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December 11, 2017

VIA ELECTRONIC MAIL
AND HAND DELIVERY

Ruby Potter, Administrator
Maryland Health Care Commission
Center for Health Care Facilities
Planning & Development
4160 Patterson Avenue
Baltimore, MD 21215

Re: Anne Arundel Medical Center Mental Health Hospital
Docket No. 16-02-2375

Dear Ms. Potter:

Enclosed are an original and six copies of the Applicant's Response to Health Services Cost Review Commission Questions for filing in the above-referenced case.

Please let me know if you have any questions.

Sincerely,

Marta D. Harting

Marta D. Harting

MDH:rlh
Enclosures

10499360-v1

Re: Anne Arundel Medical Center Mental Health Hospital Certificate of Need Application (Docket No. 16-02-2375)

Applicant's Response to Health Services Cost Review Commission Questions

In a Memorandum dated September 22, 2017, the Maryland Health Care Commission (MHCC) requested the Health Services Cost Review Commission (HSCRC) review the revenue and expense projections in the Certificate of Need Application (CON Application) and provide its opinion as to whether the project is financially feasible, asking the HSCRC to assume in doing so that the Applicant's volume projections (found to be reasonable by MHCC Staff) will be achieved. In a Memorandum dated November 9, 2017 addressed to the Reviewer, the HSCRC requested the Reviewer to ask the Applicant to respond to a series of questions so that the HSCRC can provide its opinion on financial feasibility to the MHCC. By letter to the Applicant dated November 17, 2017, the Reviewer requested the Applicant to respond to the questions posed by the HSCRC. The Applicant's responses to the HSCRC's questions are set forth below.

1. **What are the departmental rates assumed for MHH? On page 57 of the CON application, MHH states that the projected inpatient charged in 2022 will equal $6,818,753. The inflated pro form financial statements submitted on April 1, 2016 include $8,168,978 in projected inpatient charges for FY 2022. The uninflated pro forma financial statements submitted on April 1, 2016 include $7,733,707 in projected inpatient charges for FY 2022. MHH should provide a reconciliation of the projected inpatient revenue included on page 57 of the CON and the inpatient revenue included in the April 1, 2016 supplemental information.**

MHH's charge per case for inpatient psychiatric services was derived from the FY2015 average utilization of AAMC psychiatric patients transferred from AAMC to Maryland inpatient acute psychiatric providers, patients who are expected to be treated at the new facility at AAMC's FY2016 approved unit rates. See CON Application pages 68 – 75 for further discussion of the targeted patient population and corresponding utilization. Since AAMC does not have an approved acute psychiatric room rate, the FY2016 Statewide median psychiatric room rate of $1,174 was utilized. The resulting average charge equates to $7,644 charge per case in FY2016 dollars and a corresponding CMI of 0.5679.

The revenue reported on page 57 of the CON Application ($6,818,753) is based on FY2016 estimated rates, as that calculation was intended to be comparable to other Maryland hospital charges excluding physician revenue.

Table 1

APR-DRG	APR-DRG Description	FY2022 Projected Cases	FY 2016 Estimated Rates	FY2022 Cases @ FY16 Rates
750	Schizophrenia	108	$12,854	$1,387,845
751	Major Depressive Disorders & Other/Unspecified Psychoses	253	8,527	2,159,612
753	Bipolar Disorders	306	7,492	2,290,546
754	Depression Except Major Depressive Disorder	173	4,160	717,760
755	Adjustment Disorders & Neuroses Except Depressive Diagnoses	24	6,641	160,819
756	Acute Anxiety & Delirium States	28	3,616	102,171
		892	$7,644	$6,818,753

The $7,733,707 uninflated revenue reported in Table J is based on FY2016 estimated rates that have been inflated forward to FY2019, which serves as the base year for the CON Application. Table 2 below outlined the calculation:

Table 2

			Inflation Adjustment:		
			1.80%	2.00%	2.20%
APR-DRG	APR-DRG Description	FY 2016 Estimated Rates	FY17 Rates	FY18 Rates	FY19 Rates
750	Schizophrenia	$12,854	$13,086	$13,347	$13,641
751	Major Depressive Disorders & Other/Unspecified Psychoses	8,527	8,680	8,854	9,049
753	Bipolar Disorders	7,492	7,627	7,779	7,950
754	Depression Except Major Depressive Disorder	4,160	4,235	4,319	4,414
755	Adjustment Disorders & Neuroses Except Depressive Diagnoses	6,641	6,760	6,895	7,047
756	Acute Anxiety & Delirium States	3,616	3,681	3,755	3,838

Using these adjusted FY2019 rates and FY2022 projected cases plus physician inpatient revenue, the following unadjusted FY2022 revenue of $7,733,707 is generated:

