional coordination and construction activities, sequencing, and inefficient production based upon minimizing the impact to facility operations and patient care which will lead to increased general conditions and labor costs.
- Anticipate additional costs for site logistics and repair sitework as the building would only be easily accessible from two sides as the remaining two sides will only be accessible from a courtyard enclosed by two buildings.
- The existing roof top mounted mechanical equipment along with the associated infrastructure would need to be relocated and modified to account for the added height. We anticipate additional cost due to providing temporary heating and cooling during periods of interruption.
- The current construction costs are based upon building, energy and life safety codes adopted by Anne Arundel County as of 2016. If the shell space was permitted up to five years after the initial project, we anticipate additional costs due to adoption newer versions of existing codes and implementation of new codes.

Based upon the aforementioned items related to constructing the shell space after the completion of the initial project, the current construction costs were multiplied by a factor of two resulting in an anticipated total cost of \$4.20M which includes 5% contingency and inflation.

Please refer to the Applicant's responses to Questions 1 and 2 in Staff's June 23, 2016 Completeness Questions for the net present value analysis demonstrating that constructing the third floor has a positive net present value.

### Utilization of First Floor Shell Space

AAMC currently operates an outpatient mental health clinic off-campus, in leased space on the south side of Riva Road (2.4 miles from the AAMC campus). The clinic offers care for diverse mental health needs for adults and children ages 3 and older. After 22 months in operation and introducing extended evening and weekend hours, the waiting list for services at this clinic is two months. Accordingly, the Applicant plans to utilize the shell space on the first floor in order to relocate outpatient mental health clinic services for children and adolescents from the leased space to the new mental health hospital building, allowing this program and the adult program (in the leased space) to grow to meet demonstrated community need. The expected timeframe to fit out the shell space is three to five years.

### Utilization of Third Floor Shell Space

The Applicant plans to use the shell space on the third floor in three to five years as follows:

(1) Establish an intensive outpatient mental health program for children and adolescents with disorders of opposition/defiance or acting out behaviors. No such intensive outpatient program is currently available in the community, and the need for one has been identified by the Anne Arundel County Board of Education as well as by providers in the AAMC Emergency Department and mental health outpatient clinics. This program would use 2,600 square feet of the third floor shell space.

(2) Establish an outpatient pain management program. As demonstrated by the heroin and opioid addiction crisis, there is an urgent need to respond to the problems of patients with chronic pain who would be best served by an integrated approach to pain management. Current treatment settings for pain management fall short in that they fail to incorporate psychotherapy intervention and substance use intervention, while mental health and substance use settings do not incorporate and therefore effectively integrate the somatic management of chronic pain. The failure to adequately respond to community need in this area continues to lead to tragic outcomes, including the high rates of overdose on prescribed and illicit opiates. AAMC has the opportunity to provide an integrated program incorporating specialists in pain management, mental health and addictions interventions. This program model will be designed to provide relief to patients, tackle the often intertwined syndromes underlying pain problems, and support long-term emotional and physical well-being. This program would utilize 2,700 square feet on the third floor of the new building.

(3) Relocate adult outpatient clinic from leased space on Riva Road. On the expiration of the lease of the space on Riva Road in approximately five years, the adult outpatient mental health clinic would be relocated to the third floor of the new building. (As described above, child and adolescent outpatient clinic services currently being provided at the clinic will be established in the first floor shell space.) This would utilize approximately 6,600 square feet of the third floor shell space.

(4) If the State is granted a waiver or other relief from the IMD exclusion, instead of relocating the adult outpatient clinic from the leased space to the third floor, the Applicant may seek to establish an eight-bed adolescent inpatient unit to the third floor shell space. We are committed to promoting a community-based mental health care model through treatment in the partial hospitalization, intensive outpatient, and traditional outpatient settings, and through integration of community-based supports. At the same time, the Applicant recognizes that there will continue to be a segment of the population that will require inpatient care. There is no adolescent inpatient unit in Anne Arundel County, so adolescent patients from Anne Arundel County must go out of the County for inpatient care. This results in the same challenges to continuity in mental health care as it does with our adult patients, and makes family engagement more difficult, as described in our Application. In FY2015, a total of 526 mental health discharges were reported for Anne Arundel County adolescent residents (ages 10-17 years). These discharges were excluded from the Applicant's need analysis in the Application. Nearly 30% of these discharges originated at AAMC's Emergency Department. With no child or adolescent unit in Anne Arundel County for admissions from the ED at Baltimore Washington Medical Center, these admissions must also leave Anne Arundel County.

Please refer to the Applicant's response to Question 3 in Staff's June 23, 2016 Completeness Questions for additional information on the likely uses of and need for the shell space.

#### **4. Option 4: Redevelop Existing Site**

An option to build a psychiatric hospital on purchased property that would require demolition of an existing building was also explored. An advantage to the site would be that the health system would own the property as opposed to the long-term land lease with Anne Arundel County for the Riva Road property. The land acquisition, demolition and unforeseeable site conditions makes this a less favorable option. Additionally, there is substantial ongoing cost to support another satellite for the health system for couriers, materials management, technology infrastructure, personnel, etc.

A review of potential sites and conceptual estimates for this project indicate that the total capital investment would be in excess of \$21.0 ~~\$29.7~~ million. This option is not only more expensive to build, but also does not provide the numerous benefits afforded by co-locating multiple mental health and substance use services on a single site identified earlier.

As required by this Standard, AAMC also considered population health initiatives to avoid or lessen hospital admissions. AAMC's overall plan for mental health includes multiple population health initiatives (refer to page 14) and treatment collaborations to decrease the need for inpatient psychiatric care. Nevertheless, the need for additional inpatient psychiatric capacity persists.

Two programs in operation or in development will serve to facilitate earlier case detection and earlier outpatient intervention, with the ultimate impact of lessening avoidable inpatient utilization. These include use of a brief mental health and substance use questionnaire in AAMC's network of primary care clinics, and the use of a clinical navigator to field referrals for mental health intervention to a network of cooperating treatment providers. This program began in 2015 and has achieved 509 referrals as of January 31, 2016. This program will be developed further in the coming year with addition of a pilot project of primary care integration, and psychiatric consultation provided to primary care physicians managing psychotropic medications in primary care, with planned expansion to an increasing network of primary care practices in subsequent years.

AAMC will establish a psychiatric partial hospitalization program in FY 2016. It is projected that 15 to 20 percent of current ED visits historically resulting in an inpatient admission of either an adolescent or an adult will be averted through admission to psychiatric partial hospitalization, either from the ED or before presenting there at all. AAMC has taken this reduction into account in the analysis of expected ongoing need for inpatient admission from the ED. The additional impacts of psychiatric partial hospitalization on inpatient utilization are expected to be on length of stay and rates of readmission. AAMC's need analysis is based on an inpatient length of stay equal to that of Maryland acute care hospitals with inpatient psychiatric beds that also have psychiatric partial hospitalization available at their facilities as a step-down from inpatient care. The impact on readmission rates is difficult to quantify from current data, but is expected to be positive although marginal.

Crisis residential services are currently available in Anne Arundel County through Harbor House, which maintains beds in Glen Burnie and Edgewater. Diversion of avoidable

wrenching series of too many crises. The DePaolas now volunteer with AAMC to help realize its full vision for “a comprehensive approach to mental illness” and to help “facilitate the efforts of AAMC and the community to attack this serious medical challenge.”

Through the AAMC Foundation, business and professional leaders are voicing their support as well. Many believe so strongly that AAMC should have a comprehensive mental health program that they have pledged to raise a minimum of \$5 million once the CON is approved to help fund the construction and additional program development for this initiative. The Foundation and its Mental Health and Pathways Philanthropy Council, comprised of 9 dedicated and passionate community leaders, already have raised more than \$500,000 to support existing mental health services.

Finally, there is a letter of support worth noting for its author. Maryland’s former lieutenant governor Kathleen Kennedy Townsend is no stranger to mental health issues and substance use. Having spent time in Anne Arundel County she knows this area and its needs. When apprised of AAMC’s proposed CON for an inpatient mental health unit, Ms. Townsend responded swiftly and enthusiastically with her endorsement.

In conclusion, all sectors of AAMC’s community are urging the MHCC to grant the requested CON and to provide mental health patients the critical inpatient care they need.

#### *Performance Requirements and Compliance*

This project, if approved as a special hospital, is subject to the performance requirements set forth in COMAR 10.24.01.12C(3)(a). If the project is approved, AAMC must obligate 51 percent of the approved capital obligation within 24 months of the approved date of the CON, initiate construction no later than 4 months after the effective date of the capital obligation, and document, license, and complete the project within 24 months after the effective date of the binding capital obligation.

Assuming the CON is approved, AAMC intends to complete construction in the fall of 2018.

#### **CON Application & Process Timeline**

File CON	March 29, 2016
MHCC Completeness Questions	April – August 2016
CON Docketed	<del>June</del> September 2016
CON Reviewed	<del>September</del> December 2016
CON Decision	<del>Nov-2016</del> February 2017

#### *Process for Project Design and Construction*

AAMC has selected an architectural firm, CR Goodman Associates of Annapolis of Maryland, as the lead architect. AAMC has engaged a team of necessary design consultants which include a civil engineering firm, traffic engineer, mechanical and electrical design firm and a low voltage consultant. Several meetings have occurred between AAMC, the design team, and the Anne Arundel County planning and zoning and permitting staff to discuss the project, zoning, other related requirements and schedule.

