GALLAGHER
EVELIUS & JONES LLP
ATTORNEYS AT LAW

February 8, 2019

VIA HAND DELIVERY

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

Re: Application for Certificate of Need
Construction of a Cancer Center at the University of Maryland Medical Center

Dear Ms. Potter:

On behalf of applicant University of Maryland Medical Center, we are submitting four copies of its Application for Certificate of Need to Construct a Cancer Center at the University of Maryland Medical Center and related exhibits, along with one set of full-size project drawings. Also enclosed is a CD containing searchable PDF files of the application and exhibits, a Word version of the application, and native Excel spreadsheets of the MHCC tables.

I hereby certify that a copy of this submission has also been forwarded to the appropriate local health planning agency as noted below.

Please sign and return to our waiting messenger the enclosed acknowledgment of receipt.

Sincerely,

Thomas C. Dame

Ella R. Aiken

TCD/ERA:blr
Enclosures

#652635
006551-0238

cc: Kevin McDonald, Chief, Certificate of Need
Paul Parker, Director, Center for Health Care Facilities Planning & Development
Suellen Wideman, Esq., Assistant Attorney General
Mary Beth Haller, Interim Baltimore City Health Commissioner
Megan M. Arthur, Esq., Senior Vice-President & General Counsel
Sandra H. Benzer, Esq., Associate Counsel, UMMS
Mohan Suntha, M.D., MBA, President and CEO
Dana D. Farrakhan, FACHE, Sr. VP, Strategy, Community and Business Development
Joseph E. Hoffman III, Senior Vice President and Chief Financial Officer, UMMC
Georgia Harrington, Senior Vice President, Operations, UMMC
Craig Fleischmann, Senior Vice President, Finance, UMMC
Leonard Taylor, Jr., Senior Vice President for Asset Planning, UMMS
Janice Eisele, Senior Vice President, Development, UMMC
Stan Whitbey, Vice President, Cancer Services, UMMC
Brian Sturm, Senior Director, Financial and Capital Planning, UMMS
Marina Bogin, Senior Director, Finance Decision Support, UMMC
Nicholas Jaidar, Director of Oncology Operations, UMMC
Suzanne Cowperthwaite, Director of Oncology Nursing, UMMC
Scott Tinsley-Hall, Director, Strategic Planning, UMMC
Linda Whitmore, Director for Project Development, UMMC
Bret Elam, Project Manager, UMMS
Donald Steacy, Manager, Strategic Analytics & Program Development, UMMC
Deb Sheehan, Executive Director, Cannon Design
Andrew L. Solberg, A.L.S. Healthcare Consultant Services

IN THE MARYLAND HEALTH CARE COMMISSION

APPLICATION FOR CERTIFICATE OF NEED

to Construct
a Cancer Center
at the University of Maryland Medical Center
Downtown Campus

Applicant
University of Maryland Medical Center

February 8, 2019

TABLE OF CONTENTS

For internal staff use

MARYLAND HEALTH CARE COMMISSION

MATTER/DOCKET NO.

DATE DOCKETED

HOSPITAL
APPLICATION FOR CERTIFICATE OF NEED

PART I - PROJECT IDENTIFICATION AND GENERAL INFORMATION

1. FACILITY

Name of Facility: University of Maryland Medical Center

Address:

22 S. Greene Street	Baltimore	21201	Baltimore City
Street	City	Zip	County

Name of Owner (if differs from applicant):

2. OWNER

Name of owner:

3. APPLICANT. If the application has co-applicants, provide the detail regarding each co-applicant in sections 3, 4, and 5 as an attachment.

Legal Name of Project Applicant

University of Maryland Medical Center, LLC

Address:

22 S. Greene Street	Baltimore	21201	MD	Baltimore City
Street	City	Zip	State	County

Telephone: (410) 328-8667 (General Information)

Name of Owner/Chief Executive: Mohan Suntha, MD, MBA, President and CEO

4. Name of Licensee or Proposed Licensee, if different from applicant:

---

5. LEGAL STRUCTURE OF APPLICANT (and LICENSEE, if different from applicant).

Check ☑ or fill in applicable information below and attach an organizational chart showing the owners of applicant (and licensee, if different).

A.	Governmental	☐	
B.	Corporation		
	(1) Non-profit	☒	
	(2) For-profit	☐	
	(3) Close	☐	State & date of incorporation Maryland, 2014
C.	Partnership		
	General	☐	
	Limited	☐	
	Limited liability partnership	☐	
	Limited liability limited partnership	☐	
	Other (Specify):		
D.	Limited Liability Company	☒	
E.	Other (Specify):		
	To be formed:	☐	
	Existing:	☒	

6. PERSON(S) TO WHOM QUESTIONS REGARDING THIS APPLICATION SHOULD BE DIRECTED

A. Lead or primary contact:

Name and Title: Dana Farrakhan, FACHE, Senior Vice President, Strategy, Community and Business Development

Mailing Address:

University of Maryland Medical Center

22 S. Greene Street	Baltimore	21201	Maryland
Street	City	Zip	State

Telephone: 410-328-1314

E-mail Address (required): DFarrakhan@umm.edu

Fax: 410-328-8664

B. Additional or alternate contact:

Name and Title: Thomas C. Dame

Mailing Address:

Gallagher Evelius & Jones LLP

218 N. Charles St. Suite 400	Baltimore	21201	MD
Street	City	Zip	State

Telephone: 410-347-1331

E-mail Address (required): tdame@gejlaw.com

Fax: 410-468-2786

Name and Title: Ella R. Aiken

Mailing Address:

Gallagher Evelius & Jones LLP

218 N. Charles St. Suite 400	Baltimore	21201	MD
Street	City	Zip	State

Telephone: 410-951-1420

E-mail Address (required): eaiken@gejlaw.com

Fax: 410-468-2786

7. TYPE OF PROJECT

The following list includes all project categories that require a CON under Maryland law. Please mark all that apply.

If approved, this CON would result in:

(1) A new health care facility built, developed, or established ☐
(2) An existing health care facility moved to another site ☐
(3) A change in the bed capacity of a health care facility ☐
(4) A change in the type or scope of any health care service offered by a health care facility ☐
(5) A health care facility making a capital expenditure that exceeds the current threshold for capital expenditures found at: http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/con_capital_threshold_update_20180417.pdf ☒

8. PROJECT DESCRIPTION

A. Executive Summary of the Project: The purpose of this BRIEF executive summary is to convey to the reader a holistic understanding of the proposed project: what it is; why you need/want to do it; and what it will cost. A one-page response will suffice. Please include:

(1) Brief description of the project – what the applicant proposes to do;
(2) Rationale for the project – the need and/or business case for the proposed project;
(3) Cost – the total cost of implementing the proposed project; and
(4) Master Facility Plans – how the proposed project fits in long term plans.

Applicant Response

(A1) Brief project description

The project consists of the construction, fit-out, and occupancy of an approximately 155,000 square foot ("sf") addition to the University of Maryland Medical Center, downtown campus ("UMMC")[1], and the renovation of approximately 73,000 sf of contiguous existing space. The addition will be constructed on 22 South Greene Street, and will sit at the east side of the existing North Hospital building at the corner of Greene and Baltimore Streets, above the existing main hospital entrance.

Cancer Center services will be expanded, utilizing both the new addition and renovated areas of the existing hospital. The nine stories will include a covered two-story open air drop-off entry, six floors of program space (21,200 sf each), and a floor of administrative and mechanical space (21,200 sf) located on level nine of nine. Two of the six floors, the third and fourth floors (21,200 sf each), will be shelled space for future program growth at UMMC. The Cancer Center

[1] The UMMC Downtown and Midtown Campuses of the University of Maryland Medical Center are owned by separate affiliated legal entities and operated under joint management.

will include oncology and blood and marrow transplant ("BMT") clinics, inpatient and outpatient cancer treatment services, and clinical and administrative support.

(A2) Rationale for the project

The number of patients served and treatments provided in UMMC's Cancer Center has tripled in the last eleven years, while operating in roughly the same footprint. Staff/physician and patient/family areas are beyond capacity due to bottlenecks resulting from space constraints. This often creates inefficiencies and delay, including patients waiting for outpatient treatments to begin, and for inpatient rooms to open up to be able to admit patients. In addition, newer treatment options are often curtailed because UMMC lacks the space in which to implement them. This project will add the capacity UMMC needs for the Cancer Center's future, while also allowing UMMC to renovate and create a modern, well-designed entry. The project also includes shell space for future investments in patient care.

(A3) Total Cost of the Project

The total capital cost of implement the project is estimated at $194.3 million. A project budget is attached as **Exhibit 1**, Table E.

(A4) Master Facility Plans

The project expands UMMC's cancer services in accordance with UMMC's strategic plans and projected growth for UMMC's cancer service line.

B. Comprehensive Project Description: The description must include details, as applicable, regarding:

(1) Construction, renovation, and demolition plans;
(2) Changes in square footage of departments and units;
(3) Physical plant or location changes;
(4) Changes to affected services following completion of the project; and
(5) If the project is a multi-phase project, describe the work that will be done in each phase. If the phases will be constructed under more than one construction contract, describe the phases and work that will be done under each contract.

Applicant Response

(B1) Construction, renovation, and demolition plans

The project will include renovation of a portion of the existing first floor to create a new main entrance to the hospital and the Cancer Center. The existing Stoler Cancer Clinic on the first floor will be converted to important cancer center support functions including: phlebotomy, retail, patient image renewal center (oncology patient skincare and wigs), and a patient resource center.

The street level features a modified vehicle drop off, new entryway, and lobby concourse. It serves the Cancer Center and the main hospital. The Cancer Center will have its own lobby off the concourse with dedicated elevators to access services on the upper floors.

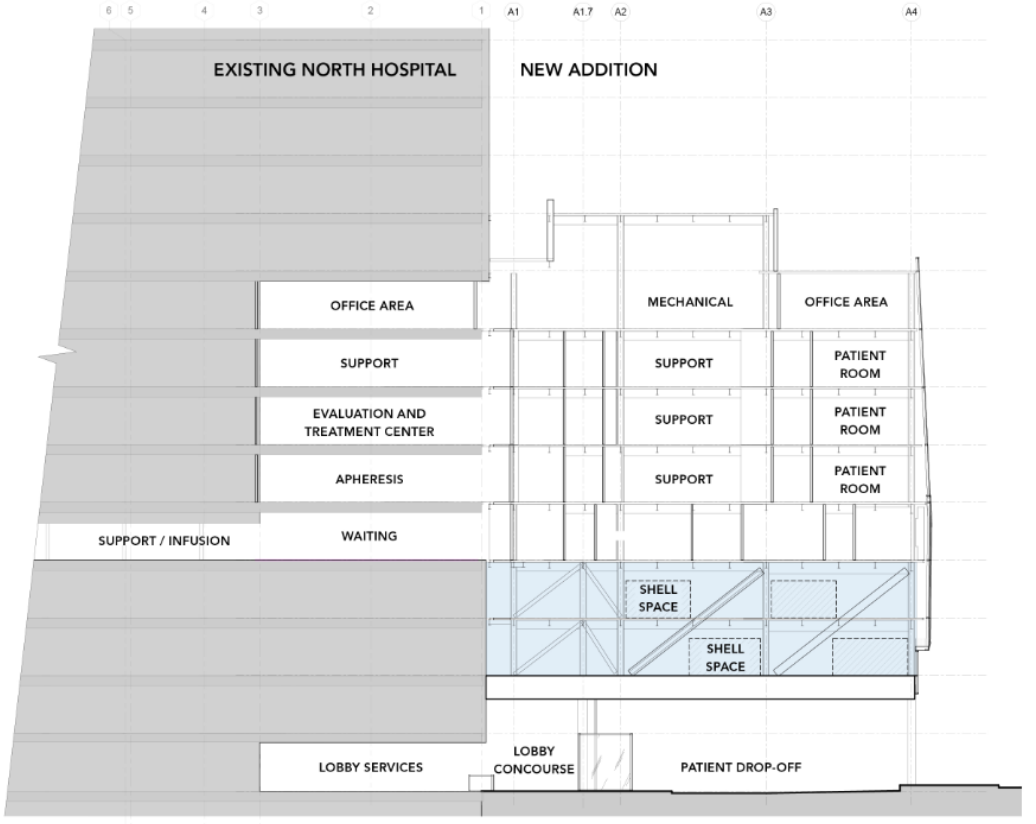
The third and fourth floors of the project will consist only of core and shell space.

The fifth floor will be a combined floor with renovated space in the existing building and new addition space. The combined footprint of this floor will be 47,180 sf. The fifth floor will house outpatient services consisting of infusion treatment areas and oncology clinics.

The sixth through eighth floors of the new addition, 21,200 sf each, will house the inpatient oncology program, including the BMT program. In all there will be 62 inpatient beds, eight specialized BMT outpatient treatment spaces, and support space.

Dedicated elevators will be added to the renovated lobby and be within the Cancer Center addition to serve the Cancer Center floors. Two new staff/patient/service transport elevators will be added within the existing building footprint (extending from the ground floor to thirteenth floor) to alleviate existing vertical transport deficiencies and to serve the needs of the addition. For the stops at the eighth floor and above, the elevators extend above the existing building footprint and will require an addition.

The following stacking diagram depicts the fit out of the extension:



Concept East-West Section showing Structure and Zoning

The floors of the project are will be fit out as follows:

Level 01

- New Addition: open to above and sides, support columns for structure above
- Renovation: Lobby Services – renovated areas for Registration, Reception/Security Desk, Gift Shop, Public Toilets; Cancer Center Services – Lobby, Resource Center, Phlebotomy; Building Services – elevator and stairs

Level 02

- New Addition: open above and sides, support columns
- Renovation: (shell and core functions) Building Service – elevators and stairs

Level 03

- New Addition: shelled space – no fit-out – reserve for future use
- Renovation: elevator lobby for new elevators, access into shelled space, main access renovation for new addition – future

Level 04

- New Addition: shelled space – no fit-out – reserve for future use.
- Renovation: elevator lobby for new elevators, access into shelled space, main access renovation for new addition– future

Level 05

- New Addition: oncology clinic with 45 examination rooms, four consultation rooms, team space, and associated clinical support space
- Renovation: oncology clinic waiting and check-in/check-out space; infusion with 38 infusion bays, ten private infusion rooms, pharmacy and associated clinical and staff support

Level 06

- New Addition: BMT with 18 inpatient rooms, outpatient transplant with four rooms and four patient stations, associated clinical and staff support
- Renovation: entry to new addition, support for functions in new addition

Level 07

- New Addition: oncology patient beds with 22 inpatient rooms and associated support
- Renovation: entry to new addition, Oncology Evaluation and Treatment Center Department, clinical and staff support

Level 08

- New Addition: oncology patient beds with 22 inpatient rooms and associated clinical and staff support
- Renovation: Entry to new addition, apheresis (six stations) and cell processing laboratory

Level 09

- New Addition: Cancer Center administrative offices and mechanical/electrical
- Renovation: Entry to new addition, Cancer Center administration

(B2) Changes in square footage of departments and units

See **Exhibit 1**, Table B.

(B3) Physical plant or location changes

The addition, a new 155,000 sf nine-story building with a two-story drop-off entry, six floors of program space, and a floor of mechanical space, will connect to the existing hospital floors.

The proposed structure is designed to provide a two-story-high vehicular drop-off at the first floor, recreating the existing main hospital entry.

The lobby concourse will:

- create a better, more welcoming environment for patients and visitors when they arrive through the main entrance;
- improve flow into the hospital;
- provide an identifiable Cancer Center entry; and
- improve the experience at the front desk and adjacent lobby / concourse spaces.

The ninth floor of the proposed project will include mechanical and electrical space to serve the new addition. The mechanical air handler rooms are set back from perimeter to allow space for cancer center administrative space along glazing and to provide concealed air intake and relief air. This will allow the required heights for the large air handler units and access to louvers above the roof of level nine.

The north, east, and south facades of the addition will provide a new welcoming contemporary look for exterior for the hospital.

The exterior enclosure of the addition will meet current energy conservation standards, which exceed the performance of the existing exterior and contribute to the energy savings required to meet the LEED target of Silver.

(B4) Changes to affected services following completion of the project

See **Exhibit** 1, Table B.

(B5) Multi-phase project description

The proposed project will be executed in the following phases:

Phase One, 6 months – Site Work and Excavation – This will involve preparing the building site to accept the new structure.

Phase Two, 12 months – Core & Shell – This will involve constructing the new building structure to be ready for the fit-out stage to follow.

Phase Three, 12 months – Fit-out – This will involve building out each of the occupied floors per the approved space program

Phase Four, 12 months – Renovations – This will involve renovating some existing space to accommodate cancer center programs

Complete the DEPARTMENTAL GROSS SQUARE FEET WORKSHEET (Table B) in the CON TABLE PACKAGE for the departments and functional areas to be affected.

See MHCC Form Tables, **Exhibit 1**, Table B.

9. CURRENT PHYSICAL CAPACITY AND PROPOSED CHANGES

Complete the Bed Capacity (Table A) worksheet in the CON Table Package if the proposed project impacts any nursing units.

Applicant Response

See MHCC Form Tables, **Exhibit 1**, Table A.

10. REQUIRED APPROVALS AND SITE CONTROL

A. Site size:

Applicant Response

The planned expansion adds a 155,000 square foot, nine-story addition to the existing hospital. The location of the planned expansion is currently open air space above an existing driveway adjacent to the east face of the North Hospital building, extending west to Greene Street, north to Baltimore Street, and south to the projection of Redwood Street.

See MHCC Form Tables, **Exhibit 1**, Table B for additional information.

B. Have all necessary State and local land use approvals, including zoning, for the project as proposed been obtained? YES_____ NO __X___ (If NO, describe below the current status and timetable for receiving necessary approvals.)

Applicant Response

The proposed project is subject to the standard Baltimore City review process. The property is in the C-5-DC zone where a hospital is a permitted use. The planned building conforms to the bulk and yard restrictions applicable to the zone. This "By Right" development is subject to project review, environmental review, and building permit review. These include but may not be limited to:

- Site plan review
- UDARP (Urban Design and Architectural Review)
- Traffic impact
- Stormwater management
- Building plan review

UMMC will pursue the process for acquiring the needed approvals for the addition during the CON review process, and does not expect any significant obstacles to obtaining the approvals.

C. Form of Site Control (Respond to the one that applies. If more than one, explain.):

(1) Owned by: The project will be constructed as an addition to the existing UMMC facility, which is owned by University of Maryland Medical System Corporation.
Please provide a copy of the deed.

(2) Options to purchase held by: _____
Please provide a copy of the purchase option as an attachment.

(3) Land Lease held by: _____
Please provide a copy of the land lease as an attachment.

(4) Option to lease held by: _____
Please provide a copy of the option to lease as an attachment.

(5) Other: _____
Explain and provide legal documents as an attachment.

11. PROJECT SCHEDULE

In completing this section, please note applicable performance requirement time frames set forth at COMAR 10.24.01.12B & C. Ensure that the information presented in the following table reflects information presented in Application Item 7 (Project Description).

Multi-Phase Project for an existing health care facility	**Proposed Project Timeline**	
One Construction Contract		
Obligation of not less than 51% of capital expenditure up to 12 months from CON approval, as documented by a binding construction contract.	**12**	months
Initiation of Construction within 4 months of the effective date of the binding construction contract.	**2**	months
Completion of 1st Phase of Construction within 24 months of the effective date of the binding construction contract.	**6**	months
Completion of 2nd Phase of Construction within 24 months of the effective date of the binding construction contract.	**12**	months
Completion of 3rd Phase of Construction within f 24 months of the effective date of the binding construction contract.	**12**	months
Completion of 4th Phase of Construction within 24 months of the effective date of the binding construction contract.	**12**	months

12. PROJECT DRAWINGS

A project involving new construction and/or renovations must include scalable schematic drawings of the facility at least a 1/16" scale. Drawings should be completely legible and include dates.

Project drawings must include the following before (existing) and after (proposed) components, as applicable:

A. Floor plans for each floor affected with all rooms labeled by purpose or function, room sizes, number of beds, location of bathrooms, nursing stations, and any proposed space for future expansion to be constructed, but not finished at the completion of the project, labeled as "shell space".

