JAMES S. JACOBS
DAVID C. DEMBERT*
JACOB M. HOROWITZ**
of counsel
CAROLYN JACOBS

* Also Admitted in PA
** Also Admitted in DC

JACOBS & DEMBERT P.A.
LAW OFFICES

Writer's E-mail:
cjacobs@jdlaw.com

One South Street
Suite 2100
Baltimore, Maryland
21202-3280

(410) 727-4433 (v)
(410) 752-8105 (f)

November 9, 2018

VIA PDF & HAND DELIVERY

Ms. Ruby Potter
Health Facilities Coordinator
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

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

Dear Ms. Potter:

Provided below please find the completeness related responses of Encompass Health Rehabilitation Hospital of Southern Maryland ("EHRHSM") in connection with its Certificate of Need ("CON") application to establish a 60-bed special hospital rehabilitation in Bowie, Prince George's County in response to Mr. McDonald's October 26, 2018 request.

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.

RESPONSE:

Please see attached revised Table E which makes a distinction between the projected costs for business planning and legal functions that would occur even if a CON law were not in place (line 2(d)) and CON preparation costs for CON consultants, CON-related legal fees, and CON community support efforts (line 2 (c)). The non-CON costs are $150,000 (costs related to the land including appraisal, traffic study, title costs, and engineering fees) and the CON related costs are $1,350,000.

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.

RESPONSE:

See **Attachment 6**

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.

RESPONSE:

   a. The proposed hospital is not yet in existence and therefore there is no phone number or website. Both will be added to the notice as soon as they become available.

   b. See **Attachment 7,** photographs of the plain language financial assistance summary notice (compliant with this standard) currently posted at HealthSouth

Chesapeake by the lobby outside of Case Management. This notice also will be posted in the ambulance entrance.

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.

RESPONSE:

c. The following are examples of "patient access sites and other places within the community served by the hospital" where the hospital will disseminate the availability of financial assistance:

Within the proposed hospital, the policy advising of the availability of financial assistance will be posted in the following areas: lobby, registration/admitting, ambulance entrance, and finance office.

With respect to dissemination to the community, EHRHSM will educate the community it serves about the patient populations it treats (largely stroke and neurological) and the services it offers and assure community stakeholders are aware of its charity commitment. EHRHSM staff will "market charity care" to hospital case managers and physicians. EHRHSM also will work with the local health department and non-profit community-based organizations to assure the community is aware of the availability of its services to those who are unable to pay in part or in full.

d. With respect to HealthSouth Chesapeake, the financial assistance summary notice currently is posted by the lobby outside of Case Management. This notice also will be posted in the ambulance entrance. HealthSouth Chesapeake will initiate communications with its Maryland-based referral sources on the Financial Assistance Policy through its Business Development Director and liaisons in those settings, including but not limited to Atlantic General Hospital and Peninsula Regional Medical Center. These communications will be initiated prior

to Thanksgiving. All such referral sources will be provided copies of the plain language summary. The summary also will be posted on the website.

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.

RESPONSE:

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 is .004% for 2016 ($750 in charity care/$19,060,285 in total operating expenses); .008% for 2017 ($1266 in charity care/$15,557,981 in total operating expenses); and is projected to be .06% for 2018 ($10,000 in HealthSouth Chesapeake CON application in projected charity care/$16,431,858 in projected total operating expenses).

As explained further below in response to question 6, although the HealthSouth Chesapeake hospital has no specific charity care obligation, it has attempted to meet the needs of the community it serves. Moreover, HealthSouth Chesapeake Rehabilitation Hospital has committed in its CON application filed on October 5, 2018 (see page 27) to provide 2 % charity care.

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?

RESPONSE:

There is no evidence to substantiate the assumption above that denials are issued disproportionately to those needing financial assistance. Based on the available records and interviews with HealthSouth Chesapeake management, there is no evidence that potential patients are turned away because they are in need of financial assistance. It may be that referral sources have not historically referred patients in need of financial assistance. As explained above, referral sources will be educated prior to Thanksgiving of the availability of charity care at HealthSouth Chesapeake. HealthSouth Chesapeake is committed to striving for 2% charity care with this expansion.

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.