**UPDATED APPLICATION PAGES (CLEAN)**



Institute for Healthcare Improvement's Triple Aim: Better patient experience, better population health, and lower cost per case.

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Please refer to the Comprehensive Project Description below for a more detailed discussion of the rationale for the project.

### *(3) Cost*

The capital cost of the project is \$24,984,795. Details on cost are in Appendix 1 - Table E.

### *(4) Master Facility Plans*

A description of how the project fits in AAMC's long term plans is discussed in part (6) of the Comprehensive Project Description below.

Primary Building Features: The proposed facility will be a 56,236-square-foot, four-story structure with three stories above grade on the courtyard and main entrance sides of the building, and four stories above grade on the service entrance side of the building. Exterior façade will be similar to the existing Pathways building. Façade materials include the following: split face concrete masonry units at the building base, face brick as the predominant material, stucco in selected areas, and metal-framed windows with insulated glass and appropriate security features. Roofing materials consist of standing seam metal roofing on sloped surfaces and built-up roofing on flat surfaces. Each of the building floors includes the following functional areas:

Basement Floor: This floor of the building serves primarily to provide the various support facilities for the entire building to include the following: centralized mechanical systems, central electrical systems, loading dock, kitchen, soiled and clean laundry storage, and supply and dietary storage. In addition, the secure ambulance entrance is located on this floor with an enclosed ambulance bay leading to the appropriate intake and holding area (where patients are examined by an Intake Coordinator), and then transport via a secure elevator to the inpatient unit on the second floor.

First Floor: The main entrance to the building occurs on this floor with access available from nearby parking as well as a drop-off lane adjacent to the building entrance. Upon entering the building, appropriate security features are in place before access to the remainder of the building is granted. A multi-purpose room next to the vestibule provides space for outside group meetings without having to enter the secure portion of the building. Once passing through security, the reception, meditation, waiting, vending, and public toilet facilities are immediately available. Elevators are configured adjacent to the lobby for appropriate secure access to the inpatient unit on the second floor. Beyond the lobby, a public corridor provides access to the other functions on this floor. The corridor will be glass-enclosed on the building edge providing views and controlled access to the outdoor enclosed courtyard. Shell space is included for the future outpatient programs. Space is provided for the mental health partial hospitalization program with separate areas for adolescent patients, adult patients, and staff support functions. At the rear of the building, the service elevator is located with access to all building floors. Some storage is also available next to the service elevator.

Second Floor: This floor of the building serves as a 16-bed inpatient unit. Patients arriving by ambulance will be transported to this floor via the secure elevator discharging into a secure vestibule and subsequent intake into the unit. At the front of the building, the other elevator will provide access for families and visitors to the unit. Immediately adjacent to this elevator are a waiting room, public toilets, consult rooms, staff offices, and a staff team room. Upon entering the unit, there are two wings of patient rooms. All patient rooms are single occupancy with code compliant toilet and shower facilities. In the center of the building, the common areas for patients are located with views into the secure courtyard and views to the other portions of the site. Staff support areas are also located in the center of the building with nurse station sight lines directly down each patient wing corridor. At the rear of the building, the occupational therapy

## F.

### SHELL SPACE ANALYSIS

In the absence of an applicable shell space review standard in this context, AAMC applied the project review standard for shell space in an acute care general hospital project (COMAR 10.24.10.16), which provides as follows:

- a) Unfinished hospital shell space for which there is no immediate need or use shall not be built unless the applicant can demonstrate that construction of the shell space is cost effective
- b) If the proposed shell space is not supporting finished building space being constructed above the shell space, the applicant shall provide an analysis demonstrating that constructing the space in the proposed time frame has a positive net present value that:
  - i) Considers the most likely use identified by the hospital for the unfinished space;
  - ii) Considers the time frame projected for finishing the space; and
  - iii) Demonstrates that the hospital is likely to need the space for the most likely identified use in the projected time frame.
- c) Shell space being constructed on lower floors of a building addition that supports finished building space on upper floors does not require a net present value analysis. Applicants shall provide information on the cost, the most likely uses, and the likely time frame for using such shell space.
- d) The cost of shell space included in an approved project and those portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure that are based on the construction cost of the shell space will be excluded from consideration in any rate adjustment by the Health Service Cost Review Commission.

#### **Applicant Response:**

##### *First Floor Shell Space*

There is approximately 3,421 SF of shell space located on the First Floor. Under COMAR 10.24.10 (16)(c), using current cost estimates to fit out the shell space at \$125/sf would be approximately \$427,625. AAMC expects to utilize the space for outpatient mental health services, as described further on page 78a-b. The expected timeframe to fit out the shell space is three to five years.

##### *Third Floor Shell Space*

There is approximately 11,908 SF of shell space located on the Third Floor, which will not support finished space. Please refer to page 78a-b for a description of the likely use of and need for this shell space. The anticipated timeframe to fit out the shell space is likely to be three to five years after building opening.

## *Value Analysis*

The current cost to construct the Third Floor shell space based upon a construction estimate provided by a construction management company is \$2.0 million, which includes contingency at 5 percent and inflation calculated per the MHCC document for Determining the Threshold for Required Approval of Changes in Certificate of Need Approved Capital Cost updated 5/12/2016. The actual anticipated cost to add a Third Floor on top of an in-use mental health facility would be substantially increased over this value due to the complexity of adding a floor above an active in-patient unit. The additional factors that would increase the cost of construction include, but are not limited to the following:

- The existing building will be in use and provisions will be made to protect the patients, staff and visitors from adverse effects from construction through the use of infection prevention controls. These costs would not be necessary as part of the initial project.
- The project duration will be longer accounting for additional coordination and construction activities, sequencing, and inefficient production based upon minimizing the impact to facility operations and patient care which will lead to increased general conditions and labor costs.
- Anticipate additional costs for site logistics and repair sitework as the building would only be easily accessible from two sides as the remaining two sides will only be accessible from a courtyard enclosed by two buildings.
- The existing roof top mounted mechanical equipment along with the associated infrastructure would need to be relocated and modified to account for the added height. We anticipate additional cost due to providing temporary heating and cooling during periods of interruption.
- The current construction costs are based upon building, energy and life safety codes adopted by Anne Arundel County as of 2016. If the shell space was permitted up to five years after the initial project, we anticipate additional costs due to adoption newer versions of existing codes and implementation of new codes.

Based upon the aforementioned items related to constructing the shell space after the completion of the initial project, the current construction costs were multiplied by a factor of two resulting in an anticipated total cost of \$4.20M which includes 5% contingency and inflation.

Please refer to the Applicant's responses to Questions 1 and 2 in Staff's June 23, 2016 Completeness Questions for the net present value analysis demonstrating that constructing the third floor has a positive net present value.

### *Utilization of First Floor Shell Space*

AAMC currently operates an outpatient mental health clinic off-campus, in leased space on the south side of Riva Road (2.4 miles from the AAMC campus). The clinic offers care for diverse mental health needs for adults and children ages 3 and older. After 22 months in operation and introducing extended evening and weekend hours, the waiting list for services at this clinic is two months. Accordingly, the Applicant plans to utilize the shell space on the first floor in order to relocate outpatient mental health clinic services for children and adolescents from the leased space to the new mental health hospital building, allowing this program and the adult program (in the leased space) to grow to meet demonstrated community need. The expected timeframe to fit out the shell space is three to five years.

### *Utilization of Third Floor Shell Space*

The Applicant plans to use the shell space on the third floor in three to five years as follows:

(1) Establish an intensive outpatient mental health program for children and adolescents with disorders of opposition/defiance or acting out behaviors. No such intensive outpatient program is currently available in the community, and the need for one has been identified by the Anne Arundel County Board of Education as well as by providers in the AAMC Emergency Department and mental health outpatient clinics. This program would use 2,600 square feet of the third floor shell space.

(2) Establish an outpatient pain management program. As demonstrated by the heroin and opioid addiction crisis, there is an urgent need to respond to the problems of patients with chronic pain who would be best served by an integrated approach to pain management. Current treatment settings for pain management fall short in that they fail to incorporate psychotherapy intervention and substance use intervention, while mental health and substance use settings do not incorporate and therefore effectively integrate the somatic management of chronic pain. The failure to adequately respond to community need in this area continues to lead to tragic outcomes, including the high rates of overdose on prescribed and illicit opiates. AAMC has the opportunity to provide an integrated program incorporating specialists in pain management, mental health and addictions interventions. This program model will be designed to provide relief to patients, tackle the often intertwined syndromes underlying pain problems, and support long-term emotional and physical well-being. This program would utilize 2,700 square feet on the third floor of the new building.

(3) Relocate adult outpatient clinic from leased space on Riva Road. On the expiration of the lease of the space on Riva Road in approximately five years, the adult outpatient mental health clinic would be relocated to the third floor of the new building. (As described above, child and adolescent outpatient clinic services currently being provided at the clinic will be established in the first floor shell space.) This would utilize approximately 6,600 square feet of the third floor shell space.