B. For a project involving new construction and/or site work a Plot Plan, showing the "footprint" and location of the facility before and after the project.

C. For a project involving site work schematic drawings showing entrances, roads, parking, sidewalks and other significant site structures before and after the proposed project.

D. Exterior elevation drawings and stacking diagrams that show the location and relationship of functions for each floor affected.

Applicant Response

Project drawings are attached as **Exhibit 2**.

13. FEATURES OF PROJECT CONSTRUCTION

A. If the project involves new construction or renovation, complete the Construction Characteristics (Table C) and Onsite and Offsite Costs (Table D) worksheets in the CON Table Package.

Applicant Response

See **Exhibit 1** MHCC Form Tables, Table C, Table D.

B. Discuss the availability and adequacy of utilities (water, electricity, sewage, natural gas, etc.) for the proposed project, and the steps necessary to obtain utilities. Please either provide documentation that adequate utilities are available or explain the plan(s) and anticipated timeframe(s) to obtain them.

Applicant Response

There is adequate capacity in the public utilities that presently service the existing hospital to support the requirements of the project.

PART II - PROJECT BUDGET

Complete the Project Budget (Table E) worksheet in the CON Table Package.

Note: Applicant must include a list of all assumptions and specify what is included in all costs, as well the source of cost estimates and the manner in which all cost estimates are derived.

Applicant Response

See **Exhibit 1**, MHCC Form Tables, Table E.

PART III - APPLICANT HISTORY, STATEMENT OF RESPONSIBILITY, AUTHORIZATION AND RELEASE OF INFORMATION, AND SIGNATURE

1. List names and addresses of all owners and individuals responsible for the proposed project.

   Owner: University of Maryland Medical Center, LLC

   Responsible Individual: Mohan Suntha, M.D., MBA, President and CEO, University of Maryland Medical Center, Downtown and Midtown Campuses

   Address: 22 Greene Street, Baltimore, Maryland 21201

2. Is any applicant, owner, or responsible person listed above now involved, or has any such person ever been involved, in the ownership, development, or management of another health care facility? If yes, provide a listing of each such facility, including facility name, address, the relationship(s), and dates of involvement.

   From 2012 through 2016, Dr. Suntha was President and CEO of University of Maryland St. Joseph Medical Center (7601 Osler Drive, Towson, Maryland 21204). From 2009 until 2012, Dr. Suntha was Vice President for System Program Development for the University of Maryland Medical System (250 W. Pratt Street, Baltimore, Maryland 21201).

3. In the last 5 years, has the Maryland license or certification of the applicant facility, or the license or certification from any state or the District of Columbia of any of the facilities listed in response to Question 2, above, ever been suspended or revoked, or been subject to any disciplinary action (such as a ban on admissions)? If yes, provide a written explanation of the circumstances, including the date(s) of the actions and the disposition. If the applicant(s), owners, or individuals responsible for implementation of the Project were not involved with the facility at the time a suspension, revocation, or disciplinary action took place, indicate in the explanation.

   No.

4. Other than the licensure or certification actions described in the response to Question 3, above, has any facility with which any applicant is involved, or has any facility with which any applicant has in the past been involved (listed in response to Question 2, above) ever received inquiries from a federal or any state authority, the Joint Commission, or other regulatory body regarding possible non-compliance with Maryland, another state, federal, or Joint Commission requirements for the provision of, the quality of, or the payment for health care services that have resulted in actions leading to the possibility of penalties, admission bans, probationary status, or other sanctions at the applicant facility or at any facility listed in response to Question 2? If yes, provide, for each such instance, copies of any settlement reached, proposed findings or final findings of non-compliance and related documentation including reports of non-compliance, responses of the facility, and any final disposition or conclusions reached by the applicable authority.

The Applicant notes that this response is limited to information relevant to University of Maryland Medical Center, University Campus for active (not historical) compliance inquiries and investigations.

On June 19, 2018, the Office of Health Care Quality of the Maryland Department of Health conducted a survey on behalf of the Centers for Medicare and Medicaid Services and identified several alleged deficiencies in the behavioral health unit at UMMC. UMMC received the deficiency report on July 17, 2018 and submitted an action plan that has been accepted and validated by CMS.

5. Has any applicant, owner, or responsible individual listed in response to Question 1, above, ever pled guilty to, received any type of diversionary disposition, or been convicted of a criminal offense in any way connected with the ownership, development, or management of the applicant facility or any of the health care facilities listed in response to Question 2, above? If yes, provide a written explanation of the circumstances, including as applicable the court, the date(s) of conviction(s), diversionary disposition(s) of any type, or guilty plea(s).

No

One or more persons shall be officially authorized in writing by the applicant to sign for and act for the applicant for the project which is the subject of this application. Copies of this authorization shall be attached to the application. The undersigned is the owner(s), or Board-designated official of the applicant regarding the project proposed in the application.

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.

2/5/2019
Date

Signature of Owner or Board-designated Official

President and CEO
Position/Title

Mohan Suntha, M.D., MBA
Printed Name

#649605
006551-0238

PART IV - CONSISTENCY WITH GENERAL REVIEW CRITERIA AT COMAR 10.24.01.08G(3):

INSTRUCTION: Each applicant must respond to all criteria included in COMAR 0.24.01.08G(3), listed below.

An application for a Certificate of Need shall be evaluated according to all relevant State Health Plan standards and other review criteria.

If a particular standard or criteria is covered in the response to a previous standard or criteria, the applicant may cite the specific location of those discussions in order to avoid duplication. When doing so, the applicant should ensure that the previous material directly pertains to the requirement and the directions included in this application form. Incomplete responses to any requirement will result in an information request from Commission Staff to ensure adequacy of the response, which will prolong the application's review period.

10.24.01.08G(3)(a). <u>The State Health Plan</u>.

To respond adequately to this criterion, the applicant must address each applicable standard from each chapter of the State Health Plan that governs the services being proposed or affected, and provide a direct, concise response explaining the project's consistency with each standard. <u>In cases where demonstrating compliance with a standard requires the provision of specific documentation, documentation must be included as a part of the application.</u>

Every acute care hospital applicant must address the standards in **COMAR 10.24.10: Acute Care Hospital Services**. A Microsoft Word version is available for the applicant's convenience on the Commission's website. Use of the *CON Project Review Checklist for Acute Care Hospitals General Standards* is encouraged. This document can be provided by staff.

Other State Health Plan chapters that may apply to a project proposed by an acute care hospital are listed in the table below. A pre-application conference will be scheduled by Commission Staff to cover this and other topics. It is highly advisable to discuss with Staff which State Health Plan chapters and standards will apply to a proposed project before application submission. Applicants are encouraged to contact Staff with any questions regarding an application.

<u>The State Health Plan</u>. Application for Certificate of Need shall be evaluated according to all relevant State Health Plan standards, policies and criteria.

The Applicable State Health Plan Chapter is COMAR 10.24.10, Acute Hospital Services.

COMAR 10.24.10. ACUTE CARE CHAPTER

.04A. GENERAL STANDARDS

The following general standards encompass Commission expectations for the delivery of acute care services by all hospitals in Maryland. Each hospital that seeks a Certificate of Need for a project covered by this Chapter of the State Health Plan must address and document its compliance with each of the following general standards as part of its Certificate of Need application. Each hospital that seeks a Certificate of Need exemption for a project covered by this Chapter of the State Health Plan must address and demonstrate consistency with each of the following general standards as part of its exemption request.

Standard .04A(1) – Information Regarding Charges.

Information regarding hospital charges shall be available to the public. After July 1, 2010, each hospital shall have a written policy for the provision of information to the public concerning charges for its services. At a minimum, this policy shall include:

(a) Maintenance of a Representative List of Services and Charges that is readily available to the public in written form at the hospital and on the hospital's internet web site;

(b) Procedures for promptly responding to individual requests for current charges for specific services/procedures; and

(c) Requirements for staff training to ensure that inquiries regarding charges for its services are appropriately handled.

Applicant Response:

UMMC complies with this standard. Its policy is attached as **Exhibit 4** and is available on its website at the following link: https://www.umms.org/ummc/patients-visitors/for-patients/financial-assistance .

Standard .04A(2) – Charity Care Policy.

Each hospital shall have a written policy for the provision of charity care for indigent patients to ensure access to services regardless of an individual's ability to pay.

(a) The policy shall provide:

(i) Determination of Probable Eligibility. Within two business days following a patient's request for charity care services, application for medical assistance, or both, the hospital must make a determination of probable eligibility.

(ii) Minimum Required Notice of Charity Care Policy.

1. Public notice of information regarding the hospital's charity care policy shall be distributed through methods designed to best reach the target population and in a format understandable by the target population on an annual basis;

2. Notices regarding the hospital's charity care policy shall be posted in the admissions office, business office, and emergency department areas within the hospital; and

3. Individual notice regarding the hospital's charity care policy shall be provided at the time of preadmission or admission to each person who seeks services in the hospital.

Applicant Response:

UMMC's financial assistance policy is attached as **Exhibit 5**. Public notice is provided through publication on UMMC's website at https://www.umms.org/ummc/patients-visitors/for-patients/financial-assistance, and through print publication, attached as **Exhibit 6**. Notices of the financial assistance policy are posted in the admissions office, business office, and emergency department. *See, e.g.*, **Exhibit 7**, a copy of the notice of the financial assistance policy posted by the registration desk in the hospital's main lobby. Individual notice regarding the financial assistance policy is provided at the time of preadmission or admission to each person who seeks services at UMMC.

(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 Health Service Cost Review Commission Community Benefit Report, shall demonstrate that its level of charity care is appropriate to the needs of its service area population.

Applicant Response:

Not applicable. According to the HSCRC's Maryland Hospital Community Benefit Report for FY 2017, published May 2018, UMMC's provision of charity care does not fall within the bottom quartile of all Maryland hospitals, as reflected in Table 1 below.

Table 1
FY 2017 Community Benefit Analysis
Source: HSCRC Community Benefit Report, FY 2017

Hospital Name	Total Hospital Operating Expense	CB Reported Charity Care	Charity Care % of Total Hosp. Operating Income	Ranking	Percentile
Holy Cross Hospital	$413,796,889	$31,396,990	7.6%	1	1.85%
Garrett County Hospital	$46,818,203	$2,792,419	6.0%	2	3.70%
St. Agnes	$433,986,000	$21,573,282	5.0%	3	5.56%

Hospital Name	Total Hospital Operating Expense	CB Reported Charity Care	Charity Care % of Total Hosp. Operating Income	Ranking	Percentile
Adventist Behavioral Health Rockville*	$40,204,927	$1,451,432	3.6%	4	7.41%
Doctors Community	$193,854,072	$6,756,740	3.5%	5	9.26%
Adventist Washington Adventist*	$219,120,045	$7,442,497	3.4%	6	11.11%
Western Maryland Health System	$322,835,314	$10,385,555	3.2%	7	12.96%
UM Prince Georges Hospital Center	$286,955,092	$9,166,191	3.2%	8	14.81%
Mercy Medical Center	$464,031,500	$14,411,600	3.1%	9	16.67%
Holy Cross Germantown	$97,124,985	$2,819,650	2.9%	10	18.52%
Johns Hopkins Bayview Medical Center	$613,834,000	$16,951,000	2.8%	11	20.37%
UM Laurel Regional Hospital	$93,884,647	$2,521,365	2.7%	12	22.22%
UM Midtown	$204,226,000	$5,174,000	2.5%	13	24.07%
Sheppard Pratt	$221,570,405	$5,473,873	2.5%	14	25.93%
Frederick Memorial	$350,118,000	$8,081,000	2.3%	15	27.78%
UM Harford Memorial	$84,926,000	$1,927,000	2.3%	16	29.63%
Atlantic General	$117,342,233	$2,569,517	2.2%	17	31.48%
Ft. Washington	$42,883,433	$928,769	2.2%	18	33.33%
UM Rehabilitation and Ortho Institute	$107,006,000	$2,271,000	2.1%	19	35.19%
UM Baltimore Washington	$334,210,000	$6,703,000	2.0%	20	37.04%
Calvert Hospital	$135,047,535	$2,694,783	2.0%	21	38.89%
Peninsula Regional	$432,141,737	$8,301,400	1.9%	22	40.74%
McCready	$16,564,839	$307,205	1.9%	23	42.59%
Levindale	$73,760,005	$1,341,932	1.8%	24	44.44%
Average	$304,507,851	$5,527,912	1.8%	25	46.30%
UM St. Joseph	$341,335,000	$6,105,000	1.8%	26	48.15%
UM Shore Medical Dorchester	$42,909,000	$647,362	1.5%	27	50.00%
MedStar Harbor Hospital	$187,002,302	$2,816,043	1.5%	28	51.85%
Meritus Medical Center	$309,163,913	$4,596,841	1.5%	29	53.70%
UM Shore Medical Easton	$190,646,000	$2,786,102	1.5%	30	55.56%
MedStar St. Mary's Hospital	$168,757,516	$2,458,649	1.5%	31	57.41%
MedStar Good Samaritan	$282,735,786	$4,078,427	1.4%	32	59.26%
UMMC	$1,470,095,000	$20,308,000	1.4%	33	61.11%
Howard County Hospital	$260,413,000	$3,368,222	1.3%	34	62.96%
UM Charles Regional Medical Center	$117,918,178	$1,474,409	1.3%	35	64.81%
MedStar Southern Maryland	$243,629,886	$3,014,042	1.2%	36	66.67%
Adventist Rehab of Maryland*	$43,589,181	$502,712	1.2%	37	68.52%
Lifebridge Northwest Hospital	$240,547,439	$2,734,207	1.1%	38	70.37%

Hospital Name	Total Hospital Operating Expense	CB Reported Charity Care	Charity Care % of Total Hosp. Operating Income	Ranking	Percentile
Shady Grove*	$323,661,835	$3,646,551	1.1%	39	72.22%
Suburban Hospital	$283,346,000	$3,168,000	1.1%	40	74.07%
UM Upper Chesapeake	$284,219,000	$3,014,000	1.1%	41	75.93%
MedStar Franklin Square	$508,539,888	$5,147,814	1.0%	42	77.78%
MedStar Union Memorial	$443,482,532	$4,426,976	1.0%	43	79.63%
Johns Hopkins Hospital	$2,307,202,000	$21,697,000	0.9%	44	81.48%
Union Hospital of Cecil County	$157,260,383	$1,411,673	0.9%	45	83.33%
LifeBridge Sinai	$727,868,000	$6,526,756	0.9%	46	85.19%
MedStar Montgomery General	$160,725,287	$1,322,823	0.8%	47	87.04%
UM Shore MedicalChestertown	$46,048,000	$373,000	0.8%	48	88.89%
Anne Arundel Medical Center	$561,392,000	$4,450,854	0.8%	49	90.74%
Mt. Washington Pediatrics	$55,412,291	$382,465	0.7%	50	92.59%
Bon Secours	$113,068,120	$675,245	0.6%	51	94.44%
GBMC	$419,396,862	$2,085,315	0.5%	52	96.30%
Carroll Hospital Center	$197,802,000	$790,716	0.4%	53	98.15%
All Hospitals	**$15,834,408,260**	**$287,451,403**	1.8%	54	100.00%

* According the HSCRC FY 2017 Community Benefit Report, "the Adventist Hospital System requested and received permission to report its community benefit activities on a calendar year basis to more accurately reflect true activities during the community benefit cycle." Report at p. 44, available at http://www.hscrc.state.md.us/Documents/HSCRC_Initiatives/CommunityBenefits/CBR-FY17/FY2017CommunityBenefitReport20180501.pdf.

Standard .04A(3) – Quality of Care.

An acute care hospital shall provide high quality care.

(a) Each hospital shall document that it is:

(i) Licensed, in good standing, by the Maryland Department of Health and Mental Hygiene;

(ii) Accredited by the Joint Commission; and

(iii) In compliance with the conditions of participation of the Medicare and Medicaid programs.

Applicant Response:

UMMC is licensed by the Maryland Department of Health, is accredited by The Joint Commission, and is in compliance with all Medicare and Medicaid conditions of participation. Copies of UMMC's license and most recent accreditation letter are attached as **Exhibits 8** and **9**.

(b) A hospital with a measure value for a Quality Measure included in the most recent update of the Maryland Hospital Performance Evaluation Guide that falls within the bottom quartile of all hospitals' reported performance measured for that Quality Measure and also falls below a 90% level of compliance with the Quality Measure, shall document each action it is taking to improve performance for that Quality Measure.

Applicant Response:

UMMC received a "Below Average" ranking in 23 Quality Measures in the most recent Maryland Hospital Performance Evaluation Guide. An action plan for each of these quality measures is described in **Exhibit 10**.

COMAR 10.24.10 ACUTE CARE CHAPTER

.04B. PROJECT REVIEW STANDARDS

Standard .04B(1) – Geographic Accessibility

A new acute care general hospital or an acute care general hospital being replaced on a new site shall be located to optimize accessibility in terms of travel time for its likely service area population. Optimal travel time for general medical/surgical, intensive/critical care and pediatric services shall be within 30 minutes under normal driving conditions for 90 percent of the population in its likely service area.

Applicant Response:

Inapplicable.

Standard .04B(2) – Identification of Bed Need and Addition of Beds

Only medical/surgical/gynecological/addictions ("MSGA") beds and pediatric beds identified as needed and/or currently licensed shall be developed at acute care general hospitals.

(a) Minimum and maximum need for MSGA and pediatric beds are determined using the need projection methodologies in Regulation .05 of this Chapter.

(b) Projected need for trauma unit, intensive care unit, critical care unit, progressive care unit, and care for AIDS patients is included in the MSGA need projection. (c) Additional MSGA or pediatric beds may be developed or put into operation only if:

(i) The proposed additional beds will not cause the total bed capacity of the hospital to exceed the most recent annual calculation of licensed bed capacity for the hospital made pursuant to Health-General §19-307.2; or

(ii) The proposed additional beds do not exceed the minimum jurisdictional bed need projection adopted by the Commission and calculated using the bed need projection methodology in Regulation .05 of this Chapter; or

(iii) The proposed additional beds exceed the minimum jurisdictional bed need projection but do not exceed the maximum jurisdictional bed need projection adopted by the Commission and calculated using the bed need projection methodology in Regulation .05 of this Chapter and the applicant can demonstrate need at the applicant hospital for bed capacity that exceeds the minimum jurisdictional bed need projection; or

(iv) The number of proposed additional MSGA or pediatric beds may be derived through application of the projection methodology, assumptions, and targets contained in Regulation .05 of this Chapter, as applied to the service area of the hospital.

Applicant Response:

Inapplicable. UMMC does not seek to add licensed MSGA or pediatric beds. UMMC's licensed bed capacity as of July 1, 2018 is 789 beds, and its physical capacity is 685 beds. This project will result in a net increase of 62 physical beds leaving UMMC, with an excess of 42 licensed beds after project completion.

A discussion of the need for the expansion of cancer services, including projected volumes for the total number of MSGA beds that will be dedicated to cancer services, is provided in response to 10.24.01.08G(3)(b), Need.

Standard .04B(3) – Minimum Average Daily Census for Establishment of a Pediatric Unit

An acute care general hospital may establish a new pediatric service only if the projected average daily census of pediatric patients to be served by the hospital is at least five patients, unless:

(a) The hospital is located more than 30 minutes travel time under normal driving conditions from a hospital with a pediatric unit; or

(b) The hospital is the sole provider of acute care general hospital services in its jurisdiction.

Applicant Response:

Inapplicable. UMMC does not seek to establish a pediatric unit.

Standard .04B(4) – Adverse Impact

A capital project undertaken by a hospital shall not have an unwarranted adverse impact on hospital charges, availability of services, or access to services. The Commission will grant a Certificate of Need only if the hospital documents the following:

(a) If the hospital is seeking an increase in rates from the Health Services Cost Review Commission to account for the increase in capital costs associated with the proposed project and the hospital has a fully-adjusted Charge Per Case that exceeds the fully adjusted average Charge Per Case for its peer group, the hospital must document that its Debt to Capitalization ratio is below the average ratio for its peer group. In addition, if the project involves replacement of physical plant assets, the hospital must document that the age of the physical plant assets being replaced

exceed the Average Age of Plant for its peer group or otherwise demonstrate why the physical plant assets require replacement in order to achieve the primary objectives of the project; and

---

Applicant Response:

UMMC is evaluating the need for rate relief to account for the increased capital and other incremental costs associated with the project, and reserves the right to seek a modification of its global budget revenue from the HSCRC.

