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May 30, 2017

VIA EMAIL (paul.parker@maryland.gov)
& HAND DELIVERY

Mr. Paul Parker
Director, Center for Health Care Facilities
Planning & Development
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Re: BAYADA Hospice Comment on
Montgomery Hospice, Inc. CON Application:
Docket No. 16-16-2384

Dear Mr. Parker:

Enclosed please find BAYADA Home Health Care, Inc.'s written comments to the Certificate of Need application of Montgomery Hospice, Inc.

Sincerely,



Jonathan Montgomery

Enclosures

cc: Mr. Kevin McDonald, Chief, Certificate of Need (via email)
Ms. Suellen Wideman, Esq., Assistant Attorney General (via email)
Ms. Ruby Potter, Health Facilities Coordination Officer, MHCC (via email)
Pamela Creekmur, R.N., Health Officer, Prince George's County
BAYADA Home Health Care, Inc. (internal distribution)

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Re: BAYADA Hospice Comment on
Montgomery Hospice, Inc.
Certificate of Need Application: Docket # 16-16-2384

Dear Mr. Parker:

Pursuant to COMAR 10.24.01.08(D)(2)(b), BAYADA Home Health Care Inc., d/b/a BAYADA Hospice (“**BAYADA**”) hereby submits to the Maryland Health Care Commission (the “**Commission**”) the following written comments to the October 7, 2016 Certificate of Need (“**CON**”) application of Montgomery Hospice, Inc. (“**Montgomery Hospice**”) to establish a new hospice program in Prince George’s County (the “**Montgomery Hospice Application**”).¹

¹ BAYADA qualifies as an interested party in this review because BAYADA has also applied to establish a new general hospice program in Prince George’s County. *See* COMAR 10.24.01.01(B)(20)(a). Alternatively, BAYADA qualifies under COMAR 10.24.01.01(B)(20)(e):
footnote cont’d on next page

Comment

Although BAYADA recognizes that Montgomery Hospice has a respected existing hospice program in Maryland, the Montgomery Hospice Application sets forth an unsustainable business model for a Prince George's County expansion. A new hospice care program in Prince George's County must demonstrate that it will be cost-effective when compared to "alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review."² Moreover, any applicant must demonstrate that the project will generate the "resources necessary to sustain" the program.³ Montgomery Hospice's program, as proposed, may not meet those requirements, for the following reasons.

First, Montgomery Hospice proposes a high initial price tag of \$2,500,000 to establish a sustainable program in Prince George's County. The Montgomery Hospice Application states that "Montgomery Hospice estimates this project will require \$2,500,000 in working capital before services in Prince George's County become self-sustaining operationally."⁴ Further, the break-even point for the program is only reached "at the end of the third year of operations, once 700 or more patients are served per year."⁵

a new hospice program would compete with BAYADA for volume or for personnel or other resources. *See* COMAR 10.24.01.01(B)(2)(c), (d).

² COMAR 10.24.01.08(G)(3)(c).

³ COMAR 10.24.01.08(G)(3)(d).

⁴ Montgomery Hospice Application at p. 8.

⁵ Montgomery Hospice Application at p. 8.

In contrast, BAYADA proposes to spend about \$300,000 on clinical operations to reach the break-even point.⁶ BAYADA can achieve self-sustaining operations by year 2 after serving 150 unique patients, which is consistent with its experience in several other markets with multiple start-up operations.

Second, Montgomery Hospice's volume projections are overly optimistic. Montgomery Hospice anticipates serving an additional 700 to 900 patients per year residing in Prince George's County once this project is fully operational.⁷ This amount exceeds the 662 case need projection contained in the Commission's most recent hospice need projections.⁸ It also suggests that Montgomery Hospice could fail to achieve viability if incumbent hospice providers respond to new competition by increasing outreach. In fact, Montgomery Hospice admits that its "financial planning assumptions depend upon the state of Maryland awarding only one CON for the jurisdiction" because its project cannot achieve viability without extraordinary volume increases in Prince George's County.⁹

In contrast, BAYADA expects that its own community outreach and education efforts in Prince George's County will have spillover effects, as greater awareness of the benefits of hospice will cause volumes to rise at incumbent hospice providers as well.¹⁰ That is, BAYADA

⁶ BAYADA Home Health Care, Inc. Application at Exhibit 1.

⁷ Montgomery Hospice Application at p. 6.

⁸ 43 Md. Reg. 649 (May 27, 2016).

⁹ Montgomery Hospice Application at p. 7.

¹⁰ BAYADA Home Health Care, Inc. Application at pp. 50-52 and 57.

assumed that while BAYADA's education and outreach effort to combat low utilization in Prince George's County would drive volume to BAYADA, not every patient affected by that effort would go to BAYADA. Rather, increased awareness of hospice would also drive volume to other incumbent hospices. This projection fits with BAYADA's historical experience when expanding in similar markets, and BAYADA's historical practice of achieving sustainability on volumes far less ambitious than Montgomery Hospice has proposed.

Conclusion

For the reasons set forth above, the Commission should reject the Montgomery Hospice Application as currently proposed. Thank you for your attention to this matter.

Sincerely,




Jonathan Montgomery

MONTGOMERY HOSPICE
GENERAL HOSPICE SERVICES CON APPLICATION
COMMENT ON APPLICATION DATED OCTOBER 7, 2016

Attestation by Randolph L. Brown

Affirmation: I hereby declare and affirm under the penalties of perjury that the facts stated in the May 30, 2017 response, and its attachments, of BAYADA Home Health Care, Inc. to the application of Montgomery Hospice are true and correct to the best of my knowledge, information, and belief.



Randolph L. Brown
Division Director

5/30/17
Date