Table 3

APR-DRG	APR-DRG Description	FY2022 Projected Cases	FY 2019 Estimated Rates	FY2022 Cases @ FY2019 Rates
750	Schizophrenia	108	$13,641	$1,472,787
751	Major Depressive Disorders & Other/Unspecified Psychoses	253	9,049	2,291,789
753	Bipolar Disorders	306	7,950	2,430,736
754	Depression Except Major Depressive Disorder	173	4,414	761,690
755	Adjustment Disorders & Neuroses Except Depressive Diagnoses	24	7,047	170,662
756	Acute Anxiety & Delirium States	28	3,838	108,425
	Subtotal IP Facility Revenue	892	$8,112	$7,236,088
	Physician IP Revenue			$497,619
	Total Inpatient Revenue (uninflated)			$7,733,707

Assuming annual inflation of 1.9% facility inflation and 1.0% physician revenue inflation for each subsequent year, FY2022 inflated revenue is calculated as follows:

Table 4

APR-DRG	APR-DRG Description	FY2022 Projected Cases	FY 2022 Estimated Rates	FY2022 Revenue @ FY2022 Rates
750	Schizophrenia	108	$14,433	$1,558,341
751	Major Depressive Disorders & Other/Unspecified Psychoses	253	9,574	2,424,918
753	Bipolar Disorders	306	8,412	2,571,937
754	Depression Except Major Depressive Disorder	173	4,671	805,936
755	Adjustment Disorders & Neuroses Except Depressive Diagnoses	24	7,456	180,575
756	Acute Anxiety & Delirium States	28	4,061	114,723
	Subtotal IP Facility Revenue	892	$8,583	$7,656,431
	Physician IP Revenue			$512,547
	Total Inpatient Revenue (inflated)			$8,168,979

2. **Dividing the projected inflated outpatient charges for FY 2022 of $2,814,015 by the projected 5,758 partial hospitalization visits for FY 2022 results in an inflated average charge of $489 per visit. Dividing the projected uninflated outpatient charges for FY 2022 of $2,665,119 by the projected 5,758 partial hospitalization visits for FY 2022 results in an average uninflated charge of $463 per visit. For the year ended June 30, 2017, Sheppard Pratt reported $16,581,207 in outpatient revenue and 64,900 partial hospitalization visits for an average charge of $255 per hospitalization visit. MHH should provide an explanation as to why the projected MHH outpatient revenue per partial hospitalization is so much greater than Sheppard's Pratt's actual FY 2017 average.**

Charges for the partial hospitalization program were based on the FY2016 Statewide median of $422.12 inflated to FY2019 dollars. In addition, the outpatient revenue reflects both the facility charge as well as professional fees.

The FY 2022 uninflated projected outpatient revenue of $2,665,119 is outlined below:

		Inflation Adjustment:					
		1.80%	2.00%	2.20%	n/a	n/a	n/a
	FY 2016 Estimated Rates	FY17 Rates	FY18 Rates	FY19 Rates	FY20 Rates	FY21 Rates	FY22 Rates
Partial Hospitalization Visits				4,229	5,679	5,718	5,758
Partial Hospitalization Rate	$422.12	$429.72	$438.31	$447.96	$447.96	$447.99	$447.99
Subtotal OP Facility Revenue				1,894,403	2,543,939	2,561,610	2,579,541
Physician OP Revenue				61,006	82,730	84,142	85,578
Total Outpatient Revenue				$1,955,596	$2,626,533	$2,645,752	$2,665,119

The FY 2022 inflated projected outpatient revenue of $2,814,015 is outlined below:

		Inflation Adjustment:					
		1.8%	2.0%	2.2%	1.9%	1.9%	1.9%
	FY 2016 Estimated Rates	FY17 Rates	FY18 Rates	FY19 Rates	FY20 Rates	FY21 Rates	FY22 Rates
Partial Hospitalization Visits				4,229	5,679	5,718	5,758
Partial Hospitalization Rate	$422.12	$429.72	$438.31	$448.00	$456.44	$465.18	$473.85
Subtotal OP Facility Revenue				1,894,590	2,592,135	2,659,876	2,728,437
Physician OP Revenue				61,006	82,730	84,142	85,578
Total Outpatient Revenue				$1,955,596	$2,674,865	$2,744,018	$2,814,015

Sheppard Pratt partial hospitalization visits are approximately 65,000 per year compared to MHH's projected volumes of 5,800. As a result, the Applicant believes that the Statewide median is a better basis for setting a reasonable rate given the significant disparity in volumes. For FY2017, the actual Statewide median charge for partial hospitalization was $502.03. The rate assumed in the CON Application is lower than the statewide median.