(b) If the project reduces the potential availability or accessibility of a facility or service by eliminating, downsizing, or otherwise modifying a facility or service, the applicant shall document that each proposed change will not inappropriately diminish, for the population in the primary service area, the availability or accessibility to care, including access for the indigent and/or uninsured.

Applicant Response:

Inapplicable. The project will not reduce services.

Standard .04B(5) – Cost-Effectiveness

A proposed hospital capital project should represent the most cost effective approach to meeting the needs that the project seeks to address.

(a) To demonstrate cost effectiveness, an applicant shall identify each primary objective of its proposed project and shall identify at least two alternative approaches that it considered for achieving these primary objectives. For each approach, the hospital must:

(i) To the extent possible, quantify the level of effectiveness of each alternative in achieving each primary objective;

(ii) Detail the capital and operational cost estimates and projections developed by the hospital for each alternative; and

(iii) Explain the basis for choosing the proposed project and rejecting alternative approaches to achieving the project's objectives.

Applicant Response:

As explained in response to part (b) below, the project involves limited objectives. Therefore, UMMC did not complete the analysis in part (a).

(b) An applicant proposing a project involving limited objectives, including, but not limited to, the introduction of a new single service, the

expansion of capacity for a single service, or a project limited to renovation of an existing facility for purposes of modernization, may address the cost-effectiveness of the project without undertaking the analysis outlined in (a) above, by demonstrating that there is only one practical approach to achieving the project's objectives.

Applicant's Response

The proposed project is one involving limited objectives, and there is only one practical approach to achieving the objectives. UMMC's limited objective is to expand the capacity of a single service line, cancer center services. Currently, patients are denied admission and have delayed outpatient treatment due to current facilities being at maximum capacity.

With the assistance of CannonDesign and Whiting Turner, UMMC developed a detailed space program and preliminary design for a new, comprehensive Cancer Center. The new construction comprises a 155,000 DGSF tower plus renovation of 73,000 square feet of space for a total project of 228,000 square feet. This approach provides all new facilities for both inpatient and outpatient cancer care at a cost of $622 per square foot. This addition and renovation project supports the growth of Cancer Center projected volumes for at least ten years. Highlights of the proposed project include:

- Full construction of new inpatient units and outpatient space while the existing services remain fully functional.
- The addition will be connected to the existing hospital on every floor, allowing full support from existing hospital operations.
- The identified site is already owned by UMMC.
- The addition allows all cancer services to be vertically adjacent to each other stacked on floors 5, 6, 7 and 8, with two dedicated passenger elevators for patient and visitor convenience.
- The floorplate allows for units large enough to meet the Facility Guidelines Institute (FGI) guidelines for 22-bed units.
- The one renovated floor is currently occupied by offices; thus, no relocation of any non-cancer clinical services will be required.

(c) An applicant proposing establishment of a new hospital or relocation of an existing hospital to a new site that is not within a Priority Funding Area as defined under Title 5, Subtitle 7B of the State Finance and Procurement Article of the Annotated Code of Maryland shall demonstrate:

(i) That it has considered, at a minimum, an alternative project site located within a Priority Funding Area that provides the most optimal geographic accessibility to the population in its likely service area, as defined in Project Review Standard (1);

(ii) That it has quantified, to the extent possible, the level of effectiveness, in terms of achieving primary project objectives, of implementing the proposed project at each alternative project site and at the proposed project site;

(iii) That it has detailed the capital and operational costs associated with implementing the project at each alternative project site and at the proposed project site, with a full accounting of the cost associated with transportation system and other public utility infrastructure costs; and

(iv) That the proposed project site is superior, in terms of cost-effectiveness, to the alternative project site or sites located within a Priority Funding Area.

Applicant Response:

Inapplicable. Applicant is not proposing establishment of a new hospital or relocation of an existing hospital to a new site.

Standard .04B (6) – Burden of Proof Regarding Need

A hospital project shall be approved only if there is demonstrable need. The burden of demonstrating need for a service not covered by Regulation .05 of this Chapter or by another chapter of the State Health Plan, including a service for which need is not separately projected, rests with the applicant.

Applicant Response:

UMMC addresses the need for the project in response to COMAR 10.24.01.08G(3)(b), *infra*.

Standard .04B(7) – Construction Cost of Hospital Space

The proposed cost of a hospital construction project shall be reasonable and consistent with current industry cost experience in Maryland. The projected cost per square foot of a hospital construction project or renovation project shall be compared to the benchmark cost of good quality Class A hospital construction given in the Marshall Valuation Service® guide, updated using Marshall Valuation Service® update multipliers, and adjusted as shown in the Marshall Valuation Service® guide as necessary for site terrain, number of building levels, geographic locality, and other listed factors. If the projected cost per square foot exceeds the Marshall Valuation Service® benchmark cost, any rate increase proposed by the hospital related to the capital cost of the project shall not include the amount of the projected construction cost that exceeds the Marshall Valuation Service® benchmark and those portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure that are based on the excess construction cost.

Applicant Response:

The narrative attached as **Exhibit 11** compares the project costs to the Marshall Valuation Service ("MVS") benchmark. As described in further detail in that analysis, the project is consistent with the MVS benchmark.

Standard .04B(8) – Construction Cost of Non-Hospital Space

The proposed construction costs of non-hospital space shall be reasonable and in line with current industry cost experience. The projected cost per square foot of non-hospital space shall be compared to the benchmark cost of good quality Class A construction given in the Marshall Valuation Service® guide for the appropriate structure. If the projected cost per square foot exceeds the Marshall Valuation Service® benchmark cost, any rate increase proposed by the hospital related to the capital cost of the non-hospital space shall not include the amount of the projected construction cost that exceeds the Marshall Valuation Service® benchmark and those portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure that are based on the excess construction cost. In general, rate increases authorized for hospitals should not recognize the costs associated with construction of non-hospital space.

Applicant Response:

Inapplicable. The proposed project does not include non-hospital space.

Standard .04B(9) – Inpatient Nursing Unit Space

Space built or renovated for inpatient nursing units that exceeds reasonable space standards per bed for the type of unit being developed shall not be recognized in a rate adjustment. If the Inpatient Unit Program Space per bed of a new or modified inpatient nursing unit exceeds 500 square feet per bed, any rate increase proposed by the hospital related to the capital cost of the project shall not include the amount of the projected construction cost for the space that exceeds the per bed square footage limitation in this standard or those portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure that are based on the excess space.

Applicant Response:

The proposed nursing unit program space is 494 square feet per bed.

Standard .04B(10) – Rate Reduction Agreement

A high-charge hospital will not be granted a Certificate of Need to establish a new acute care service, or to construct, renovate, upgrade, expand, or modernize acute care facilities, including support and ancillary facilities, unless it has first agreed to enter into a rate reduction agreement with the Health Services Cost Review Commission, or the Health Services Cost Review Commission has determined that a rate reduction agreement is not necessary.

Applicant Response:

This standard is obsolete. See MHCC Decision in *In re MedStar Franklin Square Medical Center,* Docket 16-03-2380, p. 17.

Standard .04B(11) – Efficiency

A hospital shall be designed to operate efficiently. Hospitals proposing to replace or expand diagnostic or treatment facilities and services shall:

(a) Provide an analysis of each change in operational efficiency projected for each diagnostic or treatment facility and service being replaced or expanded, and document the manner in which the planning and design of the project took efficiency improvements into account; and

(b) Demonstrate that the proposed project will improve operational efficiency when the proposed replacement or expanded diagnostic or treatment facilities and services are projected to experience increases in the volume of services delivered; or

(c) Demonstrate why improvements in operational efficiency cannot be achieved.

Applicant Response:

Over the past 11 years, volumes in the existing Greenebaum Cancer Center within UMMC have tripled. This has resulted in lengthy patient wait times for outpatient services, reduced access to medical oncology beds, increased inpatient length of stay, and less-than-desired patient satisfaction scores. Space is often a driver of efficiency. Newly designed and expanded space will allow UMMC to achieve the following operational efficiencies:

1. Broaden outpatient procedural access for specialists who provide care in the multidisciplinary practice setting of UMMC's Cancer Center. This will allow for patient convenience of treating the patient in one setting, as well as create a more efficient environment for physicians and staff.

2. Increase the integration of oncology supportive services and consultative interventions such as social work, genetic counseling, massage therapy, acupuncture, music/art

therapy, etc. In the hospital's current footprint, UMMC is utilizing existing clinical exam space, which dilutes operational efficiencies.

3. Add integrated procedure rooms that do not tie-up regular exam rooms.

4. Co-locate services for efficiency. Currently, UMMC has an allogeneic transplant clinic and an investigative pharmacy located on a floor completely separate from the clinic. In the newly proposed Cancer Center, these services would be part of the regular clinic and pharmacy space, all co-located on one floor.

5. Increase the number of chemotherapy mixing hoods in the oncology pharmacy, so UMMC can speed the mixing of chemotherapy and other drugs, ultimately improving the wait time for patients. Current space limitations translate into operational limitations on the number of patients that can be served, per hour.

6. Modernize UMMC's ability to track and improve patient flow activities through cutting edge technology such as Radio-Frequency Identification ("RFID"). RFID uses electromagnetic fields to automatically identify and track tags attached to objects. UMMC will use this technology (affixed to ID badges) to monitor patient and staff flow within its outpatient facilities, enabling a variety of real time operational metrics. This data will allow UMMC to proactively identify and respond to increased wait times, and to evaluate opportunities for operational improvements that will result in an enhanced patient experience.

7. Further expand weekend hours and chemotherapy offerings in a space design that would allow UMMC to level-load patient volumes throughout the week, improve turnaround times for laboratory work necessary to start infusions, and expand nurse practitioner clinical triage and symptom management capabilities. UMMC is implementing portions of this now and has assumed the continuation of these improvements in designing the new addition, which would require even more infusion chairs and other treatment spaces in the absence of these initiatives.

8. Allow UMMC to design space around newly evolved electronic medical records and electronic processes both in the inpatient and outpatient settings. UMMC is implementing the EPIC Beacon infusion module, which will streamline the ordering and delivery of infusion drugs. Such order and delivery is now done mostly on paper. This will create some efficiency but not enough for the sustained growth UMMC is experiencing. UMMC plans to couple use of the module with efficient space and staffing designs to maximize the benefits. UMMC has also implemented sophisticated infusion chair scheduling tools that allows UMMC to make better use of its current allocation of chairs. UMMC expects to apply the same tool to the building of an appropriate number of chairs in the proposed new facility.

Standard .04B(12) – Patient Safety

The design of a hospital project shall take patient safety into consideration and shall include design features that enhance and improve patient safety. A hospital proposing to replace or expand its physical plant shall provide an analysis of patient safety features included for each facility or service being replaced or expanded, and document the manner in which the planning and design of the project took patient safety into account.

Applicant Response:

Investment in the physical infrastructure and technology will promote patient safety measures, enhance UMMC's healing environment, and support clinicians who deliver quality care to patients and families. UMMC anticipates the following will have positive impacts on patient safety within the Cancer Center:

1. UMMC expects to further expand its Oncology Evaluation and Treatment Center (ETC) from four to six beds. The ETC enables UMMC to triage patients for symptom management and avoids having to send them to the Emergency Department. Treating urgent conditions and providing ongoing supportive care for patients in the ambulatory setting seven days a week will reduce inpatient admission/readmission. As a sample of the success the program has shown, during the time period of September 10 through October 26, 2018, UMMC's ETC prevented 14 admissions, three of which would have been 30-day readmissions. UMMC currently has very limited space to handle all of the patients who would benefit from this triage. In an ideal setting, the ETC would be co-located next to an inpatient unit with corresponding observation beds, something UMMC has incorporated in the new addition design. This will ensure continuity of care in an oncology care setting.

2. UMMC plans to develop an outpatient blood and marrow transplant service to allow a subset of the patient population to receive all or a majority of their care in an outpatient setting. This will allow these patients to avoid the risks inherent within inpatient hospitalization that may include, but is not limited to, exposure to hospital acquired infections, physical decompensation due to reduced mobility, risks of falls, sleep deprivation, etc. A new facility will make this transition feasible, and the current plans include program space for these services.

3. Expanding the number of beds available for oncology patients in an oncology-specific unit will increase patient access and improve continuity of care. Because UMMC's current oncology unit is often full, hundreds of oncology patients a year have to be admitted to a non-oncology unit. Experience demonstrates that patients who have access to specially trained staffing on an oncology-dedicated unit have better outcomes.

4. Incorporating evidence-based care into the design and use of inpatient rooms is a key goal of the proposed project. Through a variety of literature reviews and site visits, UMMC plans to incorporate features such as appropriate natural light, sufficient space for family members or guests, patient lifts in each inpatient room, and multifunctional space for consultations and assessments. Also, the addition will include appropriate isolation areas and a blend of common space to reduce the risk of transmitting infection.

5. Advance patient safety tools on the inpatient and outpatient units and will be included in a new building. Examples include the addition of continuous noninvasive blood pressure and oxygen saturation monitoring on inpatient units; telemetry/EKG monitoring in the infusion clinic; and the build-out of a chemotherapy staging area for sign-off and double checks to mitigate chemotherapy exposure for staff and patients, and reduce potential for errors caused by interruptions and distractions.

6. Design and safety features will be evaluated by the design team, the clinical team, the UMMC safety office personnel and a host of others to ensure that the final product as well as the materials and furniture, fixtures, and equipment to be used in the project will be consistent with those that lend to illuminating a healing and safe environment for patients and families.

Standard .04B(13) – Financial Feasibility

A hospital capital project shall be financially feasible and shall not jeopardize the long-term financial viability of the hospital.

(a) (a) Financial projections filed as part of a hospital Certificate of Need application must be accompanied by a statement containing each assumption used to develop the projections.

(b) Each applicant must document that:

(i) Utilization projections are consistent with observed historic trends in use of the applicable service(s) by the service area population of the hospital or State Health Plan need projections, if relevant;

(ii) Revenue estimates are consistent with utilization projections and are based on current charge levels, rates of reimbursement, contractual adjustments and discounts, bad debt, and charity care provision, as experienced by the applicant hospital or, if a new hospital, the recent experience of other similar hospitals;

(iii) Staffing and overall expense projections are consistent with utilization projections and are based on current expenditure levels and reasonably anticipated future staffing levels as experienced by the applicant hospital, or, if a new hospital, the recent experience of other similar hospitals; and

(iv) The hospital will generate excess revenues over total expenses (including debt service expenses and plant and equipment depreciation), if utilization forecasts are achieved for the specific services affected by the project within five years or less of initiating operations with the exception that a hospital may receive a Certificate of Need for a project that does not generate excess revenues over total expenses even if utilization forecasts are achieved for the services affected by the project when the hospital can demonstrate that overall hospital financial performance will be positive and that the services will benefit the hospital's primary service area population.

Applicant Response:

The proposed project will be financially feasible. The financial feasibility of UMMC is based on the following assumptions:

(a) Utilization projections that are consistent with observed historic trends (Part III COMAR 10.24.01.08G(3)(b) – Table F)

(b) Revenue estimates that are consistent with utilization projections and are based on current Global Budget Revenue (GBR), rates of reimbursement, contractual adjustments and discounts, bad debt, and charity care provision, as experienced by UMMC (Part III COMAR 10.24.01.08G(3)(b) – Tables G and H)

(c) The revenue estimates assume an increase in rates equal to approximately 75% of the increase in capital cost (depreciation and interest) plus markup associated with the proposed project. (Part IV COMAR 10.24.10.04B(4)(a)). UMMC submitted a full rate application to the HSCRC on January 22, 2019. Once the HSCRC has acted on that application, UMMC will be in a position to evaluate what rate relief is required for this project.

(d) Staffing and overall expense projections that are consistent with utilization projections and are based on current expenditure levels and reasonably anticipated future staffing levels as experienced by UMMC (Part III COMAR 10.24.01.08G(3)(f) – Table L)

(e) Depreciation, interest, and other operating costs associated with the new building and renovated space (Part III COMAR 10.24.01.08G(3)(d) – Tables G and H)

As Table G shows, UMMC will generate excess revenues over total expenses (including debt expenses and depreciation).

Standard .04B(14) – Emergency Department Treatment Capacity and Space

(a) An applicant proposing a new or expanded emergency department shall classify service as low range or high range based on the parameters in the most recent edition of Emergency Department Design: A Practical Guide to Planning for the Future from the American College of Emergency Physicians. The number of emergency department treatment spaces and the departmental space proposed by the applicant shall be consistent with the range set forth in the most recent edition of the American College of Emergency Physicians Emergency Department Design: A Practical Guide to Planning for the Future, given the classification of the emergency department as low or high range and the projected emergency department visit volume.

(b) In developing projections of emergency department visit volume, the applicant shall consider, at a minimum:

(i) The existing and projected primary service areas of the hospital, historic trends in emergency department utilization at the

hospital, and the number of hospital emergency department service providers in the applicant hospital's primary service areas;

(ii) The number of uninsured, underinsured, indigent, and otherwise underserved patients in the applicant's primary service area and the impact of these patient groups on emergency department use;

(iii) Any demographic or health service utilization data and/or analyses that support the need for the proposed project;

(iv) The impact of efforts the applicant has made or will make to divert non-emergency cases from its emergency department to more appropriate primary care or urgent care settings; and

(v) Any other relevant information on the unmet need for emergency department or urgent care services in the service area.

Applicant Response:

Inapplicable. The Applicant is not proposing a new or expanded emergency department.

Standard .04B(15) – Emergency Department Expansion

A hospital proposing expansion of emergency department treatment capacity shall demonstrate that it has made appropriate efforts, consistent with federal and state law, to maximize effective use of existing capacity for emergent medical needs and has appropriately integrated emergency department planning with planning for bed capacity, and diagnostic and treatment service capacity. At a minimum:

(a) The applicant hospital must demonstrate that, in cooperation with its medical staff, it has attempted to reduce use of its emergency department for non-emergency medical care. This demonstration shall, at a minimum, address the feasibility of reducing or redirecting patients with non-emergent illnesses, injuries, and conditions, to lower cost alternative facilities or programs;

(b) The applicant hospital must demonstrate that it has effectively managed its existing emergency department treatment capacity to maximize use; and

(c) The applicant hospital must demonstrate that it has considered the need for bed and other facility and system capacity that will be affected by greater volumes of emergency department patients.

Applicant Response:

Inapplicable. The Applicant is not proposing expansion of emergency department treatment capacity.

Standard .04B(16) – Shell Space

(a) Unfinished hospital shell space for which there is no immediate need or use shall not be built unless the applicant can demonstrate that construction of the shell space is cost effective.

(b) If the proposed shell space is not supporting finished building space being constructed above the shell space, the applicant shall provide an analysis demonstrating that constructing the space in the proposed time frame has a positive net present value that:

(i) Considers the most likely use identified by the hospital for the unfinished space;

(ii) Considers the time frame projected for finishing the space; and

(iii) Demonstrates that the hospital is likely to need the space for the most likely identified use in the projected time frame.

(c) Shell space being constructed on lower floors of a building addition that supports finished building space on upper floors does not require a net present value analysis. Applicants shall provide information on the cost, the most likely uses, and the likely time frame for using such shell space.

(d) The cost of shell space included in an approved project and those portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure that are based on the construction cost of the shell space will be excluded from consideration in any rate adjustment by the Health Service Cost Review Commission.

Applicant Response:

The addition will include two floors of shell space totaling 42,400 square feet on the third and fourth floors that will support floors above.