(4) If the State is granted a waiver or other relief from the IMD exclusion, instead of relocating the adult outpatient clinic from the leased space to the third floor, the Applicant may seek to establish an eight-bed adolescent inpatient unit to the third floor shell space. We are committed to promoting a community-based mental health care model through treatment in the partial hospitalization, intensive outpatient, and traditional outpatient settings, and through integration of community-based supports. At the same time, the Applicant recognizes that there will continue to be a segment of the population that will require inpatient care. There is no adolescent inpatient unit in Anne Arundel County, so adolescent patients from Anne Arundel County must go out of the County for inpatient care. This results in the same challenges to continuity in mental health care as it does with our adult patients, and makes family engagement more difficult, as described in our Application. In FY2015, a total of 526 mental health discharges were reported for Anne Arundel County adolescent residents (ages 10-17 years). These discharges were excluded from the Applicant's need analysis in the Application. Nearly 30% of these discharges originated at AAMC's Emergency Department. With no child or adolescent unit in Anne Arundel County for admissions from the ED at Baltimore Washington Medical Center, these admissions must also leave Anne Arundel County.

Please refer to the Applicant's response to Question 3 in Staff's June 23, 2016 Completeness Questions for additional information on the likely uses of and need for the shell space.

#### **4. Option 4: Redevelop Existing Site**

An option to build a psychiatric hospital on purchased property that would require demolition of an existing building was also explored. An advantage to the site would be that the health system would own the property as opposed to the long-term land lease with Anne Arundel County for the Riva Road property. The land acquisition, demolition and unforeseeable site conditions makes this a less favorable option. Additionally, there is substantial ongoing cost to support another satellite for the health system for couriers, materials management, technology infrastructure, personnel, etc.

A review of potential sites and conceptual estimates for this project indicate that the total capital investment would be in excess of \$29.7 million. This option is not only more expensive to build, but also does not provide the numerous benefits afforded by co-locating multiple mental health and substance use services on a single site identified earlier.

As required by this Standard, AAMC also considered population health initiatives to avoid or lessen hospital admissions. AAMCs overall plan for mental health includes multiple population health initiatives (refer to page 14) and treatment collaborations to decrease the need for inpatient psychiatric care. Nevertheless, the need for additional inpatient psychiatric capacity persists.

Two programs in operation or in development will serve to facilitate earlier case detection and earlier outpatient intervention, with the ultimate impact of lessening avoidable inpatient utilization. These include use of a brief mental health and substance use questionnaire in AAMC's network of primary care clinics, and the use of a clinical navigator to field referrals for mental health intervention to a network of cooperating treatment providers. This program began in 2015 and has achieved 509 referrals as of January 31, 2016. This program will be developed further in the coming year with addition of a pilot project of primary care integration, and psychiatric consultation provided to primary care physicians managing psychotropic medications in primary care, with planned expansion to an increasing network of primary care practices in subsequent years.

AAMC will establish a psychiatric partial hospitalization program in FY 2016. It is projected that 15 to 20 percent of current ED visits historically resulting in an inpatient admission of either an adolescent or an adult will be averted through admission to psychiatric partial hospitalization, either from the ED or before presenting there at all. AAMC has taken this reduction into account in the analysis of expected ongoing need for inpatient admission from the ED. The additional impacts of psychiatric partial hospitalization on inpatient utilization are expected to be on length of stay and rates of readmission. AAMC's need analysis is based on an inpatient length of stay equal to that of Maryland acute care hospitals with inpatient psychiatric beds that also have psychiatric partial hospitalization available at their facilities as a step-down from inpatient care. The impact on readmission rates is difficult to quantify from current data, but is expected to be positive although marginal.

Crisis residential services are currently available in Anne Arundel County through Harbor House, which maintains beds in Glen Burnie and Edgewater. Diversion of avoidable

wrenching series of too many crises. The DePaolas now volunteer with AAMC to help realize its full vision for “a comprehensive approach to mental illness” and to help “facilitate the efforts of AAMC and the community to attack this serious medical challenge.”

Through the AAMC Foundation, business and professional leaders are voicing their support as well. Many believe so strongly that AAMC should have a comprehensive mental health program that they have pledged to raise a minimum of \$5 million once the CON is approved to help fund the construction and additional program development for this initiative. The Foundation and its Mental Health and Pathways Philanthropy Council, comprised of 9 dedicated and passionate community leaders, already have raised more than \$500,000 to support existing mental health services.

Finally, there is a letter of support worth noting for its author. Maryland’s former lieutenant governor Kathleen Kennedy Townsend is no stranger to mental health issues and substance use. Having spent time in Anne Arundel County she knows this area and its needs. When apprised of AAMC’s proposed CON for an inpatient mental health unit, Ms. Townsend responded swiftly and enthusiastically with her endorsement.

In conclusion, all sectors of AAMC’s community are urging the MHCC to grant the requested CON and to provide mental health patients the critical inpatient care they need.

#### *Performance Requirements and Compliance*

This project, if approved as a special hospital, is subject to the performance requirements set forth in COMAR 10.24.01.12C(3)(a). If the project is approved, AAMC must obligate 51 percent of the approved capital obligation within 24 months of the approved date of the CON, initiate construction no later than 4 months after the effective date of the capital obligation, and document, license, and complete the project within 24 months after the effective date of the binding capital obligation.

Assuming the CON is approved, AAMC intends to complete construction in the fall of 2018.

#### **CON Application & Process Timeline**

File CON	March 29, 2016
MHCC Completeness Questions	April – August 2016
CON Docketed	September 2016
CON Reviewed	December 2016
CON Decision	February 2017

#### *Process for Project Design and Construction*

AAMC has selected an architectural firm, CR Goodman Associates of Annapolis of Maryland, as the lead architect. AAMC has engaged a team of necessary design consultants which include a civil engineering firm, traffic engineer, mechanical and electrical design firm and a low voltage consultant. Several meetings have occurred between AAMC, the design team, and the Anne Arundel County planning and zoning and permitting staff to discuss the project, zoning, other related requirements and schedule.



## **AFFIRMATIONS**



2001 Medical Parkway  
Annapolis, Md. 21401  
443-481-1000  
TDD: 443-481-1235  
askAAMC.org

AFFIRMATION

I hereby declare and affirm under penalties of perjury that the facts stated in the Applicant's August 1, 2016 Project Cost and Shell Space Updates are true and correct to the best of my knowledge, information and belief.

A handwritten signature in black ink, appearing to read 'Victoria W. Bayless', written over a horizontal line.

Victoria W. Bayless  
President & Chief Executive Officer  
Anne Arundel Medical Center



2001 Medical Parkway  
Annapolis, Md. 21401  
443-481-1000  
TDD: 443-481-1235  
askAAMC.org

AFFIRMATION

I hereby declare and affirm under penalties of perjury that the facts stated in the Applicant's August 1, 2016 Project Cost and Shell Space Updates are true and correct to the best of my knowledge information and belief.

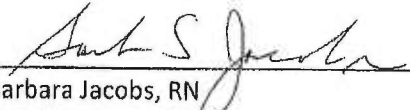
A handwritten signature in black ink, appearing to read "Bob Reilly", written over a horizontal line.

Bob Reilly  
Chief Financial Officer  
Anne Arundel Medical Center

---

AFFIRMATION

I hereby declare and affirm under penalties of perjury that the facts stated in the Applicant's August 1, 2016 Project Cost and Shell Space Updates are true and correct to the best of my knowledge information and belief.

  
\_\_\_\_\_  
Barbara Jacobs, RN  
Chief Nursing Officer  
Anne Arundel Medical Center

AFFIRMATION

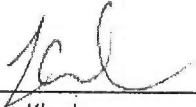
I hereby declare and affirm under penalties of perjury that the facts stated in the Applicant's August 1, 2016 Project Cost and Shell Space Updates are true and correct to the best of my knowledge information and belief.



Dawn Hurley  
Executive Director of Behavioral Health  
Anne Arundel Medical Center

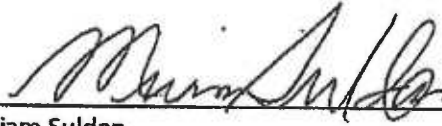
AFFIRMATION

I hereby declare and affirm under penalties of perjury that the facts stated in the Applicant's August 1, 2016 Project Cost and Shell Space Updates are true and correct to the best of my knowledge information and belief.

  
\_\_\_\_\_  
Lucas Klock  
Director, Capital Projects  
Anne Arundel Medical Center

**AFFIRMATION**

I hereby declare and affirm under penalties of perjury that the facts stated in the Applicant's August 1, 2016 Project Cost and Shell Space Updates are true and correct to the best of my knowledge information and belief.