RESPONSE:

EHRHSM does project an impact on the number of acute rehabilitation discharges from George Washington University Hospital, and especially MedStar National Rehabilitation Hospital with respect to patients from the projected EHRHSM service area. EHRHSM does not believe that such an impact will be "fairly significant." In any event, provided below is an explanation (with support of calculations and assumptions) concerning how this volume loss "will be offset by the demographic growth projected for the service area of these two hospitals", *i.e.*, population growth across the Montgomery County, Washington DC, and Northern Virginia market will generate new demand to offset this shift of 341 discharges."

Projected population growth: 3 regions identified - Population forecasts for each of District of Columbia, Montgomery County, Maryland and Northern Virginia are presented below:

Population Forecasts: Selected Regions

Age 18+ years

CY2016-2023

	Population, Age 18+		Pop Change, 2016-2023	
Region	2016	2023	# Change	% Change
District of Columbia	544,324	641,006	96,682	17.8%
Montgomery County	812,040	885,620	73,580	9.1%
Northern Virginia	1,859,816	2,028,727	168,911	9.1%

Sources:
(1) District of Columbia: DC Government, Office of Planning

(2) Montgomery County: Nielsen Claritas

(3) Northern Virginia: Demographic Research Group of the Weldon Cooper Center for Public Services

2016 Population Estimate:https://demographics.coopercenter.org/sites/demographics/files/2018-05/Census_2016_AgeSexEstimates_forVA.xls

2020 Population Projection: https://demographics.coopercenter.org/sites/demographics/files/VAPopProjections_AgeSex_2020-2040.xls

Note: Northern Virginia defined as Arlington, Fairfax, Loudoun, Prince William Counties + Cities of Alexandria, Falls Church, Fairfax, Manassas, Manassas Park

Current volume from District of Columbia, Montgomery County, and Northern Virginia - In CY2016, MedStar National Rehabilitation ("MedStar NRH") and George Washington University Hospital ("GWU") reported the following discharges from the 3 regions above:

Total Number of Acute Rehabilitation Discharges: Selected Regions

CY2016

Patient Origin	MedStar NRH	GWU	Total
District of Columbia	873	226	1,099
Montgomery County	242	15	257
Northern Virginia	100	32	132

Sources:
(1) MedStar NRH data: DCHA Database

(2) GWU data: Based on acute rehab database provided by MHCC staff

Based on this CY2016 discharge base and the population forecasts, two analyses were prepared to project the discharge growth tied exclusively to demographic change in each of these regions, and the discharge gains that can be expected at MedStar NRH and at GWU. The two analyses produce consistent results and demonstrate that population-driven discharge gains for these two hospitals will, to a large degree, offset the projected shift of volume to EHRHSM.

Assessment #1: High level examination - Applying the annual population growth factor for each region to each hospital's current volume produces a high-level estimate of discharge gains which can be forecasted based on demographic growth, alone. The analysis below forecasts 231 additional discharges for these 2 hospitals from these 3 geographic regions attributed to population growth (see table below). **These 3 regions are not part of EHRHSM's service area and are not target markets for the new facility.** Therefore, MedStar NRH and GWU can be expected to maintain their patient base from this region and capture the volume that is tied to population growth.

Acute Rehab Discharges at MedStar NRH and GWU

Projected Volume Growth Attributed to Demographic Growth, Only

Selected Regions, CY2016-2023

	CY2016 Actual Discharges			Forecasted Pop Growth			Projected Gains
Patient Origin	MedStar NRH	GWU	Total		2016-2023		Attributed to Pop Growth
District of Columbia	873	226	1,099	x	17.8%	=	**196**
Montgomery County	242	15	257	x	9.1%	=	**23**
Northern Virginia	100	32	132	x	9.1%	=	**12**
TOTAL	1,215	273	1,488				**231**

The analysis demonstrates that even if there were a shift of 341 discharges from MedStar NRH/GWU to EHRHSM, this shift will be offset to a large degree by volume gained through population growth. The net effect to MedStar NRH (see below) represents less than 6% of its total discharges.