Assigning the Cancer Center to floors 5 through 8 enables the incorporation of the existing fifth floor of the North Hospital into the new Cancer Center. The fifth floor presently does not house inpatient services and has not been renovated. The current eighth floor includes a cancer center inpatient unit which will be relocated to the new tower once complete. This will minimize impacts to non-cancer clinical services that reside on the lower floors. The fourth, sixth, and seventh floors of the North Hospital have each been renovated in the past 11 years.

The cost of the two shelled floors is $1,700,000. Each floor plan is 21,200 square feet and is estimated to cost a total of $20,000,000 ($10,000,000) per floor to fit out within 48 months of the building being completed.

The two shelled floors are programmed for future units to be added based on the overall campus strategic plan. UMMC anticipates that the third floor will be used for future procedural space, and the fourth floor is for future inpatient clinical space. The timing for both projects is

expected to be within 48-72 months of opening the new Cancer Center building, if population and utilization remains consistent with current trends.

Based on UMMC's occupancy and future needs, constructing shell space as part of the project is a cost effective approach for the following reasons:

- The core and shell cost for all floors share the project general conditions, foundations, site work, first floor, and penthouse costs. Thus, each floor carries 1/6 of these costs. Were the project to include only four new patient floors each floor would carry one quarter of essentially the same cost.

- Construction costs escalate. As described in Figure 1 below, historically construction costs escalate at about twice the Consumer Price Index (CPI). Over the last five years, construction costs have escalated at three times CPI. It is significantly more cost efficient to construct the shelled space as a part of the current project than as a separate project in the future.

Figure 1
Building Cost Index – Construction Inflation

Note: CPI, the Consumer Price Index, tracks changes in the prices paid by urban consumers for a representative basket of goods and services, including food, transportation, medical care, apparel, recreation, and housing. This index is not related to construction and should never be used to adjust construction pricing. Historically, Construction Inflation is about double the CPI. However for the last five years it averages three times the CPI.

Source: https://edzarenski.com/2016/09/12/construction-cost-inflation-commentary/

10.24.01.08G(3)(b). NEED.

The Commission shall consider the applicable need analysis in the State Health Plan. If no State Health Plan need analysis is applicable, the Commission shall consider whether the applicant has demonstrated unmet needs of the population to be served, and established that the proposed project meets those needs.

INSTRUCTIONS: Please identify the need that will be addressed by the proposed project, quantifying the need, to the extent possible, for each facility and service capacity proposed for development, relocation, or renovation in the project. The analysis of need for the project should be population-based, applying utilization rates based on historic trends and expected future changes to those trends. This need analysis should be aimed at demonstrating needs of the population served or to be served by the hospital. The existing and/or intended service area population of the applicant should be clearly defined.

Fully address the way in which the proposed project is consistent with each applicable need standard or need projection methodology in the State Health Plan.

If the project involves modernization of an existing facility through renovation and/or expansion, provide a detailed explanation of why such modernization is needed by the service area population of the hospital. Identify and discuss relevant building or life safety code issues, age of physical plant issues, or standard of care issues that support the need for the proposed modernization.

Please assure that all sources of information used in the need analysis are identified. Fully explain all assumptions made in the need analysis with respect to demand for services, the projected utilization rate(s), the relevant population considered in the analysis, and the service capacity of buildings and equipment included in the project, with information that supports the validity of these assumptions.

Explain how the applicant considered the unmet needs of the population to be served in arriving at a determination that the proposed project is needed. Detail the applicant's consideration of the provision of services in non-hospital settings and/or through population-based health activities in determining the need for the project.

Complete the Statistical Projections (Tables F and I, as applicable) worksheets in the CON Table Package, as required. Instructions are provided in the cover sheet of the CON package.

Applicant Response

As addressed more fully in response to Standard .04B(2) – Identification of Bed Need and Addition of Beds, UMMC does not require an increase in its licensed MSGA bed capacity to complete this project. UMMC's response to this standard therefore does not focus on regional MSGA bed need, but on the need for increased Blood and Marrow Transplant ("BMT") and Medical Oncology beds at UMMC.

UMMC's Greenebaum Comprehensive Cancer Center ("UM GCCC") currently consists of a 16-bed BMT unit and two medical oncology units containing a total of 36 beds, a total of 52 current

beds dedicated to cancer services. UMMC seeks to expand its cancer service line capacity to 62 beds, comprised of 18 BMT and 44 medical oncology beds, based on the following projected need.

In this analysis, UMMC uses growth projection insight from Sg2. Sg2 is an established and respected healthcare data analytics and research organization now part of the larger Vizient, Inc.

Hospital Service Area and Demographics

As a tertiary academic medical center, UMMC serves the entire State of Maryland. Likewise, the UM GCCC serves the most acute patients throughout the State and defines its service area as the State of Maryland.

As shown in Table 2 below, Maryland's adult population (20+ years old) is projected to grow 7.6% between 2018 and 2028. The 65 years and older age cohort is projected to grow 33.9% during the same period.

Table 2
Adult Population with Cumulative Growth: State of Maryland

Year	Population				Cumulative Population Growth			
	Age 20-44 Population	Age 45-64 Population	Age 65+ Population	Total Adult Population	Age 20-44 Cumulative Growth	Age 45-64 Cumulative Growth	Age 65+ Cumulative Growth	Total Cumulative Growth
2018	2,061,492	1,640,512	926,192	4,628,196	-	-	-	-
2019	2,077,386	1,635,566	955,266	4,668,218	0.8%	-0.3%	3.1%	0.9%
2020	2,093,280	1,630,620	984,340	4,708,240	1.5%	-0.6%	6.3%	1.7%
2021	2,109,086	1,617,552	1,017,466	4,744,104	2.3%	-1.4%	9.9%	2.5%
2022	2,124,892	1,604,484	1,050,592	4,779,968	3.1%	-2.2%	13.4%	3.3%
2023	2,140,698	1,591,416	1,083,718	4,815,832	3.8%	-3.0%	17.0%	4.1%
2024	2,156,504	1,578,348	1,116,844	4,851,696	4.6%	-3.8%	20.6%	4.8%
2025	2,172,310	1,565,280	1,149,970	4,887,560	5.4%	-4.6%	24.2%	5.6%
2026	2,181,252	1,557,560	1,179,978	4,918,790	5.8%	-5.1%	27.4%	6.3%
2027	2,190,194	1,549,840	1,209,986	4,950,020	6.2%	-5.5%	30.6%	7.0%
2028	2,199,136	1,542,120	1,239,994	4,981,250	6.7%	-6.0%	33.9%	7.6%

SOURCE: Projections for 2015, 2020, 2025 and 2030 prepared by the Maryland Department of Planning, July 2014. Straight line growth was assumed in the between years.
https://planning.maryland.gov/MSDC/Documents/county/stateMD.pdf

Blood and Marrow Transplant Bed Need

As shown in Table 3 below, the number of BMT patients discharged from Maryland hospitals increased by 69 patients or 28.6% from 2015 to 2018. This resulted in a use rate increase from 0.053 per 1,000 population to 0.067 per 1,000 population, or a 26.4% increase. Sg2 states that more effective drugs to combat complications and a variety of transplant options for patients (*e.g.*, bone marrow, umbilical cord blood, and peripheral blood stem cells) have expanded the patient population eligible to receive a bone marrow transplant.

Table 3
BMT Historical Use Rate 2015-2018

BMT	2015	2016	2017	2018
Maryland Adult Population (20+ years)[(1)]	4,508,130	4,548,152	4,588,174	4,628,196
Maryland BMT Discharges[(2)]	241	274	245	310
BMT Use Rate per 1,000 population[(3)]	0.053	0.060	0.053	0.067

(1)Source: Maryland Department of Planning
(2)Source: HSCRC Statewide Inpatient Discharge Database; BMT defined as APR DRG 3
(3)Source: Calculation: [(annual discharges/population)*1000)]

As shown in Table 4 below, UMMC BMT inpatient discharges have increased 47.7% from 2015 to 2018, resulting in a market share of 62.9%. Johns Hopkins Hospital is the only other hospital providing BMT services, and accounts for the remainder of the BMT volumes and market share.

Table 4
BMT Historical Discharge Volume by Hospital

BMT Discharges	2015	2016	2017	2018
UMMC	132	148	134	195
JHH	105	125	111	115
Other	4	1	0	0
TOTAL	**241**	**274**	**245**	**310**

Source: HSCRC Statewide Inpatient Discharge Database; BMT defined as APR DRG3

Table 5
BMT Historical Market Share by Hospital

BMT Market Share	2015	2016	2017	2018
UMMC	54.8%	54.0%	54.7%	62.9%
JHH	43.6%	45.6%	45.6%	37.1%
Other	1.7%	0.4%	0.0%	0.0%
TOTAL	**100%**	**100%**	**100%**	**100%**

Source: HSCRC Statewide Inpatient Discharge Database; BMT defined as APR DRG3

Sg2's demand forecast for Maryland projects demand for BMT discharges to rise 31.9% over the next 10 years, resulting in 409 discharges in 2028. This forecast is supported by UMMC tumor registry data showing significant historical growth in cancers treated by BMT (Leukemia, Lymphoma, and Myeloma).

Table 6
UMMC Tumor Registry Growth Trends for Selected Cancer Types

	2010	2016	2010-2016 Growth
Leukemia	123	160	30%
Lymphoma	109	155	42%
Myeloma	91	138	52%

Source: UMMC Tumor Registry

Length of stay for BMT patients has declined over the past four years. UMMC assumes it will maintain this lower length of stay and uses the 2018 rate in its projections.

Table 7
UMMC Average Length of Stay for BMT Patients

Average Length of Stay	2015	2016	2017	2018
UMMC	22.94 days	22.01 days	22.13 days	21.26 days

Source: HSCRC Statewide Inpatient Discharge Database

As part of this building project, UMMC will be developing an outpatient BMT program. UMMC estimates that 30% of its autologous transplant patients will be treated in the outpatient setting once established. In 2018, this would have resulted in 43 patients eligible for outpatient treatment. UMMC Assumed the same mix of patients in its projections, resulting in a projection of 57 patients in 2028.

Assuming UMMC maintains its current market share of 62.9% and assuming an 80% occupancy rate, Table 8 below shows a bed need in 2028 of 15 to care for the BMT patients.

Table 8
Projected 5 and 10 Year UMMC Bed Need for BMT Patients

Blood and Marrow Transplant Projection	2018 (Base Year)	2023	2028
Maryland Adult Population (in millions) [(1)]	4.63	4.82	4.98
Maryland Discharges (Sg2 growth applied) [(2)]	310	355	409
Use Rate per 1,000 Population (calculated) [(3)]	0.067	0.074	0.082
UMMC Market Share (held at 2018 actual) [(2)]	62.9%	62.9%	62.9%
Subtotal UMMC Discharges (calculated) [(4)]	195	223	257
UMMC Outpatient BMT Shift		-49	-57
UMMC Inpatient Discharges		174	200
UMMC Average Length of Stay (held at 2018 actual) [(2)]	21.26	21.26	21.26
UMMC Total Days (calculated) [(5)]	4,145	3,699	4,252
UMMC Average Daily Census (calculated) [(6)]	11.36	10.13	11.65
UMMC Bed Need at 80% Occupancy (calculated) [(7)]	15	13	15

(1) Source: Maryland Department of Planning
(2) Source: HSCRC Statewide Inpatient Discharge Database; BMT defined as APR DRG 3
(3) Source: Calculation: [(annual discharges/population)*1000)]
(4) Source: Calculation: (Maryland Discharges * UMMC Market Share)
(5) Source: Calculation: (UMMC Average Length of Stay * UMMC Discharges)
(6) Source: Calculation: (UMMC Total Days / 365)
(7) Source: Calculation: UMMC Average Daily Census / 0.8)

In addition to the demand related to BMT patients above, UMMC projects 40 inpatients annually who will be admitted to the BMT unit for CAR-T Cell Therapy. Because this is a new treatment and demand in the future is unknown, UMMC assumed flat volume over the 10-year projection. With an average length of stay of 25 days, these patients would add an additional need of three beds on the blood and marrow transplant unit at an 80% occupancy rate.

Table 9
Projected 5 and 10 Year UMMC Bed Need for CAR-T Cell Therapy Patients

CAR-T Cell Therapy	Base Year	2023	2028
UMMC Discharges [(1)]	40	40	40
UMMC Average Length of Stay [(1)]	25	25	25
UMMC Total Days [(1)]	1,000	1,000	1,000
UMMC Average Daily Census [(2)]	2.74	2.74	2.74
UMMC Bed Need at 80% Occupancy [(3)]	3	3	3

(1) Source: UMMC internal data
(2) Source: Calculation: (UMMC Total Days / 365)
(3) Source: Calculation: (UMMC Average Daily Census / 0.8)

The summary Table 10 below shows a total inpatient bed need of 23 for the BMTunit. This need reflects the current UMMC clinical practice of treating all patients on inpatient basis. While the total inpatient bed need depicted is 23 beds, UMMC is only requesting approval for an 18-bed inpatient unit, an addition of two beds. UMMC will be developing an outpatient BMT program and it is estimated that 30% of its autologous BMT patients will be candidates for outpatient treatment.

This projects to 57 patients (1,212 days) in 2023. This shift of volume to the outpatient arena is a common trend in the care of BMT patients.

Table 10
Total 5 and 10 Year Bed Need Summary for the
Inpatient Blood and Marrow Transplant Unit

	2018 (Base Year)	2023	2028
UMMC Patient Days for BMT Transplant	4,145	3,699	4,252
UMMC Patient Days for CAR-T Cell Therapy	1,000	1,000	1,000
UMMC Total Days	5,145	4,699	5,252
UMMC Average Daily Census	14.1	12.9	14.4
UMMC Bed Need at 80% Occupancy	18	16	18

Medical Oncology Need

As shown in Table 11 below, the number of medical oncology inpatient discharges from Maryland hospitals decreased by 880 patients or 7.5% from 2015 to 2018. This is just slightly higher than the decline in statewide inpatient utilization across all services. This results in a medical oncology use rate decrease from 2.62 per 1,000 population to 2.36 per 1,000 population.

Table 11
Medical Oncology Historical Use Rates

Medical Oncology	2015	2016	2017	2018
Maryland Adult Population [(1)]	4,508,130	4,548,152	4,588,174	4,628,196
Medical Oncology Discharges [(2)]	11,793	11,030	10,872	10,913
Use Rate per 1,000 population [(3)]	2.62	2.43	2.37	2.36

(1) Source: Maryland Department of Planning
(2) Source: HSCRC Statewide Inpatient Discharge Database; Medical Oncology defined as APR DRGs *660 - Major hematologic/immunologic diag exc sickle cell crisis & coagul , 661 - Coagulation & platelet disorders, 662 - Sickle cell anemia crisis, 663 - Other anemia & disorders of blood & blood-forming organ), 690 - Acute leukemia, 691 - Lymphoma, myeloma & non-acute leukemia, 692 - Radiotherapy, 693 - Chemotherapy, 694 - Lymphatic & other malignancies & neoplasms of uncertain behavior, 695 - Chemotherapy for acute leukemia, 696 - Other Chemotherapy*
(3) Source: Calculation: [(annual discharges/population)*1000)]

While overall total adult Maryland discharges declined by 7.5% between 2015 and 2018, UMMC discharges grew 19.4%, resulting in a market share increase of 2.4 percentage points to 10.6% in 2018. There are several factors contributing to this growth. In 2008, the UM GCCC received it National Cancer Institute designation and in 2015 it received comprehensive status from the National Cancer Institute. Also during this time, the University of Maryland Cancer Network was established, which established channels for more collaboration between the UM GCCC and UMMC's partner cancer centers located at the University of Maryland Baltimore Washington

Medical Center, University of Maryland St. Joseph Medical Center and University of Maryland Upper Chesapeake Medical Center.

Table 12
Medical Oncology Historical Discharge Volume by Hospital

Medical Oncology Discharges	2015	2016	2017	2018
JOHNS HOPKINS HOSPITAL	2,306	2,167	2,188	2,222
UNIVERSITY OF MARYLAND MEDICAL CENTER	971	993	1,098	1,159
HOLY CROSS HOSPITAL	624	576	567	594
ANNE ARUNDEL MEDICAL CENTER	350	321	338	354
SINAI HOSPITAL	496	450	336	319
PENINSULA REGIONAL MEDICAL CENTER	304	335	363	319
FRANKLIN SQUARE MEDICAL CENTER	346	314	297	318
UM BALTIMORE WASH MEDICAL CENTER	339	389	356	299
DOCTORS COMMUNITY HOSPITAL	319	327	277	285
ST. AGNES HOSPITAL	262	276	318	276
UM UPPER CHESAPEAKE HEALTH	325	257	269	266
GREATER BALTIMORE MEDICAL CENTER	248	276	253	265
FREDERICK MEMORIAL HOSPITAL	237	196	231	258
UM CAPITAL REGION HEALTH	277	224	205	242
HOWARD COUNTY GENERAL HOSPITALL	284	289	261	233
UM SHORE REGIONAL HEALTH	233	207	184	229
SOUTHERN MARYLAND HOSPITAL CENTER	368	338	268	221
WESTERN MARYLAND MEDICAL CENTER	221	224	224	220
SUBURBAN HOSPITAL	181	186	178	209
SHADY GROVE MEDICAL CENTER	267	180	180	208
MERITUS MEDICAL CENTER	263	199	202	197
UM ST. JOSEPH MEDICAL CENTER	172	157	189	166
UNION MEMORIAL HOSPITAL	159	139	133	166
JOHNS HOPKINS BAYVIEW MEDICAL CENTER	153	182	231	166
NORTHWEST HOSPITAL	233	205	151	161
CARROLL HOSPITAL CENTER	138	110	131	160
GOOD SAMARITAN HOSPITAL	189	173	145	138
UM CHARLES REGIONAL MEDICAL CENTER	156	143	153	136
ST. MARY'S HOSPITAL	174	139	100	135
MERCY MEDICAL CENTER	174	145	152	132
WASHINGTON ADVENTIST HOSPITAL	235	168	138	127
MONTGOMERY MEDICAL CENTER	163	123	138	125
UNION HOSPITAL OF CECIL	79	110	109	94
CALVERT HEALTH MEDICAL CENTER	72	59	56	84
HOLY CROSS GERMANTOWN HOSPITAL	53	107	119	81
BON SECOURS HOSPITAL	79	77	62	73
ATLANTIC GENERAL HOSPITAL	46	35	43	64
UMMC MIDTOWN CAMPUS	60	51	45	64
HARBOR HOSPITAL	117	91	97	61
FORT WASHINGTON MEDICAL CENTER	94	66	58	49
GARRETT REGIONAL MEDICAL CENTER	19	17	17	25
MCCREADY MEMORIAL HOSPITAL	5	6	6	6
ADVENTIST HEALTHCARE REHABILITATION	2	1	4	4
CHESAPEAKE REHABILITATION HOSPITAL		1	2	2
UM REHAB & ORTHOPAEDIC INSTITUTE		1		1
Total	**11,793**	**11,030**	**10,872**	**10,913**