3. **What did MHH assume as inpatient and outpatient reimbursement for the 39.3% of patients that would be covered by Medicaid? As a Specialty Hospital, MHH does not fall under the Waiver provision whereby Medicaid is required to reimburse hospitals at 94% of charge?**

COMAR 10.09.95.07 governs Medicaid reimbursement to freestanding special psychiatric hospitals. Subsection .07A of that regulation states (emphasis supplied):

> (2) The Department shall compare the current rates with the projected upper payment limit for inpatient days of service on or after July 1, 2012, in freestanding private psychiatric hospital in Maryland whose rates for commercial providers are set by the HSCRC

(3) If the rates do not exceed the projected upper payment limit calculated by the Department, *the Department shall reimburse these hospitals using a rate of 94 percent of the current rates of services set by the HSCRC for each hospital's commercial providers in the fiscal year the prospective payments are made.*

If the upper payment limit is exceeded, under COMAR 10.09.95.07A(4), the per diem payment to each specialty psychiatric hospital is decreased by the same proportion that the projected upper payment limit is exceeded. The Medicaid program has continued to reimburse freestanding specialty hospitals at 94%, even after the loss of the State's waiver from the prohibition on Federal Financial Participation ("FPP") in expenditures for an adult (ages 21-64) Medicaid recipient's admission to a freestanding psychiatric hospital with more than 16 beds (a so-called "Institution for Mental Disease" or "IMD" under 42 CFR 435.1009) effective July 1, 2015.[1] With the Medicaid program's imposition of requirements on hospital emergency departments to exhaust available beds in non-IMD settings before an adult admission to one of the State's three IMDs will be approved (see Exhibit 2 to the Applicant's Response to Comments of University of Maryland Baltimore Washington Medical Center and attached again here as Attachment B), the Statewide upper payment limit has not been reached, even after the loss of the IMD waiver.

The collection percentage assumed in the CON Application was 83% for Medicaid patients. This includes the 6% discount under COMAR 10.09.95.07A, as well as an additional adjustment related to denials or other payment reductions. This collection percentage was applied to both inpatient and outpatient services.

4. **What did MHH assume as inpatient and outpatient reimbursement for the 28.2% of patients that will be covered by Medicare? As a Specialty Hospital, MHH does not fall under the Waiver provision whereby Medicare is required to pay 94% of charges. Staff is also concerned that Medicare may view MHH as a 32 bed hospital instead of a 16 bed hospital because the CON refers to the shell space for an additional 16 beds as part of the proposed construction costs. If Medicare were to view MHH as a 32 bed hospital, it is possible that all of the projected Medicare payments could be at risk.**

As described above, effective July 1, 2015, the State lost its waiver from the prohibition on Federal Financial Participation ("FPP") in expenditures for an adult (ages 21-64) Medicaid recipient's admission to an IMD under 42 C.F.R. §435.1009. The IMD exclusion is a rule governing FPP in the Medical Assistance Program under 42 U.S.C. §1396d(a)(29)(B), not Federal Medicare reimbursement. Further, the IMD exclusion prohibits *Federal* reimbursement only; it does not prohibit state Medicaid reimbursement for these admissions.

IMD is defined in Federal law to mean "a hospital, nursing facility, or other institution *of more than 16 beds* ...." 42 C.F.R. 435.1009 (emphasis supplied). The proposed MHH will have 16 beds, so there is no basis upon which it could be deemed an IMD. The fact that there will be shell space in the building in which additional beds could be added in the future does not bring it within the definition of IMD, which refers to the number of beds a facility has, not the number of beds it might have the physical space to

[1] Although MHH will not be an IMD because it will not have more than 16 beds, the reimbursement provisions of COMAR 10.09.95.07 are not limited to IMDs.

accommodate in the future. The Applicant has identified specific *outpatient* mental health programs for which it plans to use *all* of the shell space in the building within the next 3-5 years. See Applicant's August 1, 2016 Project Cost and Shell Space Updates. The Applicant further made clear in that filing that it would consider using a portion of the shell space slated for an outpatient mental health program for additional beds only if the State is granted a waiver or other relief from the IMD exclusion in the future.

Although MHH will not be an IMD, it should also be noted that, as described in response to Question 7 above, the State Medicaid program has continued to reimburse the State's freestanding psychiatric hospitals at 94% of the commercial rate even after the loss of FPP for IMD admissions. Please also refer to the Applicant's Response to Comments of University of Maryland Baltimore Washington Medical Center, at pages 18-19, for a description of the State's additional budget appropriations to make up for the loss of FPP for IMD admissions.