---

**Miriam Suldán**  
**Senior Managing Consultant**  
**Berkeley Research Group, LLC**

**UPDATED EXHIBIT 6 (PROJECT DRAWINGS)**  
**(Oversized drawings attached separately)**





**CR Goodman Associates**  
 ARCHITECTURE ■ INTERIOR DESIGN ■ PLANNING

912 COMMERCE ROAD, ANNAPOLIS, MARYLAND 21401  
 V: 410-841-2570 F: 410-841-2575  
 WWW.CRGOODMANASSOCIATES.COM

CERTIFY THAT THESE DOCUMENTS WERE PREPARED BY AN ARCHITECT OR ARCHITECTURAL FIRM LICENSED UNDER THE LAWS OF THE STATE OF MARYLAND. LICENSE NUMBER: \_\_\_\_\_ EXPIRATION DATE: \_\_\_\_\_ STATE OF MARYLAND LICENSE NUMBER 1482

**CONTRACT NO.**  
 1312AA  
**PROJECT NO.**  
 1312AA

**DATE:** 07/14/14

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**LOCATION:** ANNAPOLIS, MD

**CLIENT:** ANAPOLIS MEDICAL CENTER

**ARCHITECT:** CR GOODMAN ASSOCIATES

**DATE:** 07/14/14

**SCALE:** 1/8" = 1'-0"

**PROJECT:** ANAPOLIS MEDICAL CENTER

**LOCATION:** ANNAPOLIS, MD

**CLIENT:** ANAPOLIS MEDICAL CENTER

**ARCHITECT:** CR GOODMAN ASSOCIATES

**DATE:** 07/14/14

**SCALE:** 1/8" = 1'-0"

**PROJECT:** ANAPOLIS MEDICAL CENTER

**LOCATION:** ANNAPOLIS, MD

**CLIENT:** ANAPOLIS MEDICAL CENTER

**ARCHITECT:** CR GOODMAN ASSOCIATES

**DATE:** 07/14/14

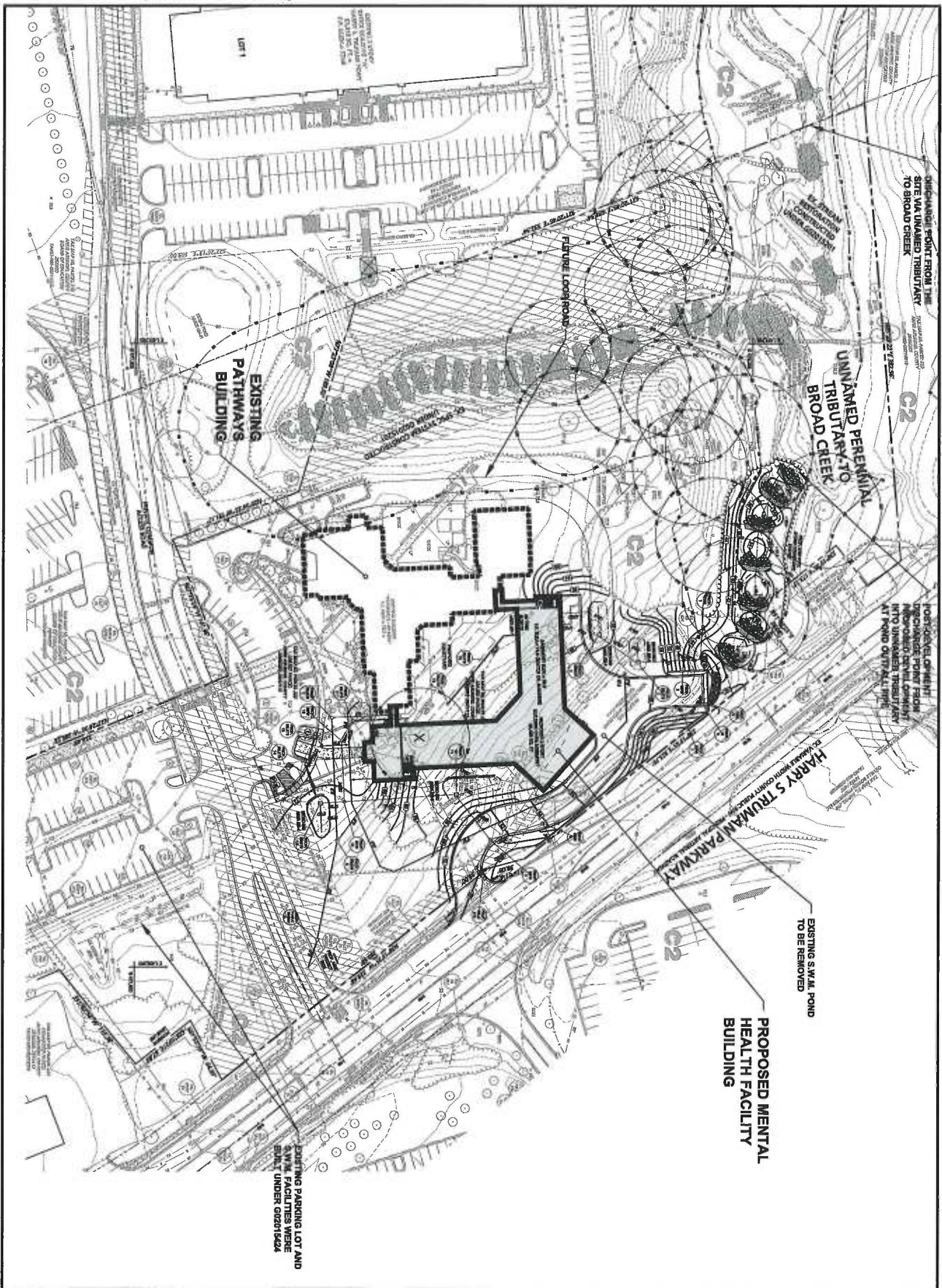
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**LOCATION:** ANNAPOLIS, MD

**CLIENT:** ANAPOLIS MEDICAL CENTER

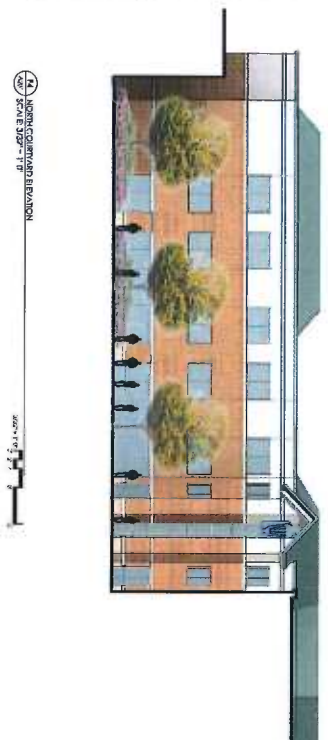
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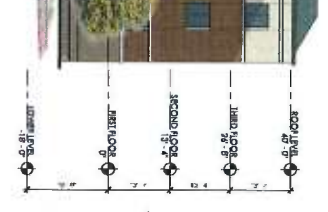
SHEETS 1 OF 1	SITE PLAN PRELIMINARY PLANS FOR A	 <b>Bay Engineering Inc.</b> Civil, Mechanical, Electrical and Survey 2011 Elm Road, Building 600 Annapolis, Maryland 21401 410.897.2200 410.897.2200 fax email: info@bayeng.com www.bayeng.com	1. Verify all RFI and other documents are prepared or approved by the user and that I am a duly licensed professional engineer in the State of Maryland. I hereby certify that these documents were prepared or approved by me, and that I am a duly licensed professional engineer in the State of Maryland. Terry Robinson Date: 3/23/16 License No. 14912489	Revisions			
	<b>ANNE ARUNDEL MEDICAL CENTER                  MENTAL HEALTH FACILITY</b>						
	TAX MAP 60, GRID A, PD PARCEL 222 2620 TRINA ROAD ANNAPOLIS, MARYLAND 21401 RECORD DISTRICT ANNE ARUNDEL COUNTY ZONED CE (POMA PERISHERY OVERLAY)						



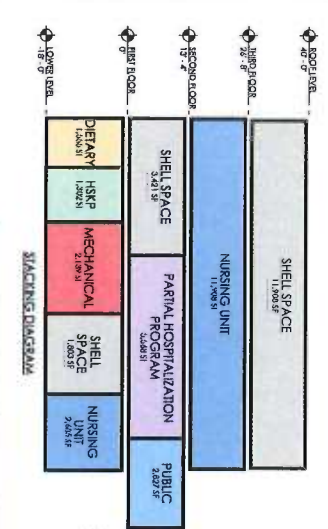
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12 EAST ELEVATION  
SCALE 3/8" = 1'-0"



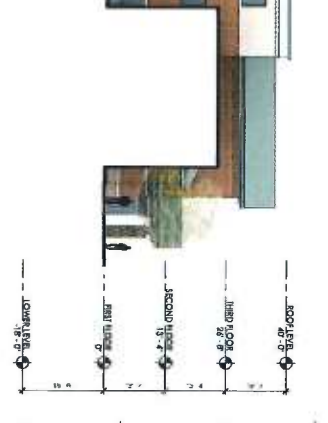
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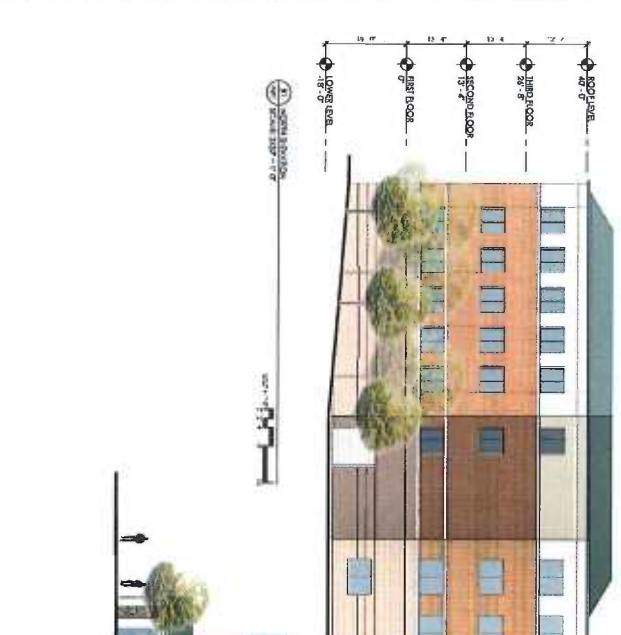
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SCALE 1/8" = 1'-0"