Source: HSCRC Statewide Inpatient Discharge Database

Table 13
Medical Oncology Historical Market Share by Hospital

Medical Oncology Market Share	2015	2016	2017	2018
JOHNS HOPKINS HOSPITAL	19.6%	19.6%	20.1%	20.4%
UNIVERSITY OF MARYLAND MEDICAL CENTER	8.2%	9.0%	10.1%	10.6%
HOLY CROSS HOSPITAL	5.3%	5.2%	5.2%	5.4%
ANNE ARUNDEL MEDICAL CENTER	3.0%	2.9%	3.1%	3.2%
SINAI HOSPITAL	4.2%	4.1%	3.1%	2.9%
PENINSULA REGIONAL MEDICAL CENTER	2.6%	3.0%	3.3%	2.9%
FRANKLIN SQUARE MEDICAL CENTER	2.9%	2.8%	2.7%	2.9%
UM BALTIMORE WASH MEDICAL CENTER	2.9%	3.5%	3.3%	2.7%
DOCTORS COMMUNITY HOSPITAL	2.7%	3.0%	2.5%	2.6%
ST. AGNES HOSPITAL	2.2%	2.5%	2.9%	2.5%
UM UPPER CHESAPEAKE HEALTH	2.8%	2.3%	2.5%	2.4%
GREATER BALTIMORE MEDICAL CENTER	2.1%	2.5%	2.3%	2.4%
FREDERICK MEMORIAL HOSPITAL	2.0%	1.8%	2.1%	2.4%
UM CAPITAL REGION HEALTH	2.3%	2.0%	1.9%	2.2%
HOWARD COUNTY GENERAL HOSPITALL	2.4%	2.6%	2.4%	2.1%
UM SHORE REGIONAL HEALTH	2.0%	1.9%	1.7%	2.1%
SOUTHERN MARYLAND HOSPITAL CENTER	3.1%	3.1%	2.5%	2.0%
WESTERN MARYLAND MEDICAL CENTER	1.9%	2.0%	2.1%	2.0%
SUBURBAN HOSPITAL	1.5%	1.7%	1.6%	1.9%
SHADY GROVE MEDICAL CENTER	2.3%	1.6%	1.7%	1.9%
MERITUS MEDICAL CENTER	2.2%	1.8%	1.9%	1.8%
UM ST. JOSEPH MEDICAL CENTER	1.5%	1.4%	1.7%	1.5%
UNION MEMORIAL HOSPITAL	1.3%	1.3%	1.2%	1.5%
JOHNS HOPKINS BAYVIEW MEDICAL CENTER	1.3%	1.6%	2.1%	1.5%
NORTHWEST HOSPITAL	2.0%	1.9%	1.4%	1.5%
CARROLL HOSPITAL CENTER	1.2%	1.0%	1.2%	1.5%
GOOD SAMARITAN HOSPITAL	1.6%	1.6%	1.3%	1.3%
UM CHARLES REGIONAL MEDICAL CENTER	1.3%	1.3%	1.4%	1.2%
ST. MARY'S HOSPITAL	1.5%	1.3%	0.9%	1.2%
MERCY MEDICAL CENTER	1.5%	1.3%	1.4%	1.2%
WASHINGTON ADVENTIST HOSPITAL	2.0%	1.5%	1.3%	1.2%
MONTGOMERY MEDICAL CENTER	1.4%	1.1%	1.3%	1.1%
UNION HOSPITAL OF CECIL	0.7%	1.0%	1.0%	0.9%
CALVERT HEALTH MEDICAL CENTER	0.6%	0.5%	0.5%	0.8%
HOLY CROSS GERMANTOWN HOSPITAL	0.4%	1.0%	1.1%	0.7%
BON SECOURS HOSPITAL	0.7%	0.7%	0.6%	0.7%
ATLANTIC GENERAL HOSPITAL	0.4%	0.3%	0.4%	0.6%
UMMC MIDTOWN CAMPUS	0.5%	0.5%	0.4%	0.6%
HARBOR HOSPITAL	1.0%	0.8%	0.9%	0.6%
FORT WASHINGTON MEDICAL CENTER	0.8%	0.6%	0.5%	0.4%
GARRETT REGIONAL MEDICAL CENTER	0.2%	0.2%	0.2%	0.2%
MCCREADY MEMORIAL HOSPITAL	0.0%	0.1%	0.1%	0.1%
ADVENTIST HEALTHCARE REHABILITATION	0.0%	0.0%	0.0%	0.0%
CHESAPEAKE REHABILITATION HOSPITAL	0.0%	0.0%	0.0%	0.0%
UM REHAB & ORTHOPAEDIC INSTITUTE	0.0%	0.0%	0.0%	0.0%
Total	**100%**	**100%**	**100%**	**100%**

Source: HSCRC Statewide Inpatient Discharge Database

Average length of stay for medical oncology patients at both community hospitals as well as the two academic centers in the state has remained stable from 2015 to 2018 (see Table 14 below). UMMC assumes this stability will continue.

Table 14
Maryland Hospital's Average Length of Stay for Medical Oncology Patients

Average Length of Stay	2015	2016	2017	2018
UMMC	8.74	8.50	8.57	8.70
Johns Hopkins	7.33	7.57	7.46	7.44
All Other Hospitals	4.25	4.25	4.45	4.30
Total	**5.23**	**5.28**	**5.47**	**5.41**

Source: HSCRC Statewide Inpatient Discharge Database

Sg2's demand forecast for Maryland indicates a 3 percent decline in medical oncology discharges over the next 10 years, resulting in 10,586 statewide discharges in 2028. However, due to UMGCCC's reputation as a top cancer center in the United States (consistently listed in the U.S. News and World Report's top 50 programs) and its strengthened relationships with other University of Maryland Medical System hospitals, including the University of Maryland Prince George's Medical Center, UMMC conservatively assumes market share growth over the 10 year projection period of 1.2 percentage points, half the 2.4 percentage point growth experienced from 2015 to 2018. This results in UMMC's discharges projected at 1,249 in 2028, a 7.8% growth over 10 years. Keeping UMMC's average length of stay at the 2018 base rate of 8.7 days and assuming an 80% occupancy rate, the resulting bed need is 37 beds in 2028 to care for those patients with a medical oncology APR DRGs.

Table 15
Projected 5 and 10 Year UMMC Bed Need for Patients with Medical Oncology APR DRGs

	2018 (Base Year)	2023	2028
Maryland Adult Population (in millions) [(1)]	4.63	4.82	4.98
Maryland Discharges (Sg2 growth applied) [(2)]	10,913	10,753	10,586
Use Rate per 1,000 Population (calculated) [(3)]	2.36	2.22	2.10
UMMC Market Share (held at 2018 actual) [(2)]	10.6%	11.8%	13.0%
UMMC Discharges (calculated) [(4)]	1,159	1,204	1,249
UMMC Average Length of Stay (held at 2018 actual) [(2)]	8.70	8.70	8.70
UMMC Total Days (calculated) [(5)]	10,083	10,478	10,867
UMMC Average Daily Census (calculated) [(6)]	27.6	28.7	29.8
UMMC Bed Need at 80% Occupancy (calculated) [(7)]	35	36	37

(1) Source: Maryland Department of Planning
(2) Source: HSCRC Statewide Inpatient Discharge Database
(3) Source: Calculation: [(annual discharges/population)*1000)]
(4) Source: Calculation: (Maryland Discharges * UMMC Market Share)
(5) Source: Calculation: (UMMC Average Length of Stay * UMMC Discharges)
(6) Source: Calculation: (UMMC Total Days / 365)
(7) Source: Calculation: UMMC Average Daily Census / 0.8)

In addition to the above patients with medical oncology APR DRGs, UMMC discharged 286 cancer patients with APR DRGs classified under other medical or surgical subspecialties from the medical oncology unit in 2018. Assuming the Sg2 3% decline over the next 10 years, the UMMC average length of stay for this patient population of 7.75 days, and 80% occupancy, there will be a need for an additional 8 beds on the medical oncology unit to accommodate this patient population.

Table 16
Projected 5 and 10 Year UMMC Bed Need for
Other Cancer Patients without Medical Oncology APR DRGs

	Base Year	2023	2028
UMMC Discharges [(1)]	286	280	274
UMMC Average Length of Stay [(1)]	7.75	7.75	7.75
UMMC Total Days (1)	2,217	2,170	2,124
UMMC Average Daily Census (2)	6.07	5.95	5.82
UMMC Bed Need at 80% Occupancy (3)	8	8	8

(1) Source: UMMC internal data
(2) Source: Calculation: (UMMC Total Days / 365)
(3) Source: Calculation: (UMMC Average Daily Census / 0.8)

The summary in Table 17 below shows a total medical oncology inpatient bed need of 45 in 2028, assuming an 80% occupancy. UMMC's proposed project includes 44 inpatient medical oncology beds (two 22-bed units), an addition of eight beds to its current 36 beds.

Table 17
Total 5 and 10 Year UMMC Bed Need Summary for the Medical Oncology Unit

	2018 (Base Year)	2023	2028
UMMC Patient Days for patients with medical oncology APR DRGs	10,083	10,478	10,867
UMMC Patient Days for other cancer patients without medical oncology APR DRGs	2,217	2,170	2,124
UMMC Total Days	12,300	12,648	12,991
UMMC Average Daily Census	33.7	34.7	35.6
UMMC Bed Need at 80% Occupancy	43	44	45

In total, UMMC's proposed project includes a total increase of ten inpatient cancer beds, two for BMT and eight for Medical Oncology.

	2018 Current Actual	2023 Need	2028 Need
Blood and Marrow Transplant Unit Beds	16	18	18
Medical Oncology Unit Beds	36	44	44
TOTAL BEDS	52	62	62

In addition, regarding the need for modernization of an existing facility, the primary area of renovation for this project is the fifth floor of the North Hospital, which will be renovated to support cancer services together with the new addition. This floor is currently occupied primarily by administrative offices. It is also a larger floor plate than any of the floors above it. It is ideal for an expanded outpatient clinic because of its size and current occupancy. In addition, please see the discussion of patient safety in the response to COMAR 10.24.01.08G(3)(c), Availability of More Cost-Effective Alternatives, below.

See **Exhibit 1**, MHCC Form Tables, Tables I, F, for statistical projections required by this standard.

10.24.01.08G(3)(c). AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES

The Commission shall compare the cost effectiveness of the proposed project with the cost effectiveness of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.

INSTRUCTIONS: Please describe the planning process that was used to develop the proposed project. This should include a full explanation of the primary goals or objectives of the project or the problem(s) being addressed by the proposed project. The applicant should identify the alternative approaches to achieving those goals or objectives or solving those problem(s) that were considered during the project planning process, including:

a) the alternative of the services being provided through existing facilities;

b) or through population-health initiatives that would avoid or lessen hospital admissions.

Describe the hospital's population health initiatives and explain how the projections and proposed capacities take these initiatives into account.

For all alternative approaches, provide information on the level of effectiveness in goal or objective achievement or problem resolution that each alternative would be likely to achieve and the costs of each alternative. The cost analysis should go beyond development costs to consider life cycle costs of project alternatives. This narrative should clearly convey the analytical findings and reasoning that supported the project choices made. It should demonstrate why the proposed project provides the most effective method to reach stated goal(s) and objective(s) or the most effective solution to the identified problem(s) for the level of costs required to implement the project, when compared to the effectiveness and costs of alternatives, including the alternative of providing the service through existing facilities, including outpatient facilities or population-based planning activities or resources that may lessen hospital admissions, or through an alternative facility that has submitted a competitive application as part of a comparative review.

Applicant Response

UMMC has instituted robust patient management processes to avoid readmissions and maintain as many available beds as is possible. Despite these efforts, the influx of patients requiring inpatient admission is still more than the facility can accommodate. The need for the proposed project, and the inadequacy of UMMC's current cancer center to meet that need, is discussed more fully in response to the following sections of this application: Project Description (2), Rationale for the project; Standard .04B(5) – Cost-Effectiveness; Standard .04B(11) – Efficiency; Standard .04B(12) – Patient Safety; and COMAR § 10.24.01.08G(3)(b), Need.

UMMC identified that two alternative approaches to the proposed project, neither of which fully met the goals at a lower cost.

Alternative No. 1 – Construct a Freestanding Comprehensive Cancer Center

With the assistance of CannonDesign and Whiting Turner, UMMC explored the feasibility of constructing a freestanding cancer care patient tower at a site on the southeast corner of Lombard and Greene Streets. Preliminary studies involved a five-story building consisting of approximately 72 inpatient beds, outpatient clinics, infusion, imaging, laboratory, and pharmacy as well as space for support services annexes including materials management, food services, linen, and environmental services. A bridge would connect the building to the main hospital.

This option was found to be infeasible because of the risk to patient safety. Under this option, patients would be separated from code teams, operating rooms, and procedure areas by the distance of a city block, thereby increasing the risk of delayed care to the patients.

Also, this option was much more expensive to operate than one that kept services within the existing hospital block. The project was burdened with both the marginal capital and operating costs associated with duplicating lab, pharmacy, and support services.

Alternative No. 2 – Reassignment and Renovation

As a second option, UMMC considered addressing growing volumes through reassignment and renovation of existing space within the existing hospital. This option included renovation of all cancer inpatient units, 34,500 DGSF, plus reassignment of an additional floor in the North Hospital building to expand the clinic and infusion spaces by 22,000 DGSF. In total, this option assigned 56,500 DGSF of renovated space to the cancer program.

UMMC deemed this option to be infeasible for two reasons. First, it did not meet the space requirements needed to support the clinical growth. UMMC estimates the space needs to support the programed growth of the cancer center services at approximately 123,000 DGSF. The space identified is less than half of this need. There is not enough space anywhere in the existing hospital to convert to cancer center use without creating significant adverse impacts on other programs. The second problem with the option is logistical. It is effectively impossible to renovate the identified areas without loss of significant clinical service capacity during the renovation since there is no “swing” space available.

By contrast, the proposed project provides a means of providing the space needed to support program growth without requiring the duplication of other hospital functions nor displacement of other clinical services. Moreover, through the construction of temporary entrances and by staging the provision of new space ahead of renovating existing spaces provides a means for maintaining existing clinical capacity during the construction. Based on UMMC’s landlocked campus and the importance of having cancer services co-located with other services within the hospital, UMMC determined that the proposed project is the only practical approach to increasing the capacity of its cancer service line.

10.24.01.08G(3)(d). VIABILITY OF THE PROPOSAL

The Commission shall consider the availability of financial and nonfinancial resources, including community support, necessary to implement the project within the time frames set forth in the Commission's performance requirements, as well as the availability of resources necessary to sustain the project.

INSTRUCTIONS: Please provide a complete description of the funding plan for the project, documenting the availability of equity, grant(s), or philanthropic sources of funds and demonstrating, to the extent possible, the ability of the applicant to obtain the debt financing proposed. Describe the alternative financing mechanisms considered in project planning and provide an explanation of why the proposed mix of funding sources was chosen.

- Complete applicable Revenues & Expenses (Tables G, H, J and K as applicable), and the Work Force information (Table L) worksheets in the CON Table Package, as required. Instructions are provided in the cover sheet of the CON package. Explain how these tables demonstrate that the proposed project is sustainable and provide a description of the sources and methods for recruitment of needed staff resources for the proposed project, if applicable.

- Describe and document relevant community support for the proposed project.

- Identify the performance requirements applicable to the proposed project and explain how the applicant will be able to implement the project in compliance with those performance requirements. Explain the process for completing the project design, contracting and obtaining and obligating the funds within the prescribed time frame. Describe the construction process or refer to a description elsewhere in the application that demonstrates that the project can be completed within the applicable time frame.

- Audited financial statements for the past two years should be provided by all applicant entities and parent companies.

Applicant Response

Project Funding

As shown in Table E, the total cost of the project is $194.3 million. The sources of funding for the project are debt ($49.3 million), philanthropic gifts ($20 million) and grant funding from the State of Maryland ($125 million). UMMC is part of the University of Maryland Medical System obligated group (UMMS OG) and has adequate debt capacity to support the debt. UMMS OG has investment grade ratings from Fitch (A- rating), Standard and Poor's (A rating) and Moody's (A2 rating). UMMC's total philanthropic goal for this project is $50 million, and it has received commitments of $25 million to date. The $20 million in philanthropic gifts shown in Table E represents the portion of the total philanthropic commitment UMMC projects will have been collected by the start of construction. The State recently approved the $125 million in grant funding earmarked for this project.

A full year of depreciation and interest expense related to the project are projected to equal $7.8 million in FY 2024 with the opening of the new Cancer Center. The revenue estimates

assume an increase in rates equal to approximately 75% of the increase in capital cost (depreciation and interest) plus markup associated with the proposed project.

Project Implementation and Performance Requirements

The project was designed and is being detailed by a licensed health care architect who was selected through a competitive best value selection process. The architect and the architect's professional engineers will produce the contract documents used for permitting and construction. The contract will be assigned to a construction manager based on a complete set of drawings and specifications. The latter will include UMMC design standards.

The completed work will be independently commissioned to confirm that dynamic systems are operating as designed and specified. As mentioned in response to Standard .04B(12) Patient Safety, the design and the construction will be evaluated for risk to patients using the Veterans Administration Mental Health Environment of Care Checklist (MHEOCC).

The timeline for construction was developed by UMMC Project Development Department based on their experience with projects of similar scope. The timeline was also confirmed as reasonable during the process of selecting the architect and engineers, who were asked to comment on the schedule and agreed it is reasonable.

Pursuant to COMAR 10.24.01.12.C, Performance Requirements, if this application is approved, UMMC will have 12 months to obligate not less than 51% of the approved capital expenditure. From that date, UMMC will have four months to initiate construction. UMMC will have up to 24 months after the effective date of the binding construction contract to complete the first approved phase of construction, and up to 24 months after the completion of the previous phase to complete each subsequent approved phase.

UMMC anticipates meeting the performance requirements if the application is approved. More specific timing is provided in response to Part I.11, p. 10, *supra*.

Community Support

There is strong community interest in and support for the project, as demonstrated by the Letters of Support, **Exhibit 3**.

Audited Financial Statements

Audited financial statements are attached as **Exhibit 12**.

10.24.01.08G(3)(e). COMPLIANCE WITH CONDITIONS OF PREVIOUS CERTIFICATES OF NEED.

An applicant shall demonstrate compliance with all terms and conditions of each previous Certificate of Need granted to the applicant, and with all commitments made that earned preferences in obtaining each previous Certificate of Need, or provide the Commission with a written notice and explanation as to why the conditions or commitments were not met.

INSTRUCTIONS: List all of the Certificates of Need that have been issued to the applicant or related entities, affiliates, or subsidiaries since 2000, including their terms and conditions, and any changes to approved CONs that were approved. Document that these projects were or are being implemented in compliance with all of their terms and conditions or explain why this was not the case.

Applicant Response

UMMC received a Certificate of Need on March 18, 2010, Docket No. 09-24-2300, to expand trauma, critical care and emergency services at a capital cost of $176,728,000. A copy of the Final Order is attached as **Exhibit 13**. UMMC completed the approved project and complied with the conditions of the Certificate of Need.

UMMC received a Certificate of Need in 2001 for the construction of an ambulatory building. UMMC later withdrew that Certificate on Need and did not complete the project.

10.24.01.08G(3)(f). IMPACT ON EXISTING PROVIDERS AND THE HEALTH CARE DELIVERY SYSTEM

An applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the health planning region, including the impact on geographic and demographic access to services, on occupancy, on costs and charges of other providers, and on costs to the health care delivery system.

INSTRUCTIONS: Please provide an analysis of the impact of the proposed project:

a) On the volume of service provided by all other existing health care providers that are likely to experience some impact as a result of this project;[1]

b) On access to health care services for the service area population that will be served by the project. (state and support the assumptions used in this analysis of the impact on access);

c) On costs to the health care delivery system.

If the applicant is an existing hospital, provide a summary description of the impact of the proposed project on costs and charges of the applicant hospital, consistent with the information provided in the Project Budget, the projections of revenues and expenses, and the work force information.

Applicant Response

Blood and Marrow Transplant

UMMC expects that the growth of the BMT service will not impact any other hospital. UMMC's projected growth is not due to market share shift, but rather is due to market growth as projected by Sg2. According to Sg2, the development of more effective drugs to combat complications and a variety of transplant options for patients (*e.g.*, bone marrow, umbilical cord blood, and peripheral blood stem cells) have expanded the patient population eligible to receive a bone marrow transplant. Historical volumes from UMMC show significant growth in cancer types treated by BMT.

Medical Oncology

Table 18 below depicts statewide medical oncology discharges by hospital. Actual volumes are depicted for 2015 through 2018, and the 2023 and 2028 volumes are projected using the Sg2 assumption of a 3% decline in volumes over the next ten years at the current 2018 market share distribution.

---

[1] Please assure that all sources of information used in the impact analysis are identified and identify all the assumptions made in the impact analysis with respect to demand for services, the relevant populations considered in the analysis, and changes in market share, with information that supports the validity of these assumptions.