Regarding Medicare reimbursement to which the IMD exclusion does not apply, Medicare pays for acute Inpatient Psychiatric services under the Inpatient Psychiatric Facility Services Payment System (IPF PPS) which pays a per diem rate adjusted for wage, geographic, age, diagnosis, comorbidities, length of stay, teaching and emergency room adjustments. For purposes of the projections, MHH assumed a collection % rate of 67% for Medicare patients which equates to an $829 per diem rate in FY2016 dollars. This per diem rate was based on the average per diem rate for Sheppard Pratt for Medicare patients. MHH assumed the same collection percentage for outpatient services.

5. **MHH is projecting a profit for FY 2022 of $1,111,940 on net revenue of $7,983,577 in the projected inflated financial statements for a profit margin of 14.2%. Staff does not believe that a 14.2% profit margin is reasonable for a non-profit entity. It is possible that MHH has not projected expenses reasonably or has assumed a rate structure higher than the HSCRC would approve. Staff noted that MHH's projected FY 2011 uninflated salaries and fringe benefit cost per Equivalent Inpatient Day (EIPD) were equal to Sheppard Pratt's actual FY 2016 salaries and fringe benefit costs per EIPD, even though Sheppard Pratt has more economies of scale given that it has almost 20 times the number of patient days than MHH is projecting. Staff would like MHH to provide an analysis comparing it projected staffing and expenses by department to the other existing specialty psychiatric hospitals in Maryland included Sheppard Pratt, Adventist Behavioral Health and Brooklane.**

The Applicant's Response to March 17, 2017 Additional Information Questions and Modification of Sources of Funds included an updated Appendix 1, which reflects a profit for FY2022 of $537,829 on net revenue of $7,843,577 in projected inflated financial statements, which results in a 6.9% profit margin.

The Applicant compared the salary and other expenses per EIPD as well as profit margin for Sheppard Pratt, Adventist Behavioral Health and Brooklane. Note: for comparative purposes, only regulated revenue and expenses were utilized for the existing specialty psychiatric hospitals in Maryland.

As presented below, MHH's salary and other expense cost per EIPD is consistent with Brook Lane and Adventist Behavioral Health as well as Sheppard Pratt. In addition, the operating margin of 6.9% is consistent with the regulated hospital operating margins of the other Maryland Specialty Psychiatric Hospitals, who have an average margin of 6.1%.

	Regulated - Salaries, Wages & Benefits		
	Operating Expenses (in thousands)	EIPDs	Operating Expenses per EIPD
Sheppard Pratt	$84,001.2	118,310	$710
Brook Lane	11,698.6	18,135	$645
Adventist BH	19,151.2	32,548	$588
CON Application (Uninflated)			
FY2022	5,099.5	7,364	$692

	Regulated - Other Expenses		
	Operating Expenses (in thousands)	EIPDs	Operating Expenses per EIPD
Sheppard Pratt	$42,074.8	118,310	$356
Brook Lane	5,168.2	18,135	$285
Adventist BH	8,291.8	32,548	$255
CON Application (Uninflated)			
FY2022	1,875.7	7,364	$255

	Regulated - Total Expenses		
	Operating Expenses (in thousands)	EIPDs	Operating Expenses per EIPD
Sheppard Pratt	$126,076.0	118,310	$1,066
Brook Lane	16,866.8	18,135	$930
Adventist BH	27,443.0	32,548	$843
CON Application (Uninflated)			
FY2022	6,975.2	7,364	$947

	Profit Margin		
	Net Operating Revenue	Profit Margin	%
Sheppard Pratt	$131,652.6	$5,576.6	4.2%
Brook Lane	16,947.6	80.8	0.5%
Adventist BH	32,856.9	5,413.9	16.5%
Total	181,457.1	11,071.3	6.1%

As requested, Attachment A provides a more detailed analysis of FTEs and expenses by department. Consistent with the analysis above, MHH FTEs per occupied bed and total expenses are consistent with the other Psychiatric Specialty Hospitals.

6. **Why does projected depreciation expense decrease from $508,949 in FY 2021 to $424,956 in FY 2022?**

MHH submitted an updated Appendix 1 on April 6, 2017 which reflects the following depreciation amounts by year:

FY2019 $623,528

FY2020 $631,979

FY2021 $631,979

FY2022 $624,619

Depreciation declines in FY2022 due to IT equipment being depreciated over 3 years. FY2022 represents the first year after this equipment was fully depreciated, thus decreasing depreciation expense.