15 WEST ELEVATION  
SCALE 3/8" = 1'-0"



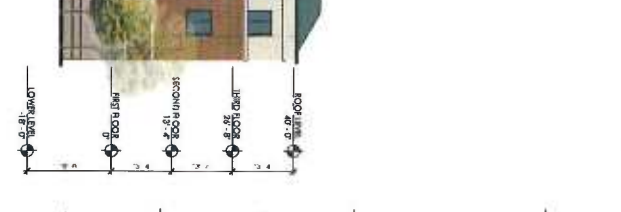
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17 EAST ELEVATION  
SCALE 3/8" = 1'-0"




18 SOUTH ELEVATION  
SCALE 3/8" = 1'-0"



19 WEST ELEVATION  
SCALE 3/8" = 1'-0"

DATE	2/21/14
DRAWN BY	CHANG, J.
CHECKED BY	CHANG, J.
PROJECT	ANNAPOLIS MEDICAL CENTER
DESCRIPTION	BUILDING ELEVATIONS
SCALE	3/8" = 1'-0"
PROJECT NO.	A201


**ANNAPOLIS MEDICAL CENTER**  
 MENTAL HEALTH HOSPITAL  
 BUILDING ELEVATIONS  
 A201

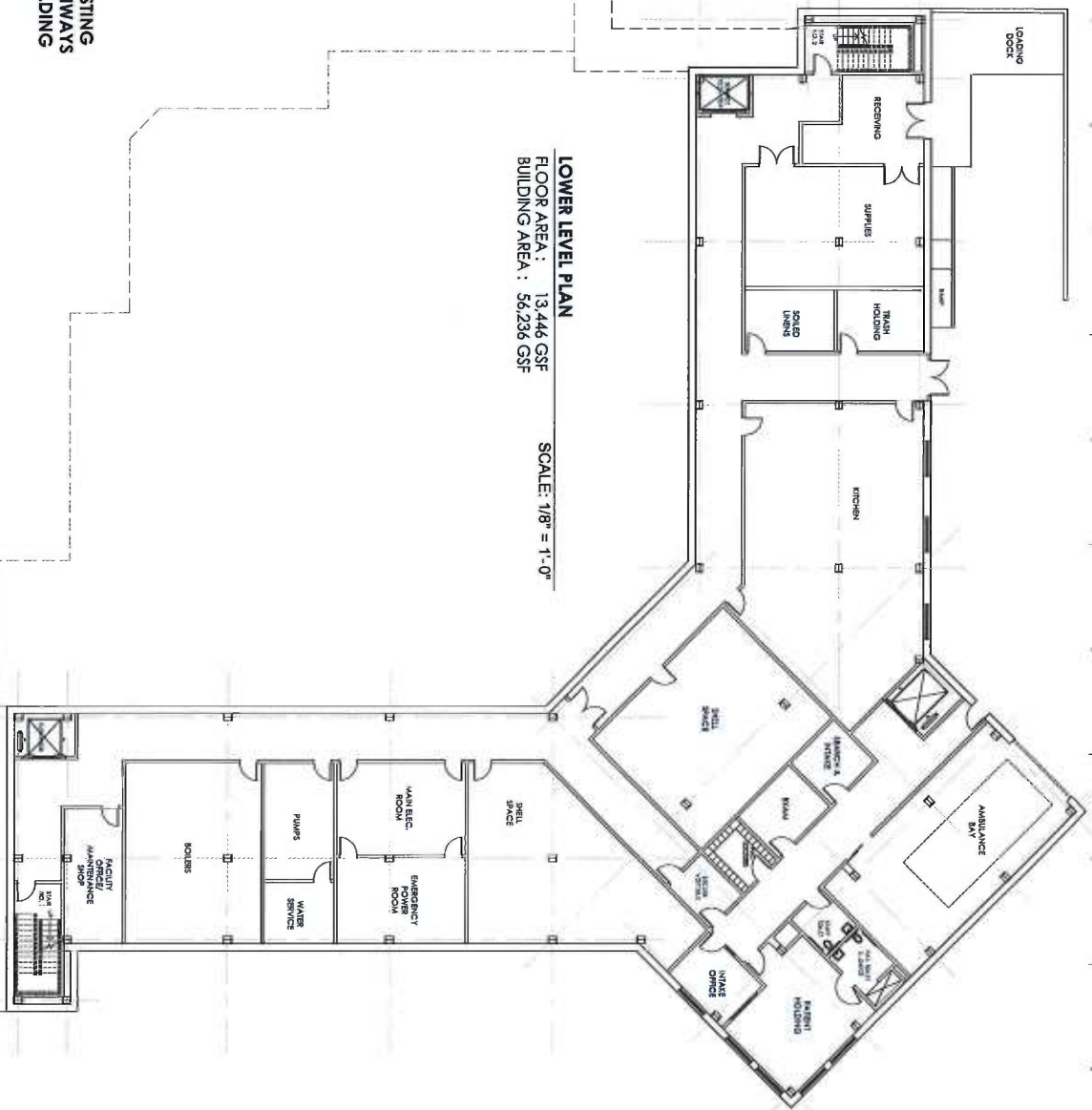
**CR Goodman ASSOCIATES**  
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EXISTING  
PATHWAYS  
BUILDING

LOWER LEVEL PLAN  
FLOOR AREA : 13,446 GSF  
BUILDING AREA : 36,236 GSF

SCALE: 1/8" = 1'-0"



**CR Goodman Associates**  
ARCHITECTURE ■ INTERIOR DESIGN ■ PLANNING

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DATE: \_\_\_\_\_ DATE NUMBER: \_\_\_\_\_

PROJECT: **Anne Arundel Medical Center**

CLIENT: **MENTAL HEALTH HOSPITAL**

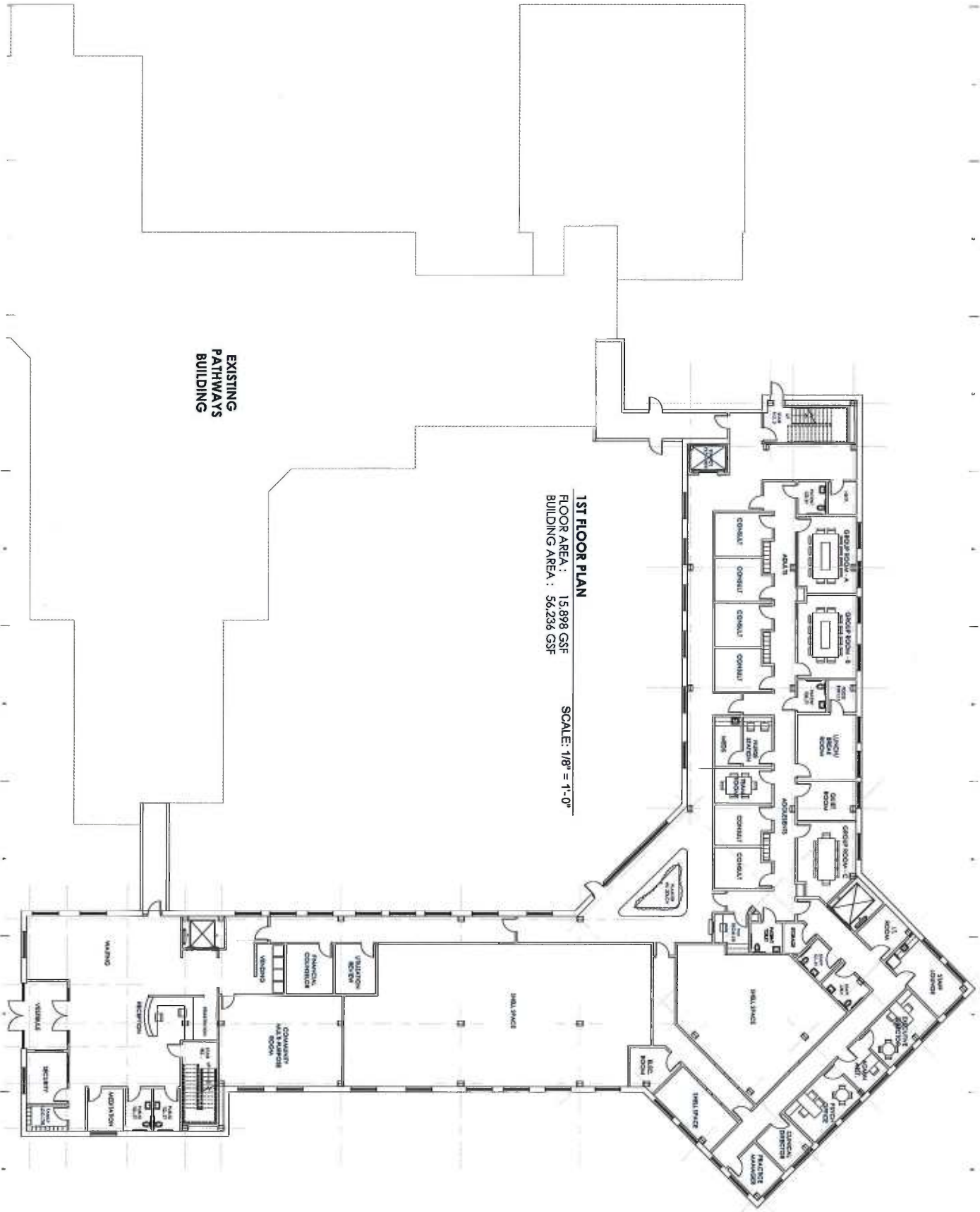
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DRAWING NUMBER: 11.387.A  
DRAWING TITLE: LOWER LEVEL PLAN

