STATE OF MARYLAND

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October 19, 2018

VIA E-MAIL AND REGULAR MAIL

Christopher C. Hall
Vice President/Chief Business Officer
Peninsula Regional Medical Center
100 East Carroll Street
Salisbury, Maryland 21801

Re: Introduce Acute Inpatient Psychiatric Services for Children and Adolescents
Matter No. 18-22-2417

Dear Mr. Hall:

Commission staff has reviewed the above- referenced application for the Certificate of Need ("CON"). Prior to docketing this application, the Maryland Health Care Commission ("MHCC") is requesting that Peninsula Regional Medical Center ("PRMC") provide responses to the following questions and requests for additional information or clarification.

COMAR 10.24.10, State Health Plan for Facilities and Services: Acute Care Hospital Services

General Standard (2), Charity Care Policy

1. The charity care policy provided states that "preliminary eligibility will be determined within two days of receipt of a completed application." You also attached a copy of the Maryland State Uniform Financial Assistance Application.

   A. Is the Maryland State Uniform Financial Assistance Application the "application" referred to in the policy?

   B. Is documentation that validates the accuracy of the information provided on the application form required before a determination of preliminary eligibility is made?

C. The charity care policy refers to a policy titled "Finance Division Policy FD-030." Is this policy included in the application, and if so, where? If it is not, please supply a copy.

Project Review Standard (5), Cost Effectiveness

2. This standard asks applicants to "identify at least two alternative approaches that it considered for achieving" the proposed project's "primary objectives." It what way is "doing nothing" an alternative approach to "achieving" the "primary objectives listed on page 25?

3. As noted below, it appears that the psychiatric hospitalization use rate for children and adolescents is declining in the identified service area, a hospital program for children and adolescents closed on the Eastern Shore in recent years, and PRMC projects an increase in this hospital use rate. Reduced demand for hospitalization and a contraction of hospital spending for hospitalization could logically be viewed as a "good thing," no matter what the underlying causes may be. Why is it cost effective to develop a new psychiatric hospital program that appears to be predicated on arresting or reversing this trend in declining use?

4. Given that the patient population is only expected to spend, on average, 9.3 days in the hospital, why wouldn't it be more cost effective to continue to have children and adolescents from the PRMC service area hospitalized at existing facilities with established expertise in these services, while, as an alternative to this project, PRMC invests in the array of services needed by local children and adolescents after hospitalization and outpatient psychiatric services more generally, a continuum of care that will involve a much longer period of service provision and is likely to be more important to the long-term stability and mental health of this patient population?

5. The difference in capital costs reported for the one actual alternative approach considered for the new unit (the Special Care Nursery or SCN) was quite small ($600,000). Were there any differences in projected operational costs between the two sites? Are there advantages associated with having the proposed new psychiatric unit and the existing adult unit in close proximity, as the proposed project alternative appears to achieve? Explain why the SCN unit was the only alternative reconfiguration option considered.

Project Review Standard (6), Burden of Proof Regarding Need

6. Child and adolescent psychiatric discharges being generated by the service area population declined at an average annual rate of 2.4% between 2010 and 2016 (table on page 29). This suggests that the use rate for this service is declining. However, it does not appear that the need analysis provided in the application takes this into account. Indeed, PRMC projects 373 discharges from its proposed unit in 2023, equivalent to 112% of the total Maryland hospital discharges identified for the total service area in 2016. How does PRMC account for the declining use rate for child and adolescent psychiatric hospital services in its need analysis?

7. How does the need analysis for child and adolescent psychiatric hospital services outlined in the application compare with the actual experience of PRMC in providing acute hospital services for adults with psychiatric disorders? Provide a service-area level analysis of the demand for adult psychiatric services experienced by PRMC that identifies the service area

and service area market share and the proportion of demand coming from beyond the service area.

8. Are preventive and outpatient services for behavioral health issues in the child and adolescent population optimized in the lower Eastern Shore? How do hospitalization rates in the PRMC service area compare with use seen in other regions of Maryland and what does this comparison indicate about the relative need for investment in hospital facilities versus alternative, non-inpatient programming to address the needs of persons in the 5 to 17 age range. (We recognize that PRMC states that the absence of data on Delaware hospital use comparable to that available for Maryland and District of Columbia hospitals have led it to state that "there is no way to accurately measure historical comparative utilization." However, we feel it is imperative to have some understanding of the appropriateness of hospital use rates being used to inform the analysis of need for this project, so please respond to this questions as best you can, employing reasonable, fact-based assumptions as necessary.)