Table 18
Maryland Medical Oncology Discharges, 2015-2018; Projected Discharges, 2023 and 2028

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2018 Actual Mkt Share	2023 Projected	2028 Projected
JOHNS HOPKINS HOSPITAL	2,306	2,167	2,188	2,222	20.4%	2,189	2,155
UNIVERSITY OF MD MEDICAL CENTER	971	993	1,098	1,159	10.6%	1,142	1,124
HOLY CROSS HOSPITAL	624	576	567	594	5.4%	585	576
ANNE ARUNDEL MEDICAL CENTER	350	321	338	354	3.2%	349	343
SINAI HOSPITAL	496	450	336	319	2.9%	314	309
PENINSULA REGIONAL	304	335	363	319	2.9%	314	309
FRANKLIN SQUARE MEDICAL CENTER	346	314	297	318	2.9%	313	308
UM BALTIMORE WASH MEDICAL CTR	339	389	356	299	2.7%	295	290
DOCTORS COMMUNITY HOSPITAL	319	327	277	285	2.6%	281	276
ST. AGNES HOSPITAL	262	276	318	276	2.5%	272	268
UM UPPER CHESAPEAKE HEALTH	325	257	269	266	2.4%	262	258
GREATER BALTIMORE MEDICAL CTR	248	276	253	265	2.4%	261	257
FREDERICK MEMORIAL HOSPITAL	237	196	231	258	2.4%	254	250
UM CAPITAL REGION HEALTH	277	224	205	242	2.2%	238	235
HOWARD COUNTY GENERAL	284	289	261	233	2.1%	230	226
UM SHORE REGIONAL HEALTH	233	207	184	229	2.1%	226	222
SOUTHERN MARYLAND	368	338	268	221	2.0%	218	214
WESTERN MARYLAND MEDICAL CTR	221	224	224	220	2.0%	217	213
SUBURBAN HOSPITAL	181	186	178	209	1.9%	206	203
SHADY GROVE MEDICAL CENTER	267	180	180	208	1.9%	205	202
MERITUS MEDICAL CENTER	263	199	202	197	1.8%	194	191
UM ST. JOSEPH MEDICAL CENTER	172	157	189	166	1.5%	164	161
UNION MEMORIAL HOSPITAL	159	139	133	166	1.5%	164	161
JOHNS HOPKINS BAYVIEW	153	182	231	166	1.5%	164	161
NORTHWEST HOSPITAL	233	205	151	161	1.5%	159	156
CARROLL HOSPITAL CENTER	138	110	131	160	1.5%	158	155
GOOD SAMARITAN HOSPITAL	189	173	145	138	1.3%	136	134
UM CHARLES REGIONAL	156	143	153	136	1.2%	134	132
ST. MARY'S HOSPITAL	174	139	100	135	1.2%	133	131
MERCY MEDICAL CENTER	174	145	152	132	1.2%	130	128
WASHINGTON ADVENTIST HOSPITAL	235	168	138	127	1.2%	125	123
MONTGOMERY MEDICAL CENTER	163	123	138	125	1.1%	123	121
UNION HOSPITAL OF CECIL	79	110	109	94	0.9%	93	91
CALVERT HEALTH MEDICAL CENTER	72	59	56	84	0.8%	83	81

	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2018 Actual Mkt Share	2023 Projected	2028 Projected
HOLY CROSS GERMANTOWN	53	107	119	81	0.7%	80	79
BON SECOURS HOSPITAL	79	77	62	73	0.7%	72	71
ATLANTIC GENERAL HOSPITAL	46	35	43	64	0.6%	63	62
UMMC MIDTOWN CAMPUS	60	51	45	64	0.6%	63	62
HARBOR HOSPITAL	117	91	97	61	0.6%	60	59
FORT WASHINGTON MEDICAL CENTER	94	66	58	49	0.4%	48	48
GARRETT REGIONAL MEDICAL CENTER	19	17	17	25	0.2%	25	24
MCCREADY MEMORIAL HOSPITAL	5	6	6	6	0.1%	6	6
ADVENTIST HEALTHCARE REHAB	2	1	4	4	0.0%	4	4
CHESAPEAKE REHABILITATION		1	2	2	0.0%	2	2
UM REHAB & ORTHOPAEDIC INSTITUTE		1		1	0.0%	1	1
Total	**11,793**	**11,030**	**10,872**	**10,913**	**100%**	**10,753**	**10,586**

Source: HSCRC Statewide Discharge Database for 2015-2018 actual; 2023 and 2028 calculated based on Sg2 assumption of 3% decline in market discharges from 2019-2028.

Although UMMC has experienced growth of 2.4 percent from 2015 to 2018 in medical oncology discharges, it conservatively projected a 1.2 percent growth in medical oncology volumes over the next ten years (2019-2028). UMMC believes discharge growth will continue due to the strengthened brand recognition of the University of Maryland's Greenebaum Comprehensive Cancer Center, the strengthening of the University of Maryland Cancer Network, and the expansion of UMMS into Prince George's County. The 1.2 percent market share increase equates to 125 additional discharges in 2028. UMMC believes that no single hospital will be adversely affected more than another, and so it assumes a distribution of these 125 discharges proportionally based on volumes at each hospital. As shown in Table 19 below, these assumptions demonstrate that the 1.2 percent market share increase will not result in significant impact to any hospital.

Table 19
2028 Projected Market Shift and Volume Changes at Area Hospitals
Due to Projected Market Growth at UMMC

	2028 Projected Market Share	2028 Projected Discharges	Change in Volume	Percentage Point Change in Market Share
JOHNS HOPKINS HOSPITAL	20.1%	2,127	-28	-0.3%
UNIVERSITY OF MD MEDICAL CENTER	11.8%	1,249	125	1.2%
HOLY CROSS HOSPITAL	5.4%	569	-8	-0.1%
ANNE ARUNDEL MEDICAL CENTER	3.2%	339	-5	0.0%
SINAI HOSPITAL	2.9%	305	-4	0.0%
PENINSULA REGIONAL MEDICAL CENTER	2.9%	305	-4	0.0%
FRANKLIN SQUARE MEDICAL CENTER	2.9%	304	-4	0.0%
UM BALTIMORE WASH MEDICAL CENTER	2.7%	286	-4	0.0%
DOCTORS COMMUNITY HOSPITAL	2.6%	273	-4	0.0%

	2028 Projected Market Share	2028 Projected Discharges	Change in Volume	Percentage Point Change in Market Share
ST. AGNES HOSPITAL	2.5%	264	-4	0.0%
UM UPPER CHESAPEAKE HEALTH	2.4%	255	-3	0.0%
GREATER BALTIMORE MEDICAL CENTER	2.4%	254	-3	0.0%
FREDERICK MEMORIAL HOSPITAL	2.3%	247	-3	0.0%
UM CAPITAL REGION HEALTH	2.2%	232	-3	0.0%
HOWARD COUNTY GENERAL HOSPITAL	2.1%	223	-3	0.0%
UM SHORE REGIONAL HEALTH	2.1%	219	-3	0.0%
SOUTHERN MARYLAND	2.0%	212	-3	0.0%
WESTERN MARYLAND MEDICAL CENTER	2.0%	211	-3	0.0%
SUBURBAN HOSPITAL	1.9%	200	-3	0.0%
SHADY GROVE MEDICAL CENTER	1.9%	199	-3	0.0%
MERITUS MEDICAL CENTER	1.8%	189	-3	0.0%
UM ST. JOSEPH MEDICAL CENTER	1.5%	159	-2	0.0%
UNION MEMORIAL HOSPITAL	1.5%	159	-2	0.0%
JOHNS HOPKINS BAYVIEW	1.5%	159	-2	0.0%
NORTHWEST HOSPITAL	1.5%	154	-2	0.0%
CARROLL HOSPITAL CENTER	1.4%	153	-2	0.0%
GOOD SAMARITAN HOSPITAL	1.2%	132	-2	0.0%
UM CHARLES REGIONAL	1.2%	130	-2	0.0%
ST. MARY'S HOSPITAL	1.2%	129	-2	0.0%
MERCY MEDICAL CENTER	1.2%	126	-2	0.0%
WASHINGTON ADVENTIST HOSPITAL	1.1%	122	-2	0.0%
MONTGOMERY MEDICAL CENTER	1.1%	120	-2	0.0%
UNION HOSPITAL OF CECIL	0.8%	90	-1	0.0%
CALVERT HEALTH MEDICAL CENTER	0.8%	80	-1	0.0%
HOLY CROSS GERMANTOWN HOSPITAL	0.7%	78	-1	0.0%
BON SECOURS HOSPITAL	0.7%	70	-1	0.0%
ATLANTIC GENERAL HOSPITAL	0.6%	61	-1	0.0%
UMMC MIDTOWN CAMPUS	0.6%	61	-1	0.0%
HARBOR HOSPITAL	0.6%	58	-1	0.0%
FORT WASHINGTON MEDICAL CENTER	0.4%	47	-1	0.0%
GARRETT REGIONAL MEDICAL CENTER	0.2%	24	0	0.0%
MCCREADY MEMORIAL HOSPITAL	0.1%	6	0	0.00%
ADVENTIST HEALTHCARE REHAB	0.0%	4	0	0.00%
CHESAPEAKE REHABILITATION HOSPITAL	0.0%	2	0	0.00%
UM REHAB & ORTHOPAEDIC INSTITUTE	0.0%	1	0	0.00%
Total		**10,586**	**0**	

Table of Exhibits

Table of Tables

Table of Figures

Figure	Description

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.

1/15/2019
Date

Mohan Suntha, MD, MBA
President and Chief Executive Officer
UMMC

#651296
006551-0238

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.

1/15/2019
Date

Dana Farrakhan
Senior Vice President, Strategy,
Community & Business Development
UMMC

#651297
006551-0238

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.

1/18/2019
Date

Joseph E. Hoffman III
Senior Vice President and Chief Financial Officer
UMMC

#651302
006551-0238

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.

1/16/19
Date

Georgia Harrington
Senior Vice President, Operations
UMMC

#651305
006551-0238

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.

1/15/19
Date

Craig Fleischmann
Vice President, Finance
UMMC

#651301
006551-0238

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.

01/15/2019
Date

Leonard Taylor
Senior Vice President for Asset Planning
UMMS

#651300
006551-0238

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.

2/5/19
Date

Janice Eisele
Senior Vice President, Development
UMMC

#651303
006551-0238

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.

1/16/19
Date

Stan Whitbey
Vice President, Cancer Services
UMMC

#651307
006551-0238

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.

2/6/2019
Date

Brian Sturm
Senior Director, Financial and Capital Planning
UMMS

#653588
006551-0238

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.

1/16/19
Date

Marina Bogin
Senior Director, Finance Decision Support
UMMC

#651309
006551-0238

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.

1/17/2019
Date

Nicholas Jaidar
Director of Oncology Operations
UMMC

#651313
006551-0238

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.

01/15/2019
Date

Suzanne Cowperthwaite, DNP, RN,
NEA-BC
Director of Oncology Nursing
UMMC

#651312
006551-0238

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.

01/15/2019
Date

Scott Tinsley-Hall
Scott Tinsley-Hall
Director, Strategic Planning
UMMC

#651310
006551-0238

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.

1/29/19
Date

Linda Whitmore
Director for Project Development
UMMC

#651314
006551-0238

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.

1/22/19
Date

Bret Elam
Project Manager
UMMC

#651316
006551-0238

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.

1/15/19
Date

Donald Steacy
Manager, Strategic Analytics & Program Development
UMMC

#651317
006551-0238

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.

January 15, 2019
Date

Deb Sheehan, ACHE, LEED AP, EDAC
Executive Director
Cannon Design

#651319
006551-0238

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.

1/15/19
Date

Andrew L. Solberg
A.L.S. Healthcare Consultant Services

#651318
006551-0238

EXHIBIT 1

Name of Applicant: University of Maryland Medical Center

Date of Submission: 8-Feb-19

Applicants should follow additional instructions included at the top of each of the following worksheets. Please ensure all green fields (see above) are filled.

Table Number	Table Title	Instructions
Table A	**Physical Bed Capacity Before and After Project**	All applicants whose project impacts any nursing unit, regardless of project type or scope, must complete Table A.
Table B	**Departmental Gross Square Feet**	All applicants, regardless of project type or scope, must complete Table B for all departments and functional areas affected by the proposed project.
Table C	**Construction Characteristics**	All applicants proposing new construction or renovation must complete Table C.
Table D	**Site and Offsite Costs Included and Excluded in Marshall Valuation Costs**	All applicants proposing new construction or renovation must complete Table D.
Table E	**Project Budget**	All applicants, regardless of project type or scope, must complete Table E.
Table F	**Statistical Projections - Entire Facility**	Existing facility applicants must complete Table F. All applicants who complete this table must also complete Tables G and H.
Table G	**Revenues & Expenses, Uninflated - Entire Facility**	Existing facility applicants must complete Table G. The projected revenues and expenses in Table G should be consistent with the volume projections in Table F.
Table H	**Revenues & Expenses, Inflated - Entire Facility**	Existing facility applicants must complete Table H. The projected revenues and expenses in H should be consistent with the projections in Tables F and G.
Table I	**Statistical Projections - New Facility or Service**	Applicants who propose to establish a new facility, existing facility applicants who propose a new service, and applicants who are directed by MHCC staff must complete Table I. All applicants who complete this table must also complete Tables J and K.
Table J	**Revenues & Expenses, Uninflated - New Facility or Service**	Applicants who propose to establish a new facility and existing facility applicants who propose a new service and any other applicant who completes a Table I must complete Table J. The projected revenues and expenses in Table J should be consistent with the volume projections in Table I.
Table K	**Revenues & Expenses, Inflated - New Facility or Service**	Applicants who propose to establish a new facility and existing facility applicants who propose a new service and any other applicant that completes a Table I must complete Table K. The projected revenues and expenses in Table K should be consistent with the projections in Tables I and J.
Table L	**Work Force Information**	All applicants, regardless of project type or scope, must complete Table L.

TABLE A. PHYSICAL BED CAPACITY BEFORE AND AFTER PROJECT

INSTRUCTION: Identify the location of each nursing unit (add or delete rows if necessary) and specify the room and bed count before and after the project in accordance with the definition of physical capacity noted below. Applicants should add columns and recalculate formulas to address rooms with 3 and 4 bed capacity. See additional instruction in the column to the right of the table.
NOTE: Physical capacity is the total number of beds that could be physically set up in space without significant renovations. This should be the maximum operating capacity under normal, non-emergency circumstances and is a physical count of bed capacity, rather than a measure of staffing capacity. A room with two headwalls and two sets of gasses should be counted as having capacity for two beds, even if it is typically set up and operated with only one bed. A room with one headwall and one set of gasses is counted as a private room, even if it is large enough from a square footage perspective to be used as a semi-private room, since renovation/construction would be required to convert it to semi-private use. If the hospital operates patient rooms that contain no headwalls or a single headwall, but are normally used to accommodate one or more than one patient (e.g., for psychiatric patients), the physical capacity of such rooms should be counted as they are currently used.

Before the Project							After Project Completion						
Hospital Service	Location (Floor/Wing)*	Licensed Beds: July 1, 2018	Based on Physical Capacity: Room Count: Private	Room Count: Semi-Private	Room Count: Total Rooms	Bed Count: Physical Capacity	Hospital Service	Location (Floor/Wing)*	Based on Physical Capacity: Room Count: Private	Room Count: Semi-Private	Room Count: Total Rooms	Bed Count: Physical Capacity
ACUTE CARE							**ACUTE CARE**					
General Medical/Surgical*	Vascular Surgery, Medical Acute 11E, Medical Acute N10E, Surgical Acute, Medical Telemetry N13, Neurocare Acute, Orthopedic Acute, Transplant IMC, Neurocare Stepdown, Cardiac Surgery Stepdown, Surgical IMC, Medical IMC	**296**	170	40	210	250	**General Medical/Surgical***	Vascular Surgery, Medical Acute 11E, Medical Acute N10E, Surgical Acute, Medical Telemetry N13, Neurocare Acute, Orthopedic Acute, Transplant IMC, Neurocare Stepdown, Cardiac Surgery Stepdown, Surgical IMC, Medical IMC, Gudelsky BMT C9W, Medical Oncology 8W & 9N	222	40	262	302
SUBTOTAL Gen. Med/Surg*		**296**	**170**	**40**	**210**	**250**	**SUBTOTAL Gen. Med/Surg***		**222**	**40**	**262**	**302**
ICU/CCU	Neurocare ICU, Cardiac Surgery ICU, Medical ICU, Surgical ICU	**115**	95	2	97	99	**ICU/CCU**	Neurocare ICU, Cardiac Surgery ICU, Medical ICU, Surgical ICU	95	2	97	99
Medical Cardiac Critical Care	Cardiac Care Unit, Cardiac Progressive Care Unit	**46**	27	7	34	41		Cardiac Care Unit, Cardiac Progressive Care Unit	27	7	34	41
Shock Trauma	Neurotrauma IMC, Neurotrauma CC, Multitrauma IMC, Multitrauma CC, Select Trauma IMC, Acute Care	**115**	104	2	106	108		Neurotrauma IMC, Neurotrauma CC, Multitrauma IMC, Multitrauma CC, Select Trauma IMC, Acute Care	104	2	106	108
Oncology	Gudelsky BMT C9W, Medical Oncology 8W & 9N	**67**	52	0	52	52		New Building	62	0	62	62
TOTAL MSGA		**639**	**448**	**51**	**499**	**550**	**TOTAL MSGA**		**510**	**51**	**561**	**612**

TABLE A. PHYSICAL BED CAPACITY BEFORE AND AFTER PROJECT

INSTRUCTION: Identify the location of each nursing unit (add or delete rows if necessary) and specify the room and bed count before and after the project in accordance with the definition of physical capacity noted below. Applicants should add columns and recalculate formulas to address rooms with 3 and 4 bed capacity. See additional instruction in the column to the right of the table.
NOTE: Physical capacity is the total number of beds that could be physically set up in space without significant renovations. This should be the maximum operating capacity under normal, non-emergency circumstances and is a physical count of bed capacity, rather than a measure of staffing capacity. A room with two headwalls and two sets of gasses should be counted as having capacity for two beds, even if it is typically set up and operated with only one bed. A room with one headwall and one set of gasses is counted as a private room, even if it is large enough from a square footage perspective to be used as a semi-private room, since renovation/construction would be required to convert it to semi-private use. If the hospital operates patient rooms that contain no headwalls or a single headwall, but are normally used to accommodate one or more than one patient (e.g., for psychiatric patients), the physical capacity of such rooms should be counted as they are currently used.

Before the Project							After Project Completion						
Hospital Service	**Location (Floor/Wing)***	**Licensed Beds:**	**Based on Physical Capacity**				**Hospital Service**	**Location (Floor/Wing)***	**Based on Physical Capacity**			
			Room Count			**Bed Count**			**Room Count**			**Bed Count**
		July 1, 2018	**Private**	**Semi-Private**	**Total Rooms**	**Physical Capacity**			**Private**	**Semi-Private**	**Total Rooms**	**Physical Capacity**
Obstetrics	Inpatient Perinatal GYN	**35**	22	0	22	22	**Obstetrics**	Inpatient Perinatal GYN	22	0	22	22
Pediatrics	Pediatric Acute Care, Pediatric ICU	**59**	37	11	48	59	**Pediatrics**	Pediatric Acute Care, Pediatric ICU	37	11	48	59
Psychiatric		**56**	**2**	**26**	**28**	**54**	**Psychiatric**		**2**	**26**	**28**	**54**
Acute Psychiatric - Adult	N11W, N12W	**31**	1	15	16	31	Acute Psychiatric - Adult	N12W	1	15	16	31
Acute Psychiatric - Child	P4G	**12**	0	5	5	10	Acute Psychiatric - Child	N11W	0	5	5	10
Acute Psychiatric - Adolescent	N/A	**0**	0	0	0	0	Acute Psychiatric - Adolescent	N11W	0	0	0	0
Acute Psychiatric - Geriatric	N12E	**13**	1	6	7	13	Acute Psychiatric - Geriatric	N12E	1	6	7	13
TOTAL ACUTE		**789**	**509**	**88**	**597**	**685**	**TOTAL ACUTE**		**571**	**88**	**659**	**747**
NON-ACUTE CARE							**NON-ACUTE CARE**					
Dedicated Observation**		**10**	6	2	8	10	**Dedicated Observation****		6	2	8	10
Newborn Nursery		**24**	24	0	24	24	**Newborn Nursery**		24	0	24	24
Neonatal ICU		**52**	52	0	52	52	**Rehabilitation**		52	0	52	52
Rehabilitation		**0**	0	0	0	0	**Rehabilitation**		0	0	0	0
Comprehensive Care		**0**	0	0	0	0	**Comprehensive Care**		0	0	0	0
Other *(Specify/add rows as needed)*		**0**	0	0	0	0	**Other** *(Specify/add rows as needed)*		0	0	0	0
TOTAL NON-ACUTE		**86**	**82**	**2**	**84**	**86**	**TOTAL NON-ACUTE**		**82**	**2**	**84**	**86**
HOSPITAL TOTAL		**875**	**591**	**90**	**681**	**771**	**HOSPITAL TOTAL**		**653**	**90**	**743**	**833**

* Include beds dedicated to gynecology and addictions, if unit(s) is separate for acute psychiatric unit

** Include services included in the reporting of the "Observation Center". Service furnished by the hospital on the hospital's promise, including use of a bed and periodic monitoring by the hospital's nursing or other staff, which are reasonable and necessary to determine the need for a possible admission to the hospital as an inpatient; Must be ordered and documented in writing, given by a medical practitioner.