DRAWING NUMBER: **A100**

EXISTING  
PATHWAYS  
BUILDING

**1ST FLOOR PLAN**  
FLOOR AREA : 15,898 GSF  
BUILDING AREA : 56,236 GSF

SCALE: 1/8" = 1'-0"



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ANAPOLIS MEDICAL CENTER  
ARUNDEL MEDICAL CENTER  
MENTAL HEALTH HOSPITAL

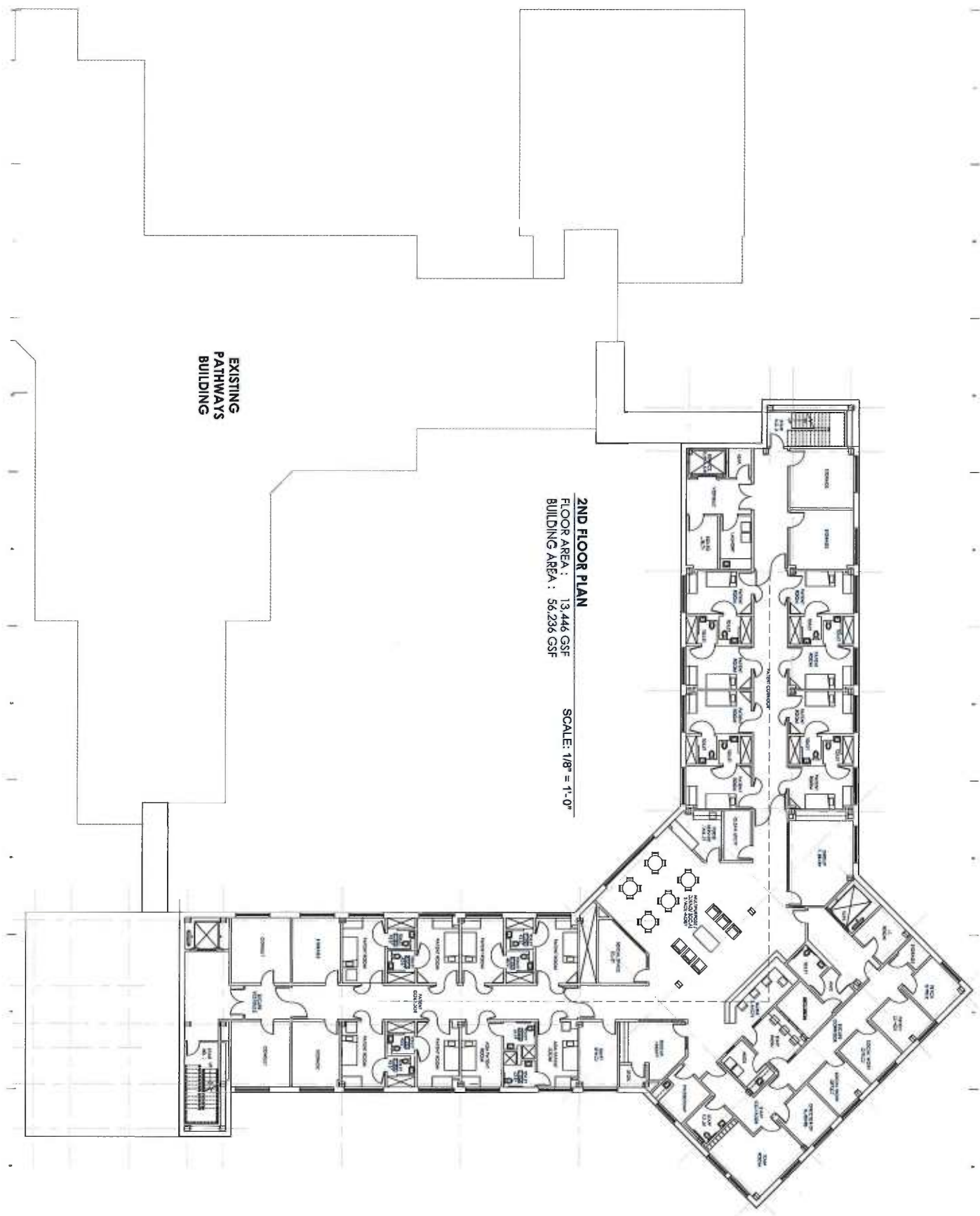
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DRAWING TITLE: 1ST FLOOR PLAN

DRAWING NUMBER: A101

EXISTING  
PATHWAYS  
BUILDING

**2ND FLOOR PLAN**  
FLOOR AREA : 13,446 GSF  
BUILDING AREA : 56,236 GSF

SCALE: 1/8" = 1'-0"



**CR Goodman Associates**  
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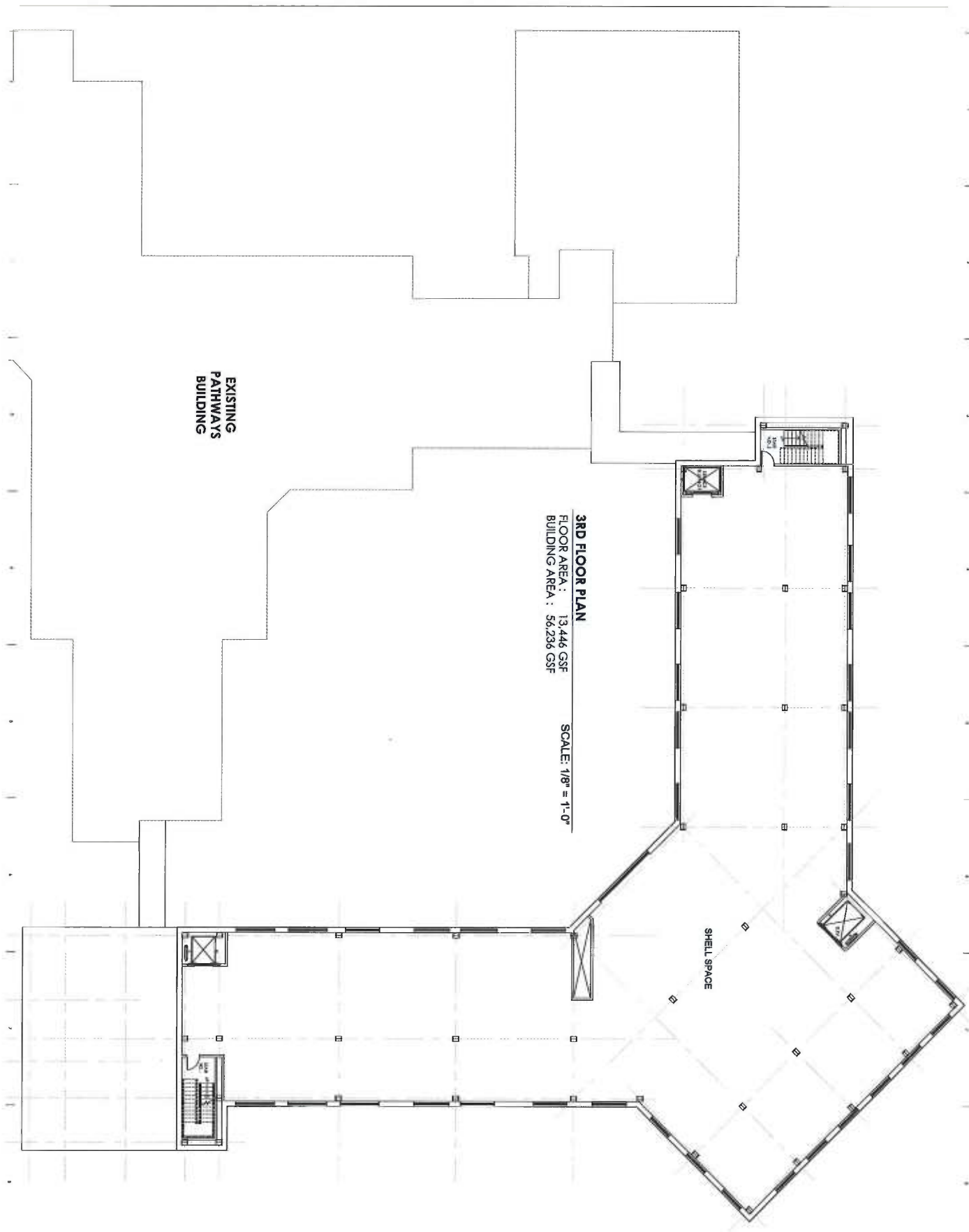
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Arnie Arundel  
Medical Center  
MENTAL HEALTH  
HOSPITAL