9. Why did the Adventist HealthCare hospital in Dorchester close? Why was it unable to succeed as PRMC projects its proposed program will succeed? What are the key differences that will make success in Salisbury at a general hospital likely, in light of the demise of this facility?

Project Review Standard (13), Financial Feasibility

10. Your application states that "a comprehensive statement of assumptions is provided in Attachment 3." However, we are unable to locate that document. Can you please clarify its location or provide it?

11. Attachment 13 is identified as "data showing the historic utilization of Maryland hospitals for the inpatient psychiatric services provided to children and adolescents." Please provide a clear and simple summary of the data provided by the attachment for the time series 2010 to 2016 by the service area parameters being reviewed. Explain how this "historic utilization of services among residents of the PRMC service area" is reflected in the projections of use provided in Attachment 3, Table 1.

12. Please clarify the discrepancy on page 2 of Attachment 13 (219 cases and 2,350 patient days for Maryland psychiatric hospitals for the 12 months ending with the second quarter of 2016) and the data shown on page 8 for the same hospitals and the same time period (191 cases and 2,017 patient days).

13. Are there any physician staffing expenses for this project? (There do not appear to by any shown in the work force table.) Explain the plan for providing medical direction for this program. How many child psychiatrists are on the staff of PRMC?

14. If available, please provide a PRMC financial statement for FYE June 30, 2018.

COMAR 10.24.07, State Health Plan for Facilities and Services: Psychiatric Services

Standard AP 4b

15. Specifically describe the way in which necessary separation of the child and adolescent sections of this unit will be controlled and maintained.

Standard AP 6

16. Please provide copies of the written quality assurance programs, program evaluations, and treatment protocols for child and adolescent psychiatric services, if any exist.

Standard AP 8

17. What is the level of uncompensated care for acute child and adolescent psychiatric patients in Maryland in the most recent 12-month period for which data is available?

Standard AP 12b

18. How many qualified private therapists are available in the service area to which PRMC will refer discharged patients? Do these therapists accept and treat Medicaid patients? Which staff persons identified in Table L are the "after-care coordinators?"

Standard AP 13

19. Describe the key facilities, programs, and organizations ("inpatient, outpatient, long-term care, aftercare treatment programs, and alternative treatment programs") in the service area that will comprise the referral network for discharged child and adolescent psychiatric patients.

20. Please provide the written policies governing discharge planning and referrals between PRMC and other referral network services, if any exist.

Other Criteria from COMAR 10.24.01.08G

Need

21. Justify the assumption that PRMC will achieve a 75% and 35% market share, in the PSA and SSA, respectively.

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22. Did your assessment of need consider the provision of services in non-hospital settings and/or population-health initiatives? Please elaborate.

Viability of the Proposal

23. Please clarify the project financing plan. Will the source of funds for the project include four million dollars of philanthropic donations (as indicated on page 47) or two million (as indicated in the project budget schedule)?

Impact on Existing Providers and the Health Care Delivery System

24. Please identify the hospitals that will experience a projected impact as a result of implementing this proposed project and quantify that impact by projecting the shift in admissions that will occur.

Please submit six copies of the responses to completeness questions and the additional information requested in this letter within ten working day of receipt. Also submit a response electronically, in both Word and PDF format, to Ruby Potter (ruby.potter@maryland.gov).

All information supplementing the application 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 me at (410) 764-5982.

Sincerely,

Kevin McDonald
Chief, Certificate of Need

cc: Lori A. Brewster, Health Officer, Wicomico County and Acting Health Officer, Somerset County
Rebecca L. Jones, RN, Health Officer, Worcester County
Roger L. Harrell, Health Officer, Dorchester County
Patricia Nay, MD, Executive Director, Office of Health Care Quality, MDH
Suellen Wideman, Assistant Attorney General
Mariama Gondo, Project Analyst