Acute Rehab Discharges at MedStar NRH and GWU

Projected Impact: Shift to Encompass + Demographic Growth

Hospital	Actual CY2016 Total Program # Discharges	Projected Shift to Encompass		Projected Gains Tied to Pop Growth		**Projected Combined Impact**	**Impact as % of Total Disch**
MedStar NRH	2,198	(315)	+	187	=	**(128)**	**(5.8%)**
GWU	366	(26)	+	44	=	**18**	**4.9%**
Total Discharges	2,564	(341)		231		**(110)**	**(4.3%)**

Assessment #2: Use rate and market share calculations - The analysis below presents population, use rates, and market share of acute rehab discharges by region. In the absence of data for Virginia hospitals, it is not possible to fully represent use rates and market share for Washington, DC and Northern Virginia residents. In the analyses below, "total" discharge volume is limited to volume reported for Maryland and DC hospitals in the HSCRC database and the DCHA database; discharges at Virginia rehabilitation providers are not included. Therefore, use rates and discharges for Northern Virginia residents are likely understated, as they do not reflect utilization of rehab programs in Virginia or neighboring states.

Based on the 2 datasets available, the following analysis projects Year 2023 discharges based on stable use rates and forecasted population growth. Assuming a stable CY2016 use rate, acute rehab discharges from these 3 regions is projected to increase by 604 discharges by Year 2023 (see page following).

Acute Rehab Use Rate: Adults Age 18+: Selected Regions
CY2016 - CY2023

		Estimated	Projected	Change, 2016-2023	
	Region/Age Group	CY2016	CY2023	#	%
Population	Montgomery County, MD				
	18-64	661,182	686,095	24,913	3.8%
	65+	150,858	199,525	48,667	32.3%
	Total	812,040	885,621	73,581	9.1%
	District of Columbia				
	18-64	469,158	543,514	74,356	15.8%
	65+	75,166	97,492	22,326	29.7%
	Total	544,324	641,006	96,682	17.8%
	Northern Virginia				
	18-64	1,593,860	1,682,364	88,504	5.6%
	65+	265,956	346,363	80,407	30.2%
	Total	1,859,816	2,028,727	168,911	9.1%
	Total	**3,216,180**	**3,555,354**	**339,174**	**10.5%**
Use Rate per 1,000	Montgomery County, MD				
	18-64	0.88	0.88		
	65+	6.21	6.21		
	Total	1.87	1.87		
	District of Columbia				
	18-64	1.43	1.43		
	65+	6.85	6.85		
	Total	2.18	2.18		
	Northern Virginia				
	18-64	0.04	0.04		
	65+	0.21	0.21		
	Total	0.06	0.06		
	Total	**0.88**	**0.96**		
Discharges	Montgomery County, MD				
	18-64	582	604	22	3.8%
	65+	937	1,239	302	32.3%
	Total	1,519	1,843	324	21.3%
	District of Columbia				
	18-64	672	779	107	15.8%
	65+	515	668	153	29.7%
	Total	1,187	1,446	259	21.9%
	Northern Virginia				
	18-64	61	64	3	5.6%
	65+	57	74	17	30.2%
	Total	118	139	21	17.5%
	Total	**2,824**	**3,428**	**604**	**21.4%**

Sources:

[1] DCHA Database

[2] HSCRC Abstract Inpatient Database

[3] Population Data:

Maryland: Nielsen-Claritas Population

District of Columbia: Government of the District of Columbia, DC Planning Office

Virginia: Demographics Research Group of the Weldon Center for Public Service

CY2016 market share for MedStar NRH and GWU is documented below, by region. As noted, "market share" refers to market share across Maryland and Washington, DC hospitals, only.

Acute Rehab Market Share, Selected Regions

Based on Acute Rehabilitation Discharges at Maryland and Washington, DC Hospitals

CY2016

	MedStar NRH		GWU		All other		Total Discharges	
Patient Origin	#	% Share	#	% Share	#	% Share	#	% Share
Montgomery County	242	15.6%	15	1.0%	1,295	83.4%	1,552	100%
District of Columbia	873	72.4%	226	18.7%	107	8.9%	1,206	100%
Northern Virginia	100	57.5%	32	18.4%	42	24.1%	174	100%
Total Discharges @ MD & DC Hospitals	**1,215**		**273**		**1,444**		**2,932**	

Assuming MedStar NRH and GWU maintain stable market share, the market share percentages above can be applied to the incremental growth in discharges projected for these three regions (604 discharges) to estimate projected gains to each hospital due to population growth. The analysis indicates that MedStar NRH and GWU can expect to gain approximately 300 discharges from demographic growth alone.