Note: This table does not account for bed changes in psychiatry that would result if the Certificate of Need application filed August 3, 2018 for adolescent psychiatry services is approved.

TABLE B. DEPARTMENTAL GROSS SQUARE FEET AFFECTED BY PROPOSED PROJECT

INSTRUCTION : Add or delete rows if necessary. See additional instruction in the column to the right of the table.

DEPARTMENT/FUNCTIONAL AREA	DEPARTMENTAL GROSS SQUARE FEET				
	Current	To be Added Thru New Construction	To Be Renovated	To Remain As Is	Total After Project Completion
Mechanical/Electrical		15,700	0		15,700
Cancer Center Administrative Offices		5,500	3,786		9,286
Oncology Inpatient		42,400	0		42,400
Apheresis		0	1,227		
Cell Processing Lab		0	1,140		
Oncology Inpatient & Outpatient BMT (Bone Marrow Transplant)		21,200			21,200
ETC		0	2,259		
Shared Staff Support & Public Circulation			19,568		
Oncology & BMT Clinics		21,200	0		21,200
Infusion		0	23,550		23,550
Infusion Pharmacy & Blood Bank		0	2,200		
Shell Space		42,400	0		
Phlebotomy		0	4,171		4,171
Lobby		6,210	15,080		21,290
					0
					0
Total		154,610	72,981		

TABLE C. CONSTRUCTION CHARACTERISTICS

INSTRUCTION: If project includes non-hospital space structures (e.g., parking garges, medical office buildings, or energy plants), complete an additional Table C for each structure.

	NEW CONSTRUCTION	RENOVATION
BASE BUILDING CHARACTERISTICS	**Check if applicable**	
Class of Construction (for renovations the class of the building being renovated)*		
Class A	☑	☑
Class B	☐	☐
Class C	☐	☐
Class D	☐	☐
Type of Construction/Renovation*		
Low	☐	☐
Average	☐	☐
Good	☑	☑
Excellent	☐	☐
Number of Stories		

*As defined by Marshall Valuation Service

PROJECT SPACE	**List Number of Feet, if applicable**	
Total Square Footage	**Total Square Feet**	
GroundFloor		1,210
First Floor	6,210	19,670
Second Floor		2,510
Third Floor	21,200	1,700
Fourth Floor	21,200	1,700
Fifth Floor	21,200	25,750
SixthFloor	21,200	3,700
Seventh Floor	21,200	6,300
Eighth Floor	21,200	3,840
Ninth Floor	21,200	4,100
Eleventh Floor	0	730
Twelveth Floor	0	730
Thirteenth Floor	0	730
Total	154,610	72,670
Average Square Feet	**19,326**	**5,590**
Perimeter in Linear Feet	**Linear Feet**	
Ground Floor		
First Floor	628	864
Second Floor		320
Third Floor	688	169
Fourth Floor	627	169
Fifth Floor	628	829
SixthFloor	628	218
Seventh Floor	626	218
Eighth Floor	625	281
Ninth Floor	622	218
Eleventh Floor		124
Twelveth Floor		152
Thirteenth Floor		152
Total Linear Feet	**5,072**	**3,714**
Average Linear Feet	**634**	

TABLE C. CONSTRUCTION CHARACTERISTICS

INSTRUCTION: If project includes non-hospital space structures (e.g., parking garges, medical office buildings, or energy plants), complete an additional Table C for each structure.

	NEW CONSTRUCTION	RENOVATION
Wall Height (floor to eaves)	**Feet**	
Ground Floor		12'-3"
First Floor	12'-6"	12'-6"
Second Floor		12'-6"
Third Floor	12'-6"	12'-6"
Fourth Floor	12'-6"	12'-6"
Fifth Floor	12'-6"	12'-6"
SixthFloor	12'-6"	12'-6"
Seventh Floor	12'-6"	12'-6"
Eighth Floor	12'-6"	12'-6"
Ninth Floor	18'-7"	12'-6"
Average Wall Height	**13.34**	
OTHER COMPONENTS		
Elevators	**List Number**	
Passenger	2	
Freight (Hospital)		2
	Square Feet Covered	
Wet System Fully Sprinklered -Preaction in main electrical rooms and vehicular drive under the buidling.	154,610	72,670
Dry System		
Other	**Describe Type**	
Type of HVAC System for proposed project	The HVAC system is a fully ducted Variable Air Volume	
Type of Exterior Walls for proposed project	Curtain Wall System with glass and spandrel panels on	

TABLE D. ONSITE AND OFFSITE COSTS INCLUDED AND EXCLUDED IN MARSHALL VALUATION COSTS

INSTRUCTION: If project includes non-hospital space structures (e.g., parking garges, medical office buildings, or energy plants), complete an additional Table D for each structure.

	NEW CONSTRUCTION COSTS	RENOVATION COSTS
SITE PREPARATION COSTS		
Normal Site Preparation	$1,983,000	
Utilities from Structure to Lot Line		
Subtotal included in Marshall Valuation Costs	**$1,983,000**	
Site Demolition Costs	$1,188,000	
Storm Drains	$1,500,000	
Rough Grading	$550,000	
Paving	$400,000	
Deep Foundation	$2,770,000	
Yard Lighting	$395,000	
Dewatering	$80,000	
Sediment Control & Stabilization	$80,000	
Premium for Constrained Site	$650,000	
Underground utility work for Foundations / Total Shoring for excavation	$1,584,000	
Premium for Prevailing Wage	$1,300,000	
Premium for Minority Business Enterprise Requirement	$520,000	
Subtotal On-Site excluded from Marshall Valuation Costs	**$11,017,000**	
OFFSITE COSTS		
Roads		
Utilities		

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	$84,625,169		$84,625,169
(2) Fixed Equipment			$0
(3) Site and Infrastructure	$13,000,000		$13,000,000
(4) Architect/Engineering Fees	$12,000,000		$12,000,000
(5) Permits (Building, Utilities, Etc.)	$1,000,000		$1,000,000
SUBTOTAL	**$110,625,169**	**$0**	**$110,625,169**
b. Renovations			
(1) Building	$20,000,000		$20,000,000
(2) Fixed Equipment (not included in construction)			$0
(3) Architect/Engineering Fees			$0
(4) Permits (Building, Utilities, Etc.)			$0
SUBTOTAL	**$20,000,000**	**$0**	**$20,000,000**
c. Other Capital Costs			
(1) Movable Equipment	$30,000,000		$30,000,000
(2) Contingency Allowance	$15,000,000		$15,000,000
(3) Gross interest during construction period	$8,868,000		$8,868,000
(4) Other *(Specify/add rows if needed)*			$0
SUBTOTAL	***$53,868,000***	***$0***	**$53,868,000**
TOTAL CURRENT CAPITAL COSTS	**$184,493,169**	**$0**	**$184,493,169**
d. *Land Purchase*			
e. Inflation Allowance	$9,374,831		$9,374,831
TOTAL CAPITAL COSTS	**$193,868,000**	**$0**	**$193,868,000**
2. Financing Cost and Other Cash Requirements			
a. Loan Placement Fees	**$50,000**		$50,000
b. Bond Discount			$0
c CON Application Assistance	**$100,000**		$100,000
c1. Legal Fees			$0
c2. Other (Specify/add rows if needed)			$0
d. Non-CON Consulting Fees			$0
d1. Legal Fees	**$200,000**		$200,000
d2. Other (Specify/add rows if needed)	**$150,000**		$150,000
e. Debt Service Reserve Fund	**$0**		$0
f Other *(Specify/add rows if needed)*			$0
SUBTOTAL	***$500,000***	***$0***	**$500,000**
3. Working Capital Startup Costs			$0
TOTAL USES OF FUNDS	***$194,368,000***	***$0***	***$194,368,000***
B. Sources of Funds			
1. Cash			$0
2. Philanthropy (to date and expected)	$20,000,000		$20,000,000
3. Authorized Bonds	$49,268,000		$49,268,000
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	$125,000,000		$125,000,000
c. Local			$0
8. Other (Cash Flow from Operations)	$100,000		$100,000
TOTAL SOURCES OF FUNDS	***$194,368,000***		**$194,368,000**
	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.

TABLE F. STATISTICAL PROJECTIONS - ENTIRE FACILITY

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.						
Indicate CY or FY	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
1. DISCHARGES										
a. General Medical/Surgical*	21,903	20,637	18,418	18,544	18,669	18,742	18,820	18,897	19,071	19,245
b. ICU/CCU	2,804	2,846	3,470	3,494	3,517	3,531	3,546	3,560	3,593	3,626
Total MSGA	***24,707***	***23,483***	***21,888***	***22,038***	***22,186***	***22,273***	***22,366***	***22,457***	***22,664***	***22,871***
c. Pediatric	1,585	1,768	2,188	2,203	2,218	2,227	2,236	2,245	2,266	2,286
d. Obstetric	1,997	2,110	2,601	2,619	2,636	2,646	2,658	2,668	2,693	2,717
e. Acute Psychiatric	1,129	1,173	1,410	1,420	1,430	1,435	1,441	1,447	1,460	1,474
Total Acute	***29,418***	***28,534***	***28,087***	***28,280***	***28,470***	***28,581***	***28,701***	***28,818***	***29,083***	***29,348***
f. Rehabilitation										
g. Comprehensive Care										
h. Other (Specify/add rows of needed)										
TOTAL DISCHARGES	***29,418***	***28,534***	***28,087***	***28,280***	***28,470***	***28,581***	***28,701***	***28,818***	***29,083***	***29,348***
2. PATIENT DAYS										
a. General Medical/Surgical*	123,646	130,909	122,044	122,882	123,709	124,205	124,712	125,219	126,371	127,524
b. ICU/CCU	71,255	75,441	70,332	70,815	71,291	71,577	71,870	72,162	72,825	73,490
Total MSGA	***194,902***	***206,349***	***192,376***	***193,697***	***195,000***	***195,782***	***196,582***	***197,380***	***199,196***	***201,014***
c. Pediatric	5,467	5,788	5,396	5,433	5,470	5,492	5,514	5,536	5,587	5,638
d. Obstetric	6,110	6,469	6,031	6,072	6,113	6,138	6,163	6,188	6,245	6,302
e. Acute Psychiatric	13,120	13,891	12,950	13,039	13,127	13,179	13,233	13,287	13,409	13,531
Total Acute	***219,599***	***232,497***	***216,753***	***218,241***	***219,710***	***220,591***	***221,492***	***222,391***	***224,438***	***226,485***
f. Rehabilitation										
g. Comprehensive Care										
h. Other (Specify/add rows of needed)										
TOTAL PATIENT DAYS	***219,599***	***232,497***	***216,753***	***218,241***	***219,710***	***220,591***	***221,492***	***222,391***	***224,438***	***226,485***

TABLE F. STATISTICAL PROJECTIONS - ENTIRE FACILITY

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.						
Indicate CY or FY	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
3. AVERAGE LENGTH OF STAY (patient days divided by discharges)										
a. General Medical/Surgical*	5.6	6.3	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
b. ICU/CCU	25.4	26.5	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3
Total MSGA	***7.9***	***8.8***	***8.8***	***8.8***	***8.8***	***8.8***	***8.8***	***8.8***	***8.8***	***8.8***
c. Pediatric	3.4	3.3	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
d. Obstetric	3.1	3.1	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
e. Acute Psychiatric	11.6	11.8	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Total Acute	***7.5***	***8.1***	***7.7***	***7.7***	***7.7***	***7.7***	***7.7***	***7.7***	***7.7***	***7.7***
f. Rehabilitation										
g. Comprehensive Care										
h. Other (Specify/add rows of needed)										
TOTAL AVERAGE LENGTH OF STAY	7.5	8.1	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
4. NUMBER OF LICENSED BEDS										
a. General Medical/Surgical*	416	433	450	450	450	450	450	450	450	450
b. ICU/CCU	241	241	241	241	241	241	241	241	241	241
Total MSGA	**657**	**674**	**691**	**691**	**691**	**691**	**691**	**691**	**691**	**691**
c. Pediatric	59	59	59	59	59	59	59	59	59	59
d. Obstetric	30	30	35	35	35	35	35	35	35	35
e. Acute Psychiatric	56	56	56	56	56	56	56	56	56	56
Total Acute	***802***	***819***	***841***	***841***	***841***	***841***	***841***	***841***	***841***	***841***
f. Rehabilitation										
g. Comprehensive Care										
h. Other (Specify/add rows of needed)										
TOTAL LICENSED BEDS	***802***	***819***	***841***	***841***	***841***	***841***	***841***	***841***	***841***	***841***

TABLE F. STATISTICAL PROJECTIONS - ENTIRE FACILITY

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.						
Indicate CY or FY	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
5. OCCUPANCY PERCENTAGE **IMPORTANT NOTE:* *Leap year formulas should be changed by applicant to reflect 366 days per year.*										
a. General Medical/Surgical*	81.4%	82.8%	74.3%	74.8%	75.3%	75.6%	75.9%	76.2%	76.9%	77.6%
b. ICU/CCU	81.0%	85.8%	80.0%	80.5%	81.0%	81.4%	81.7%	82.0%	82.8%	83.5%
Total MSGA	***81.3%***	***83.9%***	***76.3%***	***76.8%***	***77.3%***	***77.6%***	***77.9%***	***78.3%***	***79.0%***	***79.7%***
c. Pediatric	25.4%	26.9%	25.1%	25.2%	25.4%	25.5%	25.6%	25.7%	25.9%	26.2%
d. Obstetric	55.8%	59.1%	47.2%	47.5%	47.9%	48.0%	48.2%	48.4%	48.9%	49.3%
e. Acute Psychiatric	64.2%	68.0%	63.4%	63.8%	64.2%	64.5%	64.7%	65.0%	65.6%	66.2%
Total Acute	***75.0%***	***77.8%***	***70.6%***	***71.1%***	***71.6%***	***71.9%***	***72.2%***	***72.4%***	***73.1%***	***73.8%***
f. Rehabilitation										
g. Comprehensive Care										
h. Other (Specify/add rows of needed)										
TOTAL OCCUPANCY %	**75.0%**	**77.8%**	**70.6%**	**71.1%**	**71.6%**	**71.9%**	**72.2%**	**72.4%**	**73.1%**	**73.8%**
6. OUTPATIENT VISITS										
a. Emergency Department	57,568	56,184	68,811	69,093	69,367	69,641	69,915	70,211	70,864	71,521
b. Same-day Surgery	15,974	18,024	11,638	11,686	11,732	11,778	77,825	11,875	11,985	12,096
c. Laboratory										
d. Imaging										
e. Other (Specify/add rows of needed)	249,372	245,321	243,056	244,052	245,021	245,988	246,955	248,000	250,306	252,629
TOTAL OUTPATIENT VISITS	***322,914***	***319,529***	***323,505***	***324,831***	***326,120***	***327,407***	***394,695***	***330,086***	***333,155***	***336,246***
7. OBSERVATIONS**										
a. Number of Patients										
b. Hours										

* Include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.

** Services included in the reporting of the "Observation Center", direct expenses incurred in providing bedside care to observation patients; furnished by the hospital on the hospital's premises, including use of a bed and periodic monitoring by the hospital's nursing or other staff, in order to determine the need for a possible admission to the hospitals as an inpatient. Such services must be ordered and documented in writing, given by a medical practitioner; may or may not be provided in a distinct area of the hospital.

TABLE G. REVENUES & EXPENSES, UNINFLATED - ENTIRE FACILITY

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
1. REVENUE										
a. Inpatient Services	$1,099,703	$1,182,504	$1,212,884	$1,237,152	$1,248,520	$1,260,144	$1,272,030	$1,291,529	$1,303,683	$1,315,837
b. Outpatient Services	$ 528,085	$ 539,758	$ 621,880	$ 634,671	$ 640,179	$ 645,811	$ 651,570	$ 657,459	$ 663,348	$ 669,237
Gross Patient Service Revenues	***$ 1,627,788***	***$ 1,722,262***	***$ 1,834,764***	***$ 1,871,823***	***$ 1,888,699***	***$ 1,905,955***	***$ 1,923,600***	***$ 1,948,988***	***$ 1,967,031***	***$ 1,985,074***
c. Allowance For Bad Debt	$ 63,508	$ 45,098	$ 60,547	$ 61,770	$ 62,327	$ 62,896	$ 63,479	$ 64,317	$ 64,912	$ 65,508
d. Contractual Allowance	$ 20,308	$ 22,056	$ 23,852	$ 24,334	$ 24,553	$ 24,777	$ 25,007	$ 25,337	$ 25,571	$ 25,806
e. Charity Care	$ 134,737	$ 186,287	$ 179,232	$ 182,852	$ 184,501	$ 186,186	$ 187,910	$ 190,390	$ 192,153	$ 193,915
Net Patient Services Revenue	***$ 1,409,235***	***$ 1,468,821***	***$ 1,571,133***	***$ 1,602,867***	***$ 1,617,318***	***$ 1,632,095***	***$ 1,647,204***	***$ 1,668,944***	***$ 1,684,395***	***$ 1,699,845***
f. Other Operating Revenues (Specify/add rows if needed)	$ 103,393	$ 100,118	$ 97,998	$ 99,895	$ 99,895	$ 99,895	$ 99,895	$ 99,895	$ 99,895	$ 99,895
NET OPERATING REVENUE	***$ 1,512,628***	***$ 1,568,939***	***$ 1,669,131***	***$ 1,702,762***	***$ 1,717,213***	***$ 1,731,990***	***$ 1,747,099***	***$ 1,768,839***	***$ 1,784,290***	***$ 1,799,740***
2. EXPENSES										
a. Salaries & Wages (including benefits)	$ 591,338	$ 606,439	$ 622,948	$ 632,596	$ 642,388	$ 651,505	$ 659,925	$ 674,565	$ 679,213	$ 683,861
b. Contractual Services	$ 268,691	$ 285,267	$ 318,219	$ 319,196	$ 318,864	$ 320,805	$ 325,137	$ 330,407	$ 333,326	$ 336,246
c. Interest on Current Debt	$ 31,385	$ 30,378	$ 30,126	$ 29,344	$ 28,512	$ 27,608	$ 26,662	$ 25,624	$ 24,533	$ 23,440
d. Interest on Project Debt								$ 2,217	$ 2,170	$ 2,071
e. Current Depreciation	$ 96,108	$ 98,237	$ 103,451	$ 104,374	$ 101,812	$ 102,308	$ 104,106	$ 105,669	$ 107,757	$ 107,244
f. Project Depreciation								$ 6,167	$ 6,167	$ 6,167
g. Current Amortization										
h. Project Amortization								$ 296	$ 296	$ 296
i. Supplies	$ 344,288	$ 360,946	$ 392,176	$ 398,715	$ 405,332	$ 411,253	$ 416,764	$ 423,456	$ 427,261	$ 431,066
j. Other Expenses (Specify/add rows if needed)										
Professional Fees	$ 134,767	$ 136,537	$ 140,753	$ 143,080	$ 145,439	$ 147,588	$ 149,581	$ 152,018	$ 153,268	$ 154,519
Other Expense	$ 16,054	$ 25,073	$ 27,140	$ 27,419	$ 27,705	$ 27,997	$ 28,263	$ 28,601	$ 30,165	$ 34,228
TOTAL OPERATING EXPENSES	***$ 1,482,631***	***$ 1,542,877***	***$ 1,634,813***	***$ 1,654,725***	***$ 1,670,051***	***$ 1,689,065***	***$ 1,710,437***	***$ 1,749,020***	***$ 1,764,156***	***$ 1,779,138***
3. INCOME										
a. Income From Operation	**$ 29,997**	**$ 26,062**	**$ 34,318**	**$ 48,037**	**$ 47,162**	**$ 42,925**	**$ 36,662**	**$ 19,819**	**$ 20,134**	**$ 20,602**
b. Non-Operating Income	$ 109,321	$ 64,847	$ 10,610	$ 13,183	$ 13,598	$ 14,041	$ 14,487	$ 13,426	$ 13,023	$ 12,594
SUBTOTAL	***$ 139,318***	***$ 90,909***	***$ 44,928***	***$ 61,220***	***$ 60,760***	***$ 56,966***	***$ 51,149***	***$ 33,245***	***$ 33,156***	***$ 33,196***
c. Income Taxes										
NET INCOME (LOSS)	***$ 139,318***	***$ 90,909***	***$ 44,928***	***$ 61,220***	***$ 60,760***	***$ 56,966***	***$ 51,149***	***$ 33,245***	***$ 33,156***	***$ 33,196***
4. PATIENT MIX										
a. Percent of Total Revenue										
1) Medicare	31.6%	31.8%	32.7%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
2) Medicaid	30.2%	30.8%	30.8%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%
3) Blue Cross	15.1%	10.2%	10.8%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
4) Commercial Insurance	17.3%	24.1%	18.7%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
5) Self-pay	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
6) Other	3.8%	1.1%	5.0%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
TOTAL	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