DATE: 07/11/14  
DRAWING NUMBER: 14-284  
PROJECT TITLE: 2ND FLOOR PLAN

PROJECT NUMBER  
**A102**



**3RD FLOOR PLAN**  
 FLOOR AREA : 13,446 GSF  
 BUILDING AREA : 56,236 GSF  
 SCALE: 1/8" = 1'-0"

SHELL SPACE

EXISTING  
 PATHWAYS  
 BUILDING

**CR Goodman Associates**  
 ARCHITECTURE ■ INTERIOR DESIGN ■ PLANNING  
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**A103**

**UPDATED APPENDIX 1 (CON TABLES B-E, J,K)**



**TABLE B. DEPARTMENTAL GROSS SQUARE FEET AFFECTED BY PROPOSED PROJECT**

*INSTRUCTION: Add or delete rows if necessary. See additional instruction in the column to the right of the table.*

DEPARTMENT/FUNCTIONAL AREA	DEPARTMENTAL GROSS SQUARE FEET				Total After Project Completion
	Current	To be Added Thru New Construction	To Be Renovated	To Remain As Is	
Nursing Unit	0	14,593	0	0	14,593
Partial Hospitalization Program - PHP	0	5,568	0	0	5,568
Dietary	0	1,555	0	0	1,555
Shell Space	0	17,132	0	0	17,132
Mechanical	0	2,139	0	0	2,139
Public	0	4,781	0	0	4,781
Housekeeping	0	1,302	0	0	1,302
Corridors	0	2,564	0	0	2,564
Sub Total	0	49,634	0	0	49,634
Building Grossing Factor		1.133			1.133
<b>Total Building GSF =</b>		<b>56,236</b>			<b>56,236</b>

**TABLE C. CONSTRUCTION CHARACTERISTICS**

*INSTRUCTION: If project includes non-hospital space structures (e.g., parking garages, medical office buildings, or energy plants), complete an additional Table C for each structure.*

BASE BUILDING CHARACTERISTICS	NEW CONSTRUCTION	RENOVATION
	Check if applicable	
<b>Class of Construction</b> (for renovations the class of the building being renovated)*		
Class A	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Class B	<input type="checkbox"/>	<input type="checkbox"/>
Class C	<input type="checkbox"/>	<input type="checkbox"/>
Class D	<input type="checkbox"/>	<input type="checkbox"/>
<b>Type of Construction/Renovation*</b>		
Low	<input type="checkbox"/>	<input type="checkbox"/>
Average	<input type="checkbox"/>	<input type="checkbox"/>
Good	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Excellent	<input type="checkbox"/>	<input type="checkbox"/>
<b>Number of Stories</b>		

\*As defined by Marshall Valuation Service

PROJECT SPACE	List Number of Feet, if applicable	
<b>Total Square Footage</b>	<b>Total Square Feet</b>	
Basement	13,446	
First Floor	15,898	
Second Floor	13,446	
Third Floor	13,446	
<b>Average Square Feet</b>	<b>14,059.00</b>	
<b>Perimeter in Linear Feet</b>	<b>Linear Feet</b>	
Basement	696	
First Floor	892	
Second Floor	696	
Third Floor	696	
<b>Total Linear Feet</b>	<b>2,980</b>	
<b>Average Linear Feet</b>	<b>745</b>	
<b>Wall Height (floor to eaves)</b>	<b>Feet</b>	
Basement	18.00	
First Floor	13.33	
Second Floor	13.33	
Third Floor	13.33	
<b>Average Wall Height</b>	<b>14.50</b>	
<b>OTHER COMPONENTS</b>		
<b>Elevators</b>	<b>List Number</b>	
Passenger	2	
Freight	1	
<b>Sprinklers</b>	<b>Square Feet Covered</b>	
Wet System	56,236	
Dry System		
<b>Other</b>	<b>Describe Type</b>	
Type of HVAC System for proposed project	CHILLED BEAM	
Type of Exterior Walls for proposed project	BRICK VENEER	

**TABLE D. ONSITE AND OFFSITE COSTS INCLUDED AND EXCLUDED IN MARSHALL VALUATION COSTS**

*INSTRUCTION: If project includes non-hospital space structures (e.g., parking garges, medical office buildings, or energy plants), complete an additional Table D for each structure.*

	<b>NEW CONSTRUCTION COSTS</b>	<b>RENOVATION COSTS</b>
<b>SITE PREPARATION COSTS</b>		
Normal Site Preparation		
Utilities from Structure to Lot Line		
<b>Subtotal included in Marshall Valuation Costs</b>		
Site Demolition Costs	\$138,796	
Storm Drains/Water/Sewer	\$797,619	
Rough Grading	\$739,840	
Hillside Foundation	\$325,751	
Paving	\$205,648	
Exterior Signs		
Landscaping	\$123,970	
Walls		
Yard Lighting	\$64,612	
Other (Specify/add rows if needed)		
<b>Subtotal On-Site excluded from Marshall Valuation Costs</b>	<b>\$2,396,235</b>	
<b>OFFSITE COSTS</b>		
Roads		
Utilities		
Jurisdictional Hook-up Fees	\$374,528	
Other (Specify/add rows if needed)		
<b>Subtotal Off-Site excluded from Marshall Valuation Costs</b>	<b>\$374,528</b>	
<b>TOTAL Estimated On-Site and Off-Site Costs <u>not</u> included in Marshall Valuation Costs</b>	<b>\$2,770,763</b>	<b>\$0</b>
<b>TOTAL Site and Off-Site Costs included and excluded from Marshall Valuation Service*</b>	<b>\$2,770,763</b>	<b>\$0</b>

\*The combined total site and offsite cost included and excluded from Marshall Valuation Service should typically equal the estimated site preparation cost reported in Application Part II, Project Budget (see Table E. Project Budget). If these numbers are not equal, please reconcile the numbers in an explanation in an attachment to the application.

**TABLE E. PROJECT 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

	Hospital Building	Other Structure	Total
<b>A. USE OF FUNDS</b>			
<b>1. CAPITAL COSTS</b>			
a. Land Purchase			\$0
b. New Construction			
(1) Building	\$16,080,433		\$16,080,433
(2) Fixed Equipment			\$0
(3) Site and Infrastructure	\$2,770,763		\$2,770,763
(4) Architect/Engineering Fees	\$1,373,350		\$1,373,350
(5) Permits (Building, Utilities, Etc.)	\$23,757		\$23,757
<b>SUBTOTAL</b>	<b>\$20,248,303</b>	<b>\$0</b>	<b>\$20,248,303</b>
c. Renovations			
(1) Building			\$0
(2) Fixed Equipment (not included in construction)			\$0
(3) Architect/Engineering Fees			\$0
(4) Permits (Building, Utilities, Etc.)			\$0
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
d. Other Capital Costs			
(1) Movable Equipment	\$900,000		\$900,000
(2) Contingency Allowance	\$1,750,000		\$1,750,000
(3) Gross interest during construction period	\$0		\$0
(4) Other (Specify/add rows if needed)			\$0
Commissioning / Testing	\$375,000		
IT/ Integration	\$700,000		
Exterior Courtyard / Hardscaping	\$500,000		
<b>SUBTOTAL</b>	<b>\$4,225,000</b>	<b>\$0</b>	<b>\$4,225,000</b>
<b>TOTAL CURRENT CAPITAL COSTS</b>	<b>\$24,473,303</b>	<b>\$0</b>	<b>\$24,473,303</b>
e. Inflation Allowance	\$511,492		\$511,492
<b>TOTAL CAPITAL COSTS</b>	<b>\$24,984,795</b>	<b>\$0</b>	<b>\$24,984,795</b>
<b>2. Financing Cost and Other Cash Requirements</b>			
a. Loan Placement Fees			\$0
b. Bond Discount			\$0
c. Legal Fees			\$0
d. Non-Legal Consultant Fees			\$0
e. Liquidation of Existing Debt			\$0
f. Debt Service Reserve Fund			\$0
g. Other (Specify/add rows if needed)			\$0
<b>SUBTOTAL</b>			<b>\$0</b>
<b>3. Working Capital Startup Costs</b>			
			\$0
<b>TOTAL USES OF FUNDS</b>	<b>\$24,984,795</b>	<b>\$0</b>	<b>\$24,984,795</b>
<b>B. Sources of Funds</b>			
<b>1. Cash</b>			
			\$0
<b>2. Philanthropy (to date and expected)</b>			
			\$0
<b>3. Authorized Bonds</b>			
			\$0
<b>4. Interest Income from bond proceeds listed in #3</b>			
			\$0
<b>5. Mortgage</b>			
			\$0
<b>6. Working Capital Loans</b>			
			\$0
<b>7. Grants or Appropriations</b>			
a. Federal			\$0
b. State			\$0
c. Local			\$0
8. Other (Specify/add rows if needed)			\$0
<b>TOTAL SOURCES OF FUNDS</b>			<b>\$0</b>
<b>Annual Lease Costs (if applicable)</b>			
1. Land			\$0
2. Building			\$0
3. Major Movable Equipment			\$0
4. Minor Movable Equipment			\$0
5. Other (Specify/add rows if needed)			\$0
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.			

Additional instruction for cost categories

Includes Chilled Beam Alternate  
 These costs should be consistent with the Marshall Valuation Service definition of Group 1 equipment: Permanent equipment, installed on or attached to the building, part of a general contract, and included in calculator costs.

Ensure that SUBTOTAL includes all categories under 1.b.

Ensure that SUBTOTAL includes all categories under 1.c.