7. ***MHH is projecting an average length of stay of 6.1 days in the CON. For FY2017, Sheppard Pratt's ALOS was 11.7 patient days; Adventist Behavioral Health's average length of stay was 8.9 days; and Brooklane's ALOS was 8.6 patient days. According to the information provided by Adventist BH, the ALOS in MD acute care hospitals for psychiatric patients was 5.7 patient days excluding the tertiary centers of University-Main Hospital, JH-Main Hospital, and JH-Bayview for CY2016. The average CY2016 charge per discharge at MD acute care hospitals for psychiatric patients was $8,232 excluding the tertiary centers of University-Main Hospital, JH-Main Hospital, and JH-Bayview compared to the projected uninflated charge of $8,670 at MHH. Does MHH plan on serving patients similar to those patients treated in acute care hospitals or patients treated at specialty psychiatric hospitals?***

As explained in the CON Application (at pages 68-69, 73-74), the projected length of stay at MHH is based on the actual length of stay of patients who presented at AAMC's emergency department (ED) in need of psychiatric care and were transported to other programs in Maryland where they were admitted for inpatient psychiatric care in Fiscal Year 2015.

The process used to project the average length of stay for the project was as follows:

Analyzing the patients transferred out of the AAMC Emergency Department (ED) was the starting point for projecting the average length of stay. In FY2015, AAMC transferred a total of 1,173 patients from the ED to psychiatric units across 22 different hospitals. These transfers included patients transferred to specialty psychiatric hospitals as well as patients transferred to psychiatric units in acute care hospitals.

However, AAMC does not expect to serve all of the psychiatric patients who present in its ED and require psychiatric admission. The new program will *not* be serving pediatric and adolescent patients, and the program does not intend to duplicate the highly specialized psychiatric programs that exist in the region for those patients with eating disorders, substance use disorders, neurologic disorders, or intellectual disorders/developmental disabilities. Therefore, before projecting patient volume and average length of stay, AAMC applied a set of exclusions to account for patients who presented in its ED that the new hospital will not be designed to serve. Exclusions included the following patient cohorts:

- Pediatric patients, adolescent patients
- Patients with substance use disorders, neurologic disorders, or intellectual disorders/developmental disabilities
- Patients outside of AAMC's target service area

After excluding the volume identified above, a total of 884 adult admissions were identified as AAMC-eligible patients. **This patient base of 884 adult admissions ("AAMC-eligible patients") served as the relevant patient base from which to project number of discharges, average length of stay, and average charge per case.** This FY2015 discharge base included patients who were transferred to Sheppard Pratt as well as patients who were transferred to other psychiatric units in Maryland.

- The large majority (76%) of these patients were transferred to Sheppard Pratt. The average length of stay for this patient population was 8.45 days. The reason that this is lower than the reported 11.7 days is because the 11.7 represents the average length of stay for *all* of Sheppard Pratt's patients, some of whom were in specialty programs that AAMC will not offer (and which require longer patient stays). AAMC will only serve a subset of the patients it historically transferred to Sheppard Pratt. The 8.45 reflects the actual experience of only those AAMC patients transferred to Sheppard Pratt that will be able to be served by the new mental health hospital.
- The balance of patients (24%) were transferred to psychiatric units at other acute care hospitals. The average length of stay for these patients was 5.15 days.

This data was documented in Chart 36 in the CON Application (at page 75):

FY2015 Actual Transfers from AAMC Emergency Room

AAMC-Eligible Patients, only

		# Discharges	% Discharges	ALOS
Current transfers				
	Sheppard Pratt	675	76%	8.45
	Acute Hospitals	209	24%	5.15
	Overall	884	100%	7.67

AAMC plans on serving a comparable mix of patients, including patients who historically have been served at Sheppard Pratt and patients who historically have been served at other psychiatric units of acute care hospitals in Maryland. Therefore, the average length of stay figures documented above provided the relevant starting point for projecting length of stay. The figures above represent length of stay for patients transferred from AAMC's ED and *reflect only those patient populations that will be served by the new hospital.*

The final projected average length of stay for the new mental health hospital was determined based on a weighted average - - to reflect utilization patterns across both Sheppard Pratt and general acute care hospitals - - as well as forecast changes in length of stay patterns. AAMC estimates that the length of stay at Sheppard Pratt for the AAMC eligible population can be reduced by almost 2 days, resulting in a blended average length of stay of 6.14 days. AAMC maintains that average length of stay for this patient population (residents of its service area) will be achieved as a function of the following factors[1] (noted in the CON Application on page 75):

- AAMC will be able to effectively utilize the day hospital setting and transition service area patients more efficiently *while maintaining the same care team.*
- Professional teams at AAMC are more familiar with local area resources to support efficient discharge planning and arrangement of community-based support. Discharge Planning professionals will be able to mobilize resources faster to allow more timely discharges.

Therefore, the Applicant's projected length of stay is not based on the patient population traditionally treated in acute care hospitals *or* the patient population traditionally treated in specialty psychiatric hospitals. Rather, it is based on the *actual* patient population that has presented to AAMC's emergency department in need of psychiatric care requiring transport to other inpatient programs to be admitted for inpatient psychiatric care.