TABLE G. REVENUES & EXPENSES, UNINFLATED - ENTIRE FACILITY

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
b. Percent of Equivalent Inpatient Days										
Total MSGA										
1) Medicare										
2) Medicaid										
3) Blue Cross										
4) Commercial Insurance										
5) Self-pay										
6) Other										
TOTAL	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***

UMMC does not track payer's by patient days

TABLE H. REVENUES & EXPENSES, INFLATED - ENTIRE FACILITY

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
1. REVENUE										
a. Inpatient Services	$1,099,703	$1,182,504	$1,212,884	$1,260,740	$1,299,689	$1,339,744	$1,380,934	$1,430,634	$1,474,566	$1,520,148
b. Outpatient Services	$ 528,085	$ 539,758	$ 621,880	$ 646,792	$ 666,478	$ 686,717	$ 707,526	$ 728,918	$ 751,093	$ 774,088
Gross Patient Service Revenues	***$ 1,627,788***	***$ 1,722,262***	***$ 1,834,764***	***$ 1,907,532***	***$ 1,966,167***	***$ 2,026,461***	***$ 2,088,460***	***$ 2,159,552***	***$ 2,225,659***	***$ 2,294,236***
c. Allowance For Bad Debt	$ 63,508	$ 45,098	$ 60,547	$ 62,949	$ 64,884	$ 66,873	$ 68,919	$ 71,265	$ 73,447	$ 75,710
d. Contractual Allowance	$ 20,308	$ 22,056	$ 23,852	$ 24,798	$ 25,560	$ 26,344	$ 27,150	$ 28,074	$ 28,934	$ 29,825
e. Charity Care	$ 134,737	$ 186,287	$ 179,232	$ 186,340	$ 192,068	$ 197,959	$ 204,015	$ 210,960	$ 217,417	$ 224,116
Net Patient Services Revenue	***$ 1,409,235***	***$ 1,468,821***	***$ 1,571,133***	***$ 1,633,445***	***$ 1,683,655***	***$ 1,735,285***	***$ 1,788,376***	***$ 1,849,253***	***$ 1,905,861***	***$ 1,964,585***
f. Other Operating Revenues (Specify/add rows if needed)	$ 103,393	$ 100,118	$ 97,998	$ 99,895	$ 101,830	$ 103,804	$ 105,817	$ 107,870	$ 109,965	$ 112,101
NET OPERATING REVENUE	***$ 1,512,628***	***$ 1,568,939***	***$ 1,669,131***	***$ 1,733,340***	***$ 1,785,485***	***$ 1,839,089***	***$ 1,894,193***	***$ 1,957,123***	***$ 2,015,826***	***$ 2,076,686***
2. EXPENSES										
a. Salaries & Wages (including benefits)	$ 591,338	$ 606,439	$ 622,948	$ 649,786	$ 674,915	$ 697,873	$ 719,537	$ 751,776	$ 774,761	$ 799,684
b. Contractual Services	$ 268,691	$ 285,267	$ 318,219	$ 327,190	$ 334,836	$ 344,074	$ 355,456	$ 369,583	$ 382,072	$ 395,559
c. Interest on Current Debt	$ 31,385	$ 30,378	$ 30,126	$ 29,344	$ 28,512	$ 27,608	$ 26,662	$ 25,624	$ 24,533	$ 23,440
d. Interest on Project Debt								$ 2,217	$ 2,170	$ 2,071
e. Current Depreciation	$ 96,108	$ 98,237	$ 103,451	$ 104,374	$ 101,812	$ 102,308	$ 104,106	$ 105,669	$ 107,757	$ 107,244
f. Project Depreciation								$ 6,167	$ 6,167	$ 6,167
g. Current Amortization										
h. Project Amortization								$ 296	$ 296	$ 296
i. Supplies	$ 344,288	$ 360,946	$ 392,176	$ 409,555	$ 425,999	$ 440,883	$ 455,045	$ 472,658	$ 488,297	$ 505,193
j. Other Expenses (Specify/add rows if needed)										
Professional Fees	$ 134,767	$ 136,537	$ 140,753	$ 147,322	$ 153,169	$ 158,471	$ 163,489	$ 169,793	$ 175,223	$ 181,106
Other Expense	$ 16,054	$ 25,073	$ 27,140	$ 27,962	$ 28,651	$ 29,278	$ 29,841	$ 30,599	$ 30,504	$ 30,448
TOTAL OPERATING EXPENSES	**$ 1,482,631**	**$ 1,542,877**	**$ 1,634,813**	**$ 1,695,533**	**$ 1,747,894**	**$ 1,800,495**	**$ 1,854,136**	**$ 1,934,383**	**$ 1,991,780**	**$ 2,051,207**
3. INCOME										
a. Income From Operation	**$ 29,997**	**$ 26,062**	**$ 34,318**	**$ 37,807**	**$ 37,591**	**$ 38,594**	**$ 40,057**	**$ 22,740**	**$ 24,046**	**$ 25,479**
b. Non-Operating Income	$ 109,321	$ 64,847	$ 10,610	$ 13,392	$ 14,211	$ 15,034	$ 15,846	$ 15,025	$ 14,942	$ 14,808
SUBTOTAL	***$ 139,318***	***$ 90,909***	***$ 44,928***	***$ 51,199***	***$ 51,802***	***$ 53,628***	***$ 55,903***	***$ 37,765***	***$ 38,988***	***$ 40,287***
c. Income Taxes										
NET INCOME (LOSS)	***$ 139,318***	***$ 90,909***	***$ 44,928***	***$ 51,199***	***$ 51,802***	***$ 53,628***	***$ 55,903***	***$ 37,765***	***$ 38,988***	***$ 40,287***
4. PATIENT MIX										
a. Percent of Total Revenue										
1) Medicare	31.6%	31.8%	32.7%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
2) Medicaid	30.2%	30.8%	30.8%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%
3) Blue Cross	15.1%	10.2%	10.8%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
4) Commercial Insurance	17.3%	24.1%	18.7%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
5) Self-pay	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
6) Other	3.8%	1.1%	5.0%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
TOTAL	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

TABLE H. REVENUES & EXPENSES, INFLATED - ENTIRE FACILITY

INSTRUCTION : Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
b. Percent of Equivalent Inpatient Days										
Total MSGA										
1) Medicare										
2) Medicaid										
3) Blue Cross										
4) Commercial Insurance										
5) Self-pay										
6) Other										
TOTAL	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***

UMMC does not track payer's by patient days

TABLE I. STATISTICAL PROJECTIONS - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables J and K.						
Indicate CY or FY	**FY24**	**FY25**	**FY26**				
1. DISCHARGES							
a. General Medical/Surgical*							
b. ICU/CCU							
Total MSGA	**0**	**0**	**0**	**0**	**0**	**0**	**0**
c. Pediatric							
d. Obstetric							
e. Acute Psychiatric							
Total Acute	***0***	***0***	***0***	***0***	***0***	***0***	***0***
f. Rehabilitation							
g. Comprehensive Care	1,595	1,617	1,639				
h. Other (Specify/add rows of needed)							
TOTAL DISCHARGES	***1,595***	***1,617***	***1,639***	***0***	***0***	***0***	***0***
2. PATIENT DAYS							
a. General Medical/Surgical*							
b. ICU/CCU							
Total MSGA	**0**	**0**	**0**	**0**	**0**	**0**	**0**
c. Pediatric							
d. Obstetric							
e. Acute Psychiatric							
Total Acute	***0***	***0***	***0***	***0***	***0***	***0***	***0***
f. Rehabilitation							
g. Comprehensive Care	18,371	18,627	18,861				
h. Other (Specify/add rows of needed)							
TOTAL PATIENT DAYS	***18,371***	***18,627***	***18,861***	***0***	***0***	***0***	***0***
3. AVERAGE LENGTH OF STAY							
a. General Medical/Surgical*	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
b. ICU/CCU	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total MSGA	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
c. Pediatric	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
d. Obstetric	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
e. Acute Psychiatric	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Acute	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
f. Rehabilitation	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
g. Comprehensive Care	11.5	11.5	11.5	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
h. Other (Specify/add rows of needed)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL AVERAGE LENGTH OF STAY	11.5	11.5	11.5	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

TABLE I. STATISTICAL PROJECTIONS - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables J and K.						
Indicate CY or FY	**FY24**	**FY25**	**FY26**				
4. NUMBER OF LICENSED BEDS							
a. General Medical/Surgical*							
b. ICU/CCU							
Total MSGA	**0**	**0**	**0**	**0**	**0**	**0**	**0**
c. Pediatric							
d. Obstetric							
e. Acute Psychiatric							
Total Acute	***0***	***0***	***0***	***0***	***0***	***0***	***0***
f. Rehabilitation							
g. Comprehensive Care	62	62	62				
h. Other (Specify/add rows of needed)							
TOTAL LICENSED BEDS							
5. OCCUPANCY PERCENTAGE ***IMPORTANT NOTE:** Leap year formulas should be changed by applicant to reflect 366 days per year.*							
a. General Medical/Surgical*	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
b. ICU/CCU	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total MSGA	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**
c. Pediatric	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
d. Obstetric	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
e. Acute Psychiatric	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Acute	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**
f. Rehabilitation	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
g. Comprehensive Care	81.2%	82.3%	83.3%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
h. Other (Specify/add rows of needed)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL OCCUPANCY %	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**
6. OUTPATIENT VISITS							
a. Emergency Department							
b. Same-day Surgery							
c. Laboratory							
d. Imaging							
e. Other- Clinic Visits, Infusions, Cases	79,765	82,613	85,460				
TOTAL OUTPATIENT VISITS	***79,765***	***82,613***	***85,460***	***0***	***0***	***0***	***0***
7. OBSERVATIONS**							
a. Number of Patients							
b. Hours							

*Include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.

** Services included in the reporting of the "Observation Center", direct expenses incurred in providing bedside care to observation patients; furnished by the hospital on the hospital's premises, including use of a bed and periodic monitoring by the hospital's nursing or other staff, in order to determine the need for a possible admission to the hospitals as an inpatient. Such services must be ordered and documented in writing, given by a medical practitioner; may or may not be provided in a distinct area of the hospital.

TABLE J. REVENUES & EXPENSES, UNINFLATED - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table J should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table I and with the costs of Manpower listed in Table L. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	**2023**	**2024**	**2025**	**2026**			
1. REVENUE							
a. Inpatient Services							
b. Outpatient Services							
Gross Patient Service Revenues	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***
c. Allowance For Bad Debt							
d. Contractual Allowance							
e. Charity Care							
Net Patient Services Revenue	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***
f. Other Operating Revenues (Specify)							
NET OPERATING REVENUE	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***
2. EXPENSES							
a. Salaries & Wages (including benefits)		$ 7,890	$ 9,854	$ 11,953			
b. Contractual Services		$ 1,917	$ 3,318	$ 4,815			
c. Interest on Current Debt							
d. Interest on Project Debt		$ 2,217	$ 2,170	$ 2,071			
e. Current Depreciation							
f. Project Depreciation		$ 6,167	$ 6,167	$ 6,167			
g. Current Amortization							
h. Project Amortization		$ 296	$ 296	$ 296			
i. Supplies		$ 1,325	$ 2,294	$ 3,330			
j. Other Expenses (Specify)		$ 1,264	$ 2,728	$ 4,293			
Other Expense (Utilities)		$ 739	$ 739	$ 739			
TOTAL OPERATING EXPENSES	***$ -***	***$ 21,815***	***$ 27,565***	***$ 33,663***	***$ -***	***$ -***	***$ -***
3. INCOME							
a. Income From Operation	**$ -**	**$ (21,815)**	**$ (27,565)**	**$ (33,663)**	**$ -**	**$ -**	**$ -**
b. Non-Operating Income							
SUBTOTAL	***$ -***	***$ (21,815)***	***$ (27,565)***	***$ (33,663)***	***$ -***	***$ -***	***$ -***
c. Income Taxes							
NET INCOME (LOSS)	***$ -***	***$ (21,815)***	***$ (27,565)***	***$ (33,663)***	***$ -***	***$ -***	***$ -***

TABLE J. REVENUES & EXPENSES, UNINFLATED - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table J should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table I and with the costs of Manpower listed in Table L. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	**2023**	**2024**	**2025**	**2026**			
4. PATIENT MIX							
a. Percent of Total Revenue							
1) Medicare							
2) Medicaid							
3) Blue Cross							
4) Commercial Insurance							
5) Self-pay							
6) Other							
TOTAL	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
b. Percent of Equivalent Inpatient Days							
Total MSGA							
1) Medicare							
2) Medicaid							
3) Blue Cross							
4) Commercial Insurance							
5) Self-pay							
6) Other							
TOTAL	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***

TABLE K. REVENUES & EXPENSES, INFLATED - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table K should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table I. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	**2023**	**2024**	**2025**	**2026**			
1. REVENUE							
a. Inpatient Services							
b. Outpatient Services							
Gross Patient Service Revenues	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***
c. Allowance For Bad Debt							
d. Contractual Allowance							
e. Charity Care							
Net Patient Services Revenue	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***
f. Other Operating Revenues (Specify/add rows of needed)							
NET OPERATING REVENUE	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***
2. EXPENSES							
a. Salaries & Wages (including benefits)		$ 8,610	$ 10,970	$ 13,461.68			
b. Contractual Services		$ 2,130	$ 3,750	$ 5,463			
c. Interest on Current Debt							
d. Interest on Project Debt		$ 2,217	$ 2,170	$ 2,071			
e. Current Depreciation							
f. Project Depreciation		$ 6,167	$ 6,167	$ 6,167			
g. Current Amortization							
h. Project Amortization		$ 296	$ 296	$ 296			
i. Supplies		$ 1,473	$ 2,593	$ 3,777			
j. Other Expenses (Specify/add rows of needed)		$ 1,410	$ 3,087	$ 4,859			
Other Expense (Utilities)		$ 815	$ 832	$ 848			
TOTAL OPERATING EXPENSES	***$ -***	***$ 23,117***	***$ 29,865***	***$ 36,943***	***$ -***	***$ -***	***$ -***
3. INCOME							
a. Income From Operation	**$ -**	**$ (23,117)**	**$ (29,865)**	**$ (36,943)**	**$ -**	**$ -**	**$ -**
b. Non-Operating Income							
SUBTOTAL	***$ -***	***$ (23,117)***	***$ (29,865)***	***$ (36,943)***	***$ -***	***$ -***	***$ -***
c. Income Taxes							
NET INCOME (LOSS)	***$ -***	***$ (23,117)***	***$ (29,865)***	***$ (36,943)***	***$ -***	***$ -***	***$ -***

TABLE K. REVENUES & EXPENSES, INFLATED - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table K should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table I. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	**2023**	**2024**	**2025**	**2026**			
4. PATIENT MIX							
a. Percent of Total Revenue							
1) Medicare							
2) Medicaid							
3) Blue Cross							
4) Commercial Insurance							
5) Self-pay							
6) Other							
TOTAL	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
b. Percent of Equivalent Inpatient Days							
1) Medicare							
2) Medicaid							
3) Blue Cross							
4) Commercial Insurance							
5) Self-pay							
6) Other							
TOTAL	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***

TABLE L. WORKFORCE INFORMATION

INSTRUCTION: List the facility's existing staffing and changes required by this project. Include all major job categories under each heading provided in the table. The number of Full Time Equivalents (FTEs) should be calculated on the basis of 2,080 paid hours per year equals one FTE. In an attachment to the application, explain any factor used in converting paid hours to worked hours. Please ensure that the projections in this table are consistent with expenses provided in uninflated projections in Tables F and G.

	CURRENT ENTIRE FACILITY			PROJECTED CHANGES AS A RESULT OF THE PROPOSED PROJECT THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			OTHER EXPECTED CHANGES IN OPERATIONS THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (CURRENT	
Job Category	**Current Year FTEs**	**Average Salary per FTE**	**Current Year Total Cost**	**FTEs**	**Average Salary per FTE**	**Total Cost** *(should be consistent with projections in Table G, if submitted).*	**FTEs**	**Average Salary per FTE**	**Total Cost**	**FTEs**	**Total Cost** *(should be consistent with projections in Table G)*
1. Regular Employees											
Administration *(List general categories, add rows if needed)*											
			-			$0			-	0.0	$0
Managers/Directors/Sr. Administrators	365.3	$111,356	40,678,347	0.0	$0	$0			-	365.3	$40,678,347
			-			$0			-	0.0	$0
			-			$0			-	0.0	$0
Total Administration	365.3	111,356.0	40,678,347	-	-	-			-	365.3	$40,678,347
Direct Care Staff *(List general categories, add rows if needed)*											
RNs	2,408.1	$80,038	192,735,936	48.7	$83,685	$4,076,979	285.00		23,986,471	2,741.8	$220,799,386
Clinical Professionals	1,144.3	$93,415	106,894,785	31.9	$125,819	$4,012,139	70.00		8,807,309	1,246.2	$119,714,233
Clinical Techs	585.6	$72,272	42,324,779	20.2	$67,218	$1,358,952	30.00		2,016,540	635.8	$45,700,271
Non-Licensed Clinical	948.0	$38,945	36,919,860	24.5	$40,064	$980,947	70.00		2,804,484	1,042.5	$40,705,290
Residents	583.0	$60,746	35,414,918	0.0	$0	$0	20.00		1,214,920	603.0	$36,629,838
Total Direct Care	5,669.0	345,416.1	414,290,278	125.3	316,786	10,429,017	475.00	-	38,829,724	6,269.3	$463,549,018
Support Staff *(List general categories, add rows if needed)*											
Administrative and Clerical	502.2	$41,987	21,085,707	37.3	$40,827	$1,523,680	10.00		419,867	549.5	$23,029,254
All Other Support	716.4	$37,162	26,623,148	0.0	$0	$0	50.00		1,858,120	766.4	$28,481,268
			-			$0			-	0.0	$0
			-			$0			-	0.0	$0
Total Support	1,218.6	79,149.1	47,708,855	37.3	40,827	1,523,680	60		-	1,315.9	$49,232,535
REGULAR EMPLOYEES TOTAL