Projected Discharge Gains Due to Population Growth

Based on Stable Use Rate and Stable Market Share

CY2016-2023

	Projected #	MedStar NRH		GW Univ	
Patient Origin	Incremental Discharges	%	#	%	#
Montgomery County	324	15.6%	50	1.0%	3
District of Columbia	259	72.4%	187	18.7%	48
Northern Virginia	21	57.5%	12	18.4%	4
Total Discharge Gain	604		249		55

Discharge Gain, 2 Hospitals = **249 + 55 = 304**

EHRHSM projects a total of 341 service area discharges to shift from Washington, DC rehabilitation programs to the new facility in Bowie. This represents a *combined* volume shift from MedStar National Rehabilitation Hospital and from the program at George Washington University Medical Center. This projection is based on the assumption that 40% of acute rehabilitation discharges from the EHRSM Service Area (as defined below) now served at Washington, DC facilities will be served at the new Bowie facility as a function of EHRHSM's (a) geographic proximity, (b) new, state-of-the-art hospital capabilities/resources, and (c) tie with care management teams at University of Maryland Capital Region Health and referral patterns through the post-acute network of the University of Maryland Medical System facilitating continuity of care/team-based care coordination.

The projected volume shift, in CY2016 terms, represents approximately 14% of total discharges at MedStar NRH and 7% of total discharges at GWU (see table below). **However, as noted in an earlier response, this volume will be offset to a large degree by volume gains tied to demographic growth in the service area for these 2 hospitals** (projected 304 discharge gain offsetting the 341 discharge loss).

Projected Shift of Service Area Discharges from Washington, DC Acute Rehab Programs

Based on CY2016 Discharges

CY2016 figures	Actual # Total Discharges	Projected Impact
MedStar NRH: Total facility discharges	2,198	
MedStar NRH: Total service area discharges	788	
40% shift to Encompass		315
MedStar NRH: % of CY2016 total facility discharges		14.3%
GWU: Total rehab discharges	366	
GWU: Total service area discharges	65	
40% shift to Encompass		26
GWU: % of CY2016 total discharges		7.1%
2 DC Programs: Total rehab discharges	2,564	
40% shift to Encompass		341

VOLUME PROJECTIONS AND ASSUMPTIONS

6. 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"?

RESPONSE:

This statement is based on the data presented on page 33 of the CON application.

As the data documents, more than 90% of service area residents who were admitted for acute rehabilitation utilized a rehabilitation program located "out of area": defined as outside of EHRSM's defined service area: Prince George's, Calvert, Charles, St. Mary's Counties + southern Anne Arundel County (the "EHRSM Service Area").

Stated in terms of the data presented: In CY2016, there were 1,632 adult rehabilitation discharges for the service area population. Of these 1,632 discharges, only 143 discharges (or, 8.8%) were treated at Laurel Regional Hospital. The balance of EHRHSM Service Area discharges (91.2% of discharges) were treated at a provider outside of the 5-County region defined above.

TRANSFER AND REFERRAL AGREEMENTS

7. 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.

RESPONSE:

It is difficult to have written transfer and referral agreements for a facility which is yet built. The applicant plans to obtain written transfer and referral agreements prior to licensure, with the following 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:

Outpatient Therapy Providers:

1. Pivot Physical Therapy
2. Excel Physical Therapy
3. NovaCare Rehabilitation

Home Health Agency Referrals:

1. VNA
2. Kindred
3. Home Call
4. MedStar VNA
5. Amedysis

Skilled Nursing Facilities:

1. Future Care
2. Genesis
3. Fundamental Nursing Home
4. Commin-care
5. Lorien
6. Manor Care

Hospice Providers:

1. Amedisys Hospice of Greater Chesapeake
2. Gilchrist Hospice Care, Inc.
3. Hospice of the Chesapeake, Inc.
4. Seasons Hospice and Palliative Care of Maryland, Inc.

As soon as agreements are executed, they will be provided.

AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES

8. 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?