8. ***MHH states on Page 75 of the CON that Sheppard Pratt's average length of stay was 8.45 patient days. According to the monthly revenue and statistics reports submitted to HSCRC by Sheppard Pratt for the year ended June 30, 2017, Sheppard Pratt's ALOS was 11.7 patient days. MHH should explain why they used an ALOS of 8.45 patient days for Sheppard Pratt in their projections versus the actual 11.7 patient days, and how MHH's projected patient days and average charge per case in the CON would change if the ALOS for Sheppard Pratt used on Page 75 were changed to 11.7 patient days.***

Please see the response to question 7 for the explanation of why an average length of stay of 8.45 patient days was used. It represents the actual length of stay of MHH-eligible patients who presented at AAMC's emergency department in need of psychiatric care and were transported to other programs in Maryland where they were admitted for inpatient psychiatric care in Fiscal Year 2015. The Applicant submits that 8.45 is the most appropriate starting point upon which to project MHH's length of stay. The Applicant believes that the use of 11.7 for this purpose is *not* appropriate because it measures length of stay across all of Sheppard Pratt's programs, including specialized programs involving a longer length of stay, and patient populations that will not be served at MHH.

Although AAMC does not believe that the use of 11.7 days as the average length of stay for Sheppard Pratt is appropriate, it performed the analysis requested by the HSCRC. Specifically, AAMC prepared an analysis to project how patient volume would change if the overall average length of stay at the new mental health hospital reflected a length of stay of 10.15 (in comparison to the 6.1 days included in the CON application). The length of stay of 10.15 is the weighted average length of stay of Sheppard Pratt length of stay of 11.7 days and a 5.15 length of stay for the remaining hospitals. Total discharges in FY2022 would be 536 discharges, compared to the 892 discharges projected in the CON application.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Projected Occupancy Rate	75.5%	92.2%	93.2%	93.8%	93.8%
Discharges per Application: Table 1	718	879	886	892	892
Projected discharges at ALOS of 10.15	432	528	532	536	536

The longer average length of stay would be offset by fewer discharges: 6.1*892 = 10.15*536. The capacity, measured in total patient days, would not change.

The uninflated average charge per case in the CON Application would increase by 62% from $8,112 to $13,116 if length of stay for Sheppard Pratt patients was increased to 11.7 days. As discussed in response 7 above, the length of stay of 11.7 represents Sheppard Pratt's entire patient population and therefore, is not representative of MHH's projected patient mix.

It is for this reason that AAMC's projections were based on a precise definition of its patient base and a length of stay analysis based on a representative sample, so as not to overestimate patient volume or misrepresent length of stay.

BRG Healthcare

Berkeley Research Group
Anne Arundel Medical Center Mental Health Hospital CON Application
Comparison of Costs to Other Providers
Uninflated FY2022

Per Unit Hours and Costs (in whole dollars)