Calculate sum of all categories under 1.d.  
 Ensure that TOTAL CURRENT CAPITAL COSTS includes all SUBTOTALS above

Inflation should only be included in this category  
 Ensure that TOTAL CAPITAL COSTS includes TOTAL CURRENT CAPITAL COSTS and Inflation Allowance

Calculate sum of all categories under 2.  
 Start up costs are costs incurred before opening a facility or new service that under generally accepted accounting principles are not chargeable as operating expense or maintenance.  
 Ensure that TOTAL USES OF FUNDS includes TOTAL CAPITAL COSTS, SUBTOTAL under A.2., and Working Capital Startup Costs

Identify and explain the sources, plans, and the hospital's experience regarding fundraising goals under the response to the Viability standard in Section XX of the CON application.

Include the value of any donated land for the project in this category  
 Calculate sum of all categories under B; Note that TOTAL SOURCES OF FUNDS should match TOTAL USES OF FUNDS

**TABLE J. REVENUES & EXPENSES, UNINFLATED - NEW FACILITY OR SERVICE**

**INSTRUCTION:** After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table J should reflect current Projected revenues and expenses should be consistent with the projections in Table I and with the costs of Manpower listed in Table L. Manpower. Indicate on period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions explain why the assumptions are reasonable. Specify the sources of non-operating income.

	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed the hospital will generate excess revenues over total expenses consistent with the Financial Fea				
Indicate CY or FY	FY19	FY20	FY21	FY22	FY23
<b>1. REVENUE</b>					
a. Inpatient Services	\$ 6,225,114	\$ 7,620,996	\$ 7,681,687	\$ 7,733,707	\$ 7,733,707
b. Outpatient Services	\$ 1,955,596	\$ 2,626,533	\$ 2,645,752	\$ 2,665,119	\$ 2,684,637
<b>Gross Patient Service Revenues</b>	<b>\$ 8,180,710</b>	<b>\$ 10,247,529</b>	<b>\$ 10,327,439</b>	<b>\$ 10,398,826</b>	<b>\$ 10,418,344</b>
c. Allowance For Bad Debt	\$ 665,984	\$ 834,123	\$ 840,647	\$ 846,477	\$ 848,074
d. Contractual Allowance	\$ 1,548,736	\$ 1,939,741	\$ 1,954,913	\$ 1,968,468	\$ 1,972,184
e. Charity Care	\$ 125,002	\$ 156,561	\$ 157,786	\$ 158,880	\$ 159,180
<b>Net Patient Services Revenue</b>	<b>\$ 5,840,988</b>	<b>\$ 7,317,104</b>	<b>\$ 7,374,093</b>	<b>\$ 7,425,001</b>	<b>\$ 7,438,906</b>
f. Other Operating Revenues					
<b>NET OPERATING REVENUE</b>	<b>\$ 5,840,988</b>	<b>\$ 7,317,104</b>	<b>\$ 7,374,093</b>	<b>\$ 7,425,001</b>	<b>\$ 7,438,906</b>
<b>2. EXPENSES</b>					
a. Salaries & Wages (including benefits)	\$ 4,891,417	\$ 5,099,538	\$ 5,099,538	\$ 5,099,538	\$ 5,099,538
b. Contractual Services	\$ 133,298	\$ 210,920	\$ 187,059	\$ 188,206	\$ 189,361
c. Interest on Current Debt	\$ -	\$ -	\$ -	\$ -	\$ -
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -
e. Current Depreciation					
f. Project Depreciation	\$ 623,528	\$ 631,979	\$ 631,979	\$ 624,619	\$ 624,619
g. Current Amortization	\$ -	\$ -	\$ -	\$ -	\$ -
h. Project Amortization	\$ -	\$ -	\$ -	\$ -	\$ -
i. Supplies	\$ 100,099	\$ 129,783	\$ 130,794	\$ 131,685	\$ 131,848
j. Other Expenses (Pharmaceuticals)	\$ 93,845	\$ 114,888	\$ 115,803	\$ 116,587	\$ 116,587
k. Other Expenses (Recruitment, Training, Orientation)	\$ 63,407	\$ 63,407	\$ 63,407	\$ 63,407	\$ 63,407
l. Other Expenses (Other Misc. Expenses)	\$ 351,725	\$ 366,698	\$ 366,698	\$ 376,698	\$ 366,698
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 6,257,319</b>	<b>\$ 6,617,213</b>	<b>\$ 6,595,278</b>	<b>\$ 6,600,740</b>	<b>\$ 6,592,058</b>
<b>3. INCOME</b>					
a. Income From Operation	\$ (416,331)	\$ 699,891	\$ 778,815	\$ 824,261	\$ 846,848
b. Non-Operating Income					
<b>SUBTOTAL</b>	<b>\$ (416,331)</b>	<b>\$ 699,891</b>	<b>\$ 778,815</b>	<b>\$ 824,261</b>	<b>\$ 846,848</b>
c. Income Taxes					
<b>NET INCOME (LOSS)</b>	<b>\$ (416,331)</b>	<b>\$ 699,891</b>	<b>\$ 778,815</b>	<b>\$ 824,261</b>	<b>\$ 846,848</b>

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

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

	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in hospital will generate excess revenues over total expenses consistent with the Financial Feasibi				
Indicate CY or FY	FY19	FY20	FY21	FY22	FY23
<b>1. REVENUE</b>					
a. Inpatient Services	\$ 6,225,114	\$ 7,761,381	\$ 7,967,288	\$ 8,168,978	\$ 8,319,427
b. Outpatient Services	\$ 1,955,596	\$ 2,674,865	\$ 2,744,018	\$ 2,814,015	\$ 2,885,804
<b>Gross Patient Service Revenues</b>	<b>\$ 8,180,710</b>	<b>\$ 10,436,246</b>	<b>\$ 10,711,306</b>	<b>\$ 10,982,993</b>	<b>\$ 11,205,231</b>
c. Allowance For Bad Debt	\$ 665,984	\$ 849,342	\$ 871,622	\$ 893,611	\$ 911,560
d. Contractual Allowance	\$ 1,548,735	\$ 1,975,154	\$ 2,026,943	\$ 2,078,078	\$ 2,119,818
e. Charity Care	\$ 125,002	\$ 159,420	\$ 163,600	\$ 167,727	\$ 171,096
<b>Net Patient Services Revenue</b>	<b>\$ 5,840,989</b>	<b>\$ 7,452,330</b>	<b>\$ 7,649,141</b>	<b>\$ 7,843,577</b>	<b>\$ 8,002,757</b>
f. Other Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET OPERATING REVENUE</b>	<b>\$ 5,840,989</b>	<b>\$ 7,452,330</b>	<b>\$ 7,649,141</b>	<b>\$ 7,843,577</b>	<b>\$ 8,002,757</b>
<b>2. EXPENSES</b>					
a. Salaries & Wages (including benefits)	\$ 4,892,610	\$ 5,190,324	\$ 5,281,303	\$ 5,374,101	\$ 5,468,747
b. Contractual Services	\$ 133,646	\$ 214,950	\$ 194,766	\$ 199,644	\$ 204,644
c. Interest on Current Debt	\$ -	\$ -	\$ -	\$ -	\$ -
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -
e. Current Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
f. Project Depreciation	\$ 623,528	\$ 631,979	\$ 631,979	\$ 624,619	\$ 624,619
g. Current Amortization	\$ -	\$ -	\$ -	\$ -	\$ -
h. Project Amortization	\$ -	\$ -	\$ -	\$ -	\$ -
i. Supplies	\$ 100,099	\$ 132,356	\$ 136,032	\$ 139,665	\$ 142,600
j. Other Expenses (Pharmaceuticals)	\$ 93,845	\$ 117,186	\$ 120,482	\$ 123,724	\$ 126,198
k. Other Expenses (Recruitment, Training, Orientation)	\$ 63,407	\$ 64,675	\$ 65,969	\$ 67,288	\$ 68,634
l. Other Expenses (Other Misc. Expenses)	\$ 354,118	\$ 377,198	\$ 384,654	\$ 402,259	\$ 400,016
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 6,261,253</b>	<b>\$ 6,728,668</b>	<b>\$ 6,815,185</b>	<b>\$ 6,931,300</b>	<b>\$ 7,035,458</b>
<b>3. INCOME</b>					
a. Income From Operation	\$ (420,264)	\$ 723,662	\$ 833,956	\$ 912,277	\$ 967,299
b. Non-Operating Income					
<b>SUBTOTAL</b>	<b>\$ (420,264)</b>	<b>\$ 723,662</b>	<b>\$ 833,956</b>	<b>\$ 912,277</b>	<b>\$ 967,299</b>
c. Income Taxes					
<b>NET INCOME (LOSS)</b>	<b>\$ (420,264)</b>	<b>\$ 723,662</b>	<b>\$ 833,956</b>	<b>\$ 912,277</b>	<b>\$ 967,299</b>

**Tab 1 – Summary of Mental Health Hospital CON Application Cost Updates**

**Tab 2 – Updated Application Pages (Changes Marked)**

**Tab 3 – Updated Application Pages (Clean)**

**Tab 4 – Affirmations**

**Tab 5 – Updated Exhibit 6 (Project Drawings)**

**Tab 6 – Updated Appendix 1 (CON Tables B-E, J, K)**