



**MARYLAND HEALTH CARE COMMISSION**

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

October 26, 2018

**Via E-mail and USPS**

Walter Smith, Director  
Encompass Health  
9001 Liberty Parkway  
Birmingham, Alabama 35242

Re: Encompass Health Rehabilitation Hospital of  
Southern Maryland  
Matter No. 18-16-2423

Dear Mr. Smith:

Staff of the Maryland Health Care Commission (“MHCC”) reviewed Encompass Health’s response to our completeness questions re: the above-referenced application and have several follow-up questions. Upon receipt of satisfactory responses we should be able to docket the application.

**PROJECT BUDGET**

1. Your response to staff’s question regarding the magnitude and composition of the line item for CON application assistance indicates that Encompass grouped the projected costs for several business planning and legal functions that would occur even if a CON law were not in place with legitimate CON preparation costs. The application form (Table E) clearly seeks a distinction between consulting costs related to CON preparation and those that would otherwise be incurred. Please make an attempt to make this distinction and resubmit a corrected Table E.

**CHARITY CARE**

2. The revised Financial Assistance Policy Procedures at Attachment 1, page 3, of the applicant’s response to completeness questions reads:

"Hospital will provide a financial assistance probable eligibility determination to the patient within two business days from receipt of the **initial financial assistance application**. At a minimum, patient must initially provide information about family size and income in order for hospitals to make a determination of probable eligibility. Hospital will notify applicant in writing of the decision along with a request for additional documentation needed to make final determination of eligibility. Final determination will be made and communicated to the patient based on receipt and review of completed Financial Assistance application. ..."

Please provide copy of the **initial financial assistance application**, which should clearly identify the minimum level of information required to make a determination of probable eligibility for a patient or family.

3. The notice of charity care services found at Attachment 4 of the applicant's response to Staff's completeness does not include specific contact information about the applicant's charity care policy that may be most useful for patients who would qualify for charity care. Typically, these notices include contact information such as a specific phone number or specific website address where a patient would find more information.
  - a. Please revise the notice to include a phone number or a website address.
  - b. Commission Staff would like to ensure that Encompass Health's HealthSouth Chesapeake location provides a notice that is compliant with this standard. Please provide a photograph or copy of the compliant notice posted at HealthSouth Chesapeake.
4. The revised financial assistance policy at Attachment 1, page 4, states:

"Annually, hospital will review and disseminate the availability of financial assistance in patient access sites and other places within the community served by the hospital."

  - c. Please provide specific examples of "patient access sites and other places within the community served by the hospital" in the proposed project's service area.
  - d. Does the existing HealthSouth Chesapeake location engage in this type of collaboration? If so, those would serve as examples of Encompass Health's commitment to disseminating information about the availability of financial assistance in patient access sites and other places with the community served by the hospital.
5. Please provide the level of charity care, *as a percentage of total operating expenses*, provided at Encompass Health's HealthSouth Chesapeake Rehabilitation Hospital for the most recent two years for which data is available. Please note, per the charity care standard at COMAR 10.24.09.04A(1)(b), "A hospital with a level of charity care, defined as the percentage of total operating expenses that falls within the bottom quartile of all hospitals, as reported in the most recent HSCRC Community Benefit Report, shall demonstrate that its level of charity care is appropriate to the needs of its service area population." According to the most recent HSCRC Community Benefit Report released in May 2018, hospitals in the bottom quartile provided charity care that amounted to 1.09% or below of total operating expenses in FY 17.

6. This part of your response to question 5 in our September 11 letter requires explanation:

The primary factor for the low charity care is the high occupancy percentage at HealthSouth Chesapeake. A shortage of available beds leads to admission denials. Between May 1, 2016 and August 31, 2018, there have been 762 patients denied admission because of a lack of an available bed. Over that same period, there were 3,623 patients discharged after treatment. That calculates to one patient denied admission for every 4.75 discharges. If approved, the forthcoming HealthSouth Chesapeake bed expansion will commit to at least a 2% charity commitment.

Assumedly, patients needing financial assistance would be randomly sprinkled among the patients seeking admission. Is there any other way to interpret this response as stating that denials are issued disproportionately to those needing financial assistance?

## **IMPACT**

7. Your response to question 5 in our September 11 letter projects a fairly significant impact on the number of discharges George Washington University Hospital, and especially MedStar National Rehabilitation Hospital, would lose from the projected EHRHSM service area. The response goes on to say, however, that this volume loss “will be offset by the demographic growth projected for the service area of these two hospitals; population growth across the Montgomery County, Washington DC, and northern Virginia market will generate new demand to offset this shift of 341 discharges,” but shows no calculations or assumptions to back up that statement.
  - a) Show a calculation of the projected population growth x rehabilitation use rate x market share for these facilities that proves that statement, and show all sources of data used in the calculations.
  - b) It would also be helpful to show the proportion of these facilities’ total discharges (from all geographies) that this projected shift would represent.

## **VOLUME PROJECTIONS AND ASSUMPTIONS**

8. Staff would like to clarify the applicant's statement on page 124 of the CON application dated April 20, 2018, states, “Currently, more than 90% of service area residents travel out of area for acute rehabilitation services.”

Does this statement mean that 90% of patients that live within the project’s proposed service area of Charles, Calvert, Prince George’s and St. Mary’s Counties, and 18 zip codes in Anne Arundel County receive acute inpatient rehabilitation services: (a) outside of their own Health Planning Region of residence, or (b) outside of the Southern Health Planning Region, or (c) some other definition of “out of area”?

## **TRANSFER AND REFERRAL AGREEMENTS**

9. Please provide written transfer and referral agreements, or provide plans to have these agreements in place prior to licensure, with facilities, agencies, and organizations that

provide alternative treatment programs appropriate to the needs of the patients served at the proposed facility who have less than acute care needs.

#### **AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES**

10. How did Encompass Health determine that locating a freestanding hospital in Bowie at Melford Blvd. and Marconi Dr., specifically, would be the most effective location for a proposed inpatient rehabilitation hospital that serves patients in the Southern Health Planning Region? Did the applicant consider other locations in the Southern Health Planning Region for the development of this project? If so, where, and how did the applicant determine that the proposed project would best meet the goals?

Please submit four copies of the responses to completeness questions and the additional information requested in this letter within ten working days of receipt. Also submit the response electronically, in both Word and PDF format, to Ruby Potter (ruby.potter@maryland.gov ). All information supplementing the applicant must be signed by person(s) available for cross-examination on the facts set forth in the supplementary information, who shall sign a statement as follows: "I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief."

Should you have any questions regarding this matter, feel free to contact either me at (410) 764-5982.

Sincerely,

Kevin McDonald  
Chief, Certificate of Need

cc: Carolyn Jacobs, Esquire  
Pamela Creekmur, Prince George's County Health Department