				MHH (FY 2022 Uninflated)		Adventist BH		Brook Lane		Sheppard Pratt	
				FTEs per Occupied Bed(1)	Total Expense per Unit	FTEs per Occupied Bed(1)	Total Expense per Unit	FTEs per Occupied Bed(1)	Total Expense per Unit	FTEs per Occupied Bed(1)	Total Expense per Unit
C01	DTY	DIETARY	EIPDs	0.1	$15	0.1	$28	0.2	$41	0.1	$36
C02	LL	LAUNDRY & LINEN	EIPDs	-	-	-	2	-	3	0.0	4
C03	SSS	SOCIAL SERVICES	EIPDs	0.2	47	0.0	12	-	-	0.1	18
C04	PUR	PURCHASING & STORES	EIPDs	-	-	0.0	2	-	-	0.0	2
C05	POP	PLANT OPERATIONS	EIPDs	0.4	52	0.0	46	0.2	68	0.1	75
C06	HKP	HOUSEKEEPING	EIPDs	-	-	0.1	18	0.2	26	0.1	31
C07	CSS	CENTRAL SVCS & SUPPLY	EIPDs	-	18	-	-	-	-	-	-
C08	PHM	PHARMACY	EIPDs	0.1	27	0.0	11	-	-	0.1	19
C09	FIS	GENERAL ACCOUNTING	EIPDs	0.0	15	0.0	12	0.1	18	0.0	11
C10	PAC	PATIENT ACCOUNTS	EIPDs	0.1	18	0.0	16	0.4	61	0.2	42
C11	MGT	HOSPITAL ADMIN	EIPDs	0.2	89	0.3	151	0.2	112	0.1	95
C12	MRD	MEDICAL RECORDS	EIPDs	0.1	10	0.0	8	0.2	28	0.0	8
C13	MSA	MEDICAL STAFF ADMIN	EIPDs	-	-	0.0	2	0.0	9	-	-
C14	NAD	NURSING ADMIN	EIPDs	0.1	59	0.2	66	0.0	9	0.2	56
C15	OAO	ORGAN ACQUISITION OVERHEAD	EIPDs	-	-	-	-	-	-	-	-
			Total	**1.4**	**$350**	**0.8**	**$375**	**1.5**	**$375**	**1.1**	**$397**
		Adult Inpatient Units (Incl. ICU)	Patient Days	1.6	$349	1.3	$309	1.5	$309	2.7	$549
D71	PCD	PSYCH CHILD/ADOLESCENT	Patient Days	-	-	2.0	426	1.9	370	2.2	377
			Total	**1.6**	**$349**	**1.4**	**$335**	**1.8**	**$347**	**2.6**	**$493**
D19	CL	CLINIC SERVICES	EIPDs	-	$0	0.2	$46	-	$0	0.0	$3
D20	PDC	PSYCH DAY & NIGHT	Visits	0.4	77	-	-	0.1	23	0.5	102
D26	MSS	MEDICAL SUPPLIES SOLD	EIPDs	-	-	-	-	-	-	-	-
D27	CDS	DRUGS SOLD	EIPDs	-	16	-	7	-	46	-	12
D28	LAB	LABORATORY SERVICES	EIPDs	-	-	-	4	-	9	0.0	17
D30	EKG	ELECTROCARDIOLOGY	EIPDs	-	-	-	-	-	0	0.0	0
D32	RAD	RADIOLOGY DIAGNOSTIC	EIPDs	-	-	-	-	-	0	0.0	3
D38	EEG	ELECTROENCEPHALOGRAPHY	EIPDs	-	-	-	-	-	0	0.0	0
D51	MRI	MAGNETIC RESONANCE IMAGING	EIPDs	-	-	-	-	-	-	-	1
D55	OBV	OBSERVATION	EIPDs	-	-	-	-	-	-	0.0	4
D74	ITH	INDIVIDUAL THERAPIES	EIPDs	-	-	-	-	0.0	13	-	-
D75	OTH	OCCUPATIONAL THERAPY	EIPDs	0.0	14	-	-	0.1	28	-	-
D80	ETH	ELECTROCONVULSIVE THERAPY	EIPDs	-	-	-	-	0.0	8	0.0	5
			Total	**0.3**	**$90**	**0.2**	**$57**	**0.3**	**$129**	**0.3**	**$100**
P1		Hospital Based Physicians	EIPDs	0.1	$96	-	$0	-	$0	-	$15
P2		Physician Part B Services	EIPDs	-	-	-	-	-	-	-	1
P3		Physician Support Services	EIPDs	-	-	-	-	-	-	-	0
P4		Residents & Interns - Elegible	EIPDs	-	-	0.1	-	-	-	0.1	15
P5		Residents & Interns - Inelegible	EIPDs	-	-	-	-	-	-	0.0	2
			Total	**0.1**	**$96**	**0.1**	**$0**	**-**	**$0**	**0.1**	**$33**
DP		Information Services	EIPDs	-	$15	0.0	$34	0.1	$19	0.1	$45
			Total	**-**	**$15**	**0.0**	**$34**	**0.1**	**$19**	**0.1**	**$45**
UAMAL		Malpractice	EIPDs	-	$0	-	$2	-	$12	-	$2
UAINS		Other Insurance	EIPDs	-	-	-	3	-	3	-	6
UAMCR		Medical Care Review	EIPDs	-	-	-	47	-	-	-	11
UADEP		Depreciation	EIPDs	-	85	-	31	-	45	-	80
UALEA		Leases	EIPDs	-	-	-	20	-	-	-	18
UALIC		Licenses	EIPDs	-	2	-	1	-	-	-	1
UAIST		Short term interest	EIPDs	-	-	-	-	-	-	-	-
UAILT		Long term Interest	EIPDs	-	51	-	7	-	14	-	12
			Total	**-**	**$138**	**-**	**$59**	**-**	**$59**	**-**	**$111**
		Total Regulated Expenses	EIPDs	**3.0**	**$947**	**2.5**	**$843**	**3.5**	**$930**	**3.8**	**$1,066**

Source: Departmental expenses per HSCRC annual filing submission
Note 1: FTEs per occupied bed calculated as follows: FTEs/(Statistic/365)

STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene

Larry Hogan, Governor - Boyd K. Rutherford, Lt. Governor - Van T. Mitchell, Secretary

August 24, 2015

Dear Colleague:

We are writing to bring to your attention recent changes to the Department of Health and Mental Hygiene's (the Department) process for admitting adult psychiatric patients to Institutions for Mental Diseases (IMDs) within the Public Behavioral Health System.