RESPONSE:

Encompass Health operates 130 hospitals nationally and has a great deal of experience in analyzing target markets and developing new hospitals. The company opens at least four new rehabilitation hospitals per year, most of which are ground-up construction. As part of that process, the business development and analytics teams work closely together to identify underserved areas based on demographics, including the density and growth of the 65+ population, which make up a large percentage of Encompass patients. Additionally, the team takes into consideration the distance from referring hospitals and residential areas where the target population resides.

During a patient's almost two week admission at EHRHSM, it is important for both the patients' family members, or caregivers, as well as their doctors, to be involved in the patient's recovery process. Thus, the goal is always to identify the most convenient location for both physicians and family, which is sometimes a challenge.

When the desired area is identified, the team works closely with the Encompass real estate department and local brokers, who begin the land search to meet Encompass criteria. Because rehabilitation patients are debilitated and require 3 hours of therapy per day, Encompass strives to build one-story hospitals to maximize efficiency and avoid the inconvenience of patients having to be transported up and down elevators. One story buildings require more land than hospitals with multiple floors - typically 6-8 acres for a 60 bed hospital, depending on the shape of the parcel and the site plan. It is sometimes difficult to find this much undeveloped land in a metropolitan area.

As part the Encompass search process, the team considered several land options and analyzed each one to see which one best met the criteria as described above. Encompass looked as far south as Waldorf, as well as north and west in Glenn Dale, Prince George's County. Encompass also evaluated the existing Laurel Regional campus, but at the time of filing, University of Maryland Capital Region's decision had not been made in regard to the future of that hospital. Even if the future of the hospital had been clearer, it was felt that this location was too far north to best serve the overall planning region.

It is critical to note that when the new University of Maryland Capital Region Medical Center opens in Largo, current and historic referral patterns for care are likely to change. Patients who once had to travel into the District for high-quality acute care services will be able to receive that care in Prince George's County. Likewise, those same patients who may require inpatient rehabilitation as a continuum of post-acute care will want to receive that care closer to home. Therefore, it is important for the new rehabilitation hospital to be in close proximity to its largest referral source, the new University of Maryland Capital Region Medical Center, which is approximately 15 minutes from the chosen site.

It also is important to note that the site is located off of the main road in a business/technology park and thus should not have a great deal of traffic permitting easy ingress and egress.

In summary, Encompass settled on the current site due to the close proximity to our largest expected referral source, the new University of Maryland Capital Region Medical Center, the large 65+ population base and expected growth in that area, the accessibility of the site to major roadways, the shape and size of the land -allowing for a one-story, efficient building, and a land owner who was willing to work with the applicant while it goes through the regulatory process.

Sincerely,

Carolyn Jacobs

Carolyn Jacobs

Please see attached signature page

I hereby declare and affirm under the penalties of perjury that the facts stated in the November 9, 2018 "completeness related" responses of Encompass Health Rehabilitation Hospital of Southern Maryland, LLC and its attachments are true and correct to the best of my knowledge, information, and belief.

Signature: Walter C Smith

Name: WALTER C. SMITH

Title: DIRECTOR, STATE REGULATORY AFFAIRS

Date: 11.09.18

TABLE E

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.

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.d as a use of funds and on line B.8 as a source of funds

	Hospital Building	Other Structure	Total
A. USE OF FUNDS			
1. CAPITAL COSTS			
a. New Construction			
(1) Building	$17,840,840		$17,840,840
(2) Fixed Equipment			$0
(3) Site and Infrastructure	$2,093,600		$2,093,600
(4) Architect/Engineering Fees	$1,665,227		$1,665,227
(5) Permits (Building, Utilities, Etc.)	$555,076		$555,076
SUBTOTAL	**$22,154,742**	**$0**	**$22,154,742**
b. Renovations			
(1) Building			$0
(2) Fixed Equipment (not included in construction).			$0
(3) Architect/Engineering Fees			$0
(4) Permits (Building, Utilities, Etc.)			$0
SUBTOTAL	**$0**	**$0**	**$0**
c. Other Capital Costs			
(1) Movable Equipment	$2,500,000		$2,500,000
(2) Contingency Allowance	$1,110,151		$1,110,151
(3) Gross interest during construction period	$840,000		$840,000
(4) Other *(Specify/add rows if needed)*	$1,600,000		$1,600,000
SUBTOTAL	***$6,050,151***	***$0***	**$6,050,151**
TOTAL CURRENT CAPITAL COSTS	$28,204,894	$0	$28,204,894
d. *Land Purchase*	$6,305,000		$6,305,000
e. Inflation Allowance			$0
TOTAL CAPITAL COSTS	**$34,509,894**	**$0**	**$34,509,894**
2. Financing Cost and Other Cash Requirements			
a. Loan Placement Fees			$0
b. Bond Discount			$0
c CON Application Assistance			
c1. Legal Fees	$600,000		$600,000
c2. Other (Specify/add rows if needed)	$750,000		
d. Non-CON Consulting Fees			
d1. Legal Fees			$0
d2. Other (Specify/add rows if needed)	$150,000		$150,000
e. Debt Service Reserve Fund			$0
f ACE-IT Installation	$289,000		$289,000
SUBTOTAL	***$1,789,000***	***$0***	**$1,789,000**
3. Working Capital Startup Costs	$400,000		$400,000
TOTAL USES OF FUNDS	***$36,698,894***	***$0***	***$36,698,894***
B. Sources of Funds			
1. Cash	$36,698,894		$36,698,894
2. Philanthropy (to date and expected)			$0
3. Authorized Bonds			$0
4. Interest Income from bond proceeds listed in #3			$0
5. Mortgage			$0
6. Working Capital Loans			$0
7. Grants or Appropriations			
a. Federal			$0
b. State			$0
c. Local			$0
8. Other *(Specify/add rows if needed)*			$0
TOTAL SOURCES OF FUNDS	***$36,698,894***		**$36,698,894**
	Hospital Building	*Other Structure*	*Total*
Annual Lease Costs (if applicable)			
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.

ATTACHMENT 6

Encompass Health

INITIAL FINANCIAL ASSISTANCE APPLICATION

PURPOSE: The information contained within this form enables the hospital to provide a probable financial assistance eligibility determination to a patient within two business days of receipt. If the hospital determines that financial assistance eligibility is probable and the patient wishes to pursue this option, a complete Financial Assistance Application must be submitted and will be reviewed in order to make a final determination on eligibility for financial assistance.

Date: _____

Patient Name: _____

Total Gross Income (before taxes and other deductions) for Household (Patient, Patient's Spouse, and Dependents): _____