For the past three years, the Department has participated in a Medicaid Emergency Psychiatric Demonstration that made Medicaid funds available to private free standing psychiatric hospitals (IMDs) for emergency inpatient psychiatric care provided to Medicaid enrollees aged 21 to 64.[1] These IMDs include, but are not limited to, Sheppard Pratt, Adventist Behavioral Health, and Brook Lane.

This three-year federal demonstration ended on June 30, 2015, and effective July 1, 2015, all adult psychiatric admissions to IMDs must now be paid with state general funds only. The state general funds budgeted for adult admissions to IMDs is significantly lower than the cost projected for fiscal year 2016. Therefore, for all adults presenting to an acute care general hospital Emergency Department (ED), in need of an inpatient psychiatry admission, every effort will be made to admit the individual to an Acute Care General Hospital. To accomplish this, all acute care general hospitals will be instructed to participate in and use the Maryland Psychiatric Bed Registry. All EDs will need to use the Bed Registry to find the nearest acute care general hospitals with an open psychiatric bed and coordinate the admission with the receiving hospital and VO. Please advise your admissions department to work collaboratively with acute care general hospitals and VO to divert Medicaid admissions to any open acute care general hospital psychiatry unit bed, whenever possible.

If the ED is unsuccessful in admitting the patient to their own or another acute care general hospital using the Bed Registry, the ED must call no less than four (4) acute care general hospitals to find an open psychiatric bed prior to requesting authorization from VO for admission to an IMD. If these calls have not been completed, VO will instruct the ED to attempt to admit the patient to an acute care general hospital by making these calls before it will authorize admission to an IMD. Ultimately, admissions to IMDs will be considered as a last resort in situations where no community hospital psychiatric bed is available and emergency psychiatric inpatient treatment is indicated.

We understand that this change is difficult for these organizations. Please note that the Department is seeking a federal waiver from the IMD Exclusion. If approved by the Centers for Medicare and Medicaid Services (CMS), Maryland would have the ability to reimburse IMDS for the treatment of Medicaid enrollees aged 21-64 with acute psychiatric and substance-use-related needs and would receive federal

[1] The Medicaid Emergency Psychiatric Demonstration was established under Section 2707 of the Affordable Care Act. The District of Columbia and 11 states, including Maryland were selected to participate in the Demonstration.

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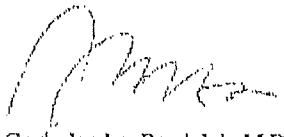
matching dollars. A copy of the waiver application and supporting documentation can be accessed at: http://dhmh.maryland.gov/SitePages/MD%20Exclusion%20Waiver.aspx

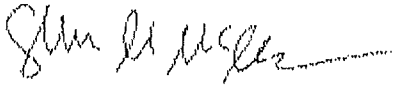
Moreover, CMS is seeking public comment on Maryland's waiver application until September 11, 2015. We encourage you to submit comments here: https://public.medicaid.gov/connect.ti/public.comments/viewQuestionnaire?qid=1878723

Should you have any questions or concerns regarding this policy, please contact Dr. Zoreana Jess-Huff, CEO to ValueOptions, Inc., Maryland by dialing 410-691-4000 or Zoreana.jess-huff@valueoptions.com.

Sincerely,



Gayle Jordan-Randolph, M.D.
Deputy Secretary
Behavioral Health



Shannon McMahon
Deputy Secretary
Health Care Financing

AFFIRMATIONS

I hereby declare and affirm under penalties of perjury that the facts stated in the foregoing Applicant's Response to Health Services Cost Review Questions are true and correct to the best of my knowledge, information and belief.

Date: December 11, 2017

Name: MIRIAM SULDAN
Title: Senior Managing Consultant

AFFIRMATIONS

I hereby declare and affirm under penalties of perjury that the facts stated in the foregoing Applicant's Response to Health Services Cost Review Questions are true and correct to the best of my knowledge, information and belief.

Date: December 11, 2017

Jeanette M Cross:
Managing Director

AFFIRMATIONS

I hereby declare and affirm under penalties of perjury that the facts stated in the foregoing Applicant's Response to Health Services Cost Review Questions are true and correct to the best of my knowledge, information and belief.

Date: December 11, 2017

Name: Catherine Yurkon
Title: VP Finance

AFFIRMATIONS

I hereby declare and affirm under penalties of perjury that the facts stated in the foregoing Applicant's Response to Health Services Cost Review Questions are true and correct to the best of my knowledge, information and belief.

Date: December 11, 2017

Name: Dawn Hurley
Title: Executive Director of Behavioral Health