Total Number of Dependents (including patient): _____

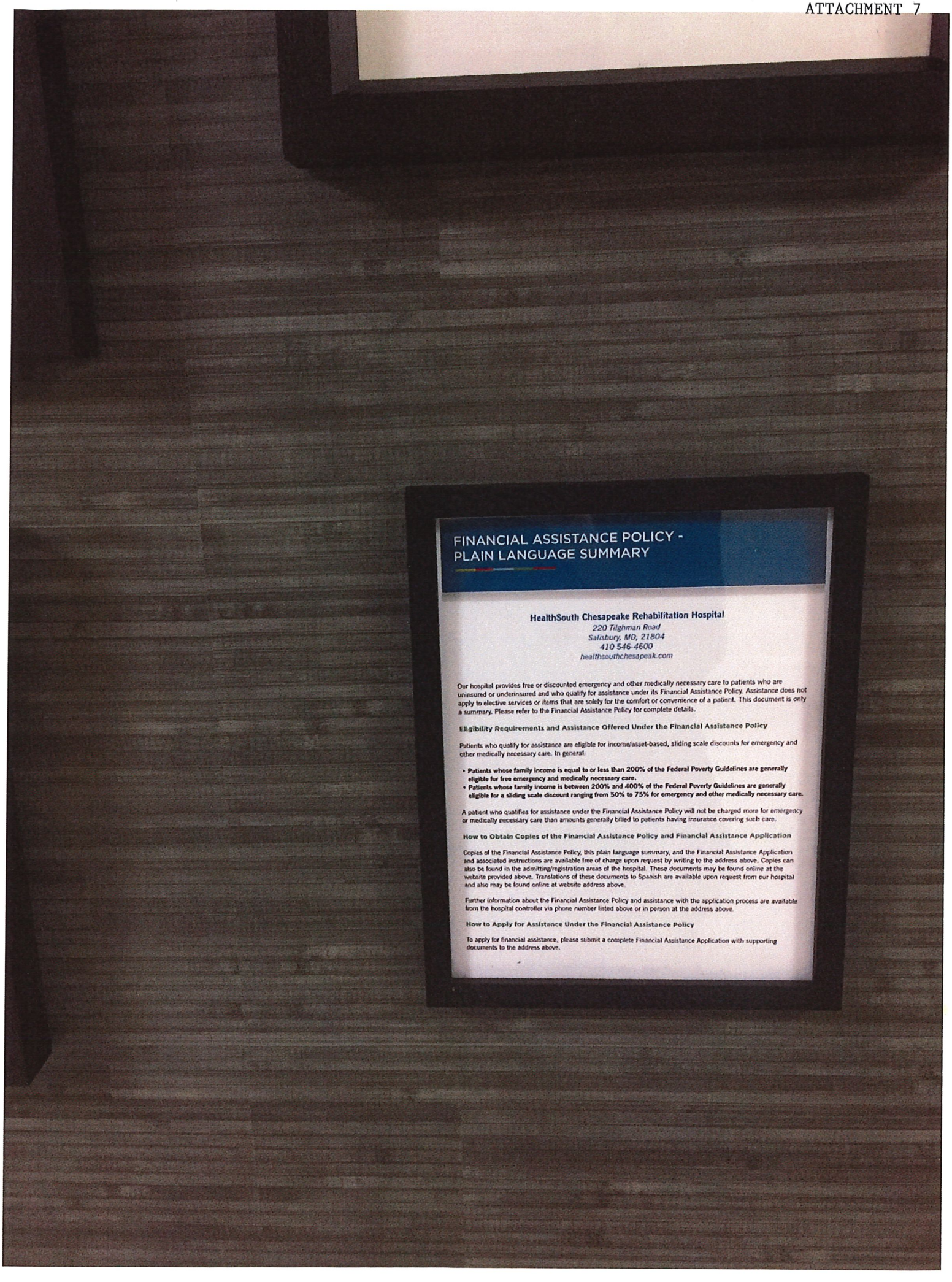
CERTIFICATION

I certify that the information on this application is a true and complete statement of the facts according to my best knowledge and belief. I understand that falsification of or failure to provide complete information requested on this application or failure/refusal to complete it, may result in being denied an extended payment plan or may void any payment agreement already in effect.

Signed:_____ Date:_____

Printed Name: _____

ATTACHMENT 7



FINANCIAL ASSISTANCE POLICY - PLAIN LANGUAGE SUMMARY

HealthSouth Chesapeake Rehabilitation Hospital
220 Tilghman Road
Salisbury, MD, 21804
410 546-4600
healthsouthchesapeak.com

Our hospital provides free or discounted emergency and other medically necessary care to patients who are uninsured or underinsured and who qualify for assistance under its Financial Assistance Policy. Assistance does not apply to elective services or items that are solely for the comfort or convenience of a patient. This document is only a summary. Please refer to the Financial Assistance Policy for complete details.

Eligibility Requirements and Assistance Offered Under the Financial Assistance Policy

Patients who qualify for assistance are eligible for income/asset-based, sliding scale discounts for emergency and other medically necessary care. In general:

- **Patients whose family income is equal to or less than 200% of the Federal Poverty Guidelines are generally eligible for free emergency and medically necessary care.**
- **Patients whose family income is between 200% and 400% of the Federal Poverty Guidelines are generally eligible for a sliding scale discount ranging from 50% to 75% for emergency and other medically necessary care.**

A patient who qualifies for assistance under the Financial Assistance Policy will not be charged more for emergency or medically necessary care than amounts generally billed to patients having insurance covering such care.

How to Obtain Copies of the Financial Assistance Policy and Financial Assistance Application

Copies of the Financial Assistance Policy, this plain language summary, and the Financial Assistance Application and associated instructions are available free of charge upon request by writing to the address above. Copies can also be found in the admitting/registration areas of the hospital. These documents may be found online at the website provided above. Translations of these documents to Spanish are available upon request from our hospital and also may be found online at website address above.

Further information about the Financial Assistance Policy and assistance with the application process are available from the hospital controller via phone number listed above or in person at the address above.

How to Apply for Assistance Under the Financial Assistance Policy

To apply for financial assistance, please submit a complete Financial Assistance Application with supporting documents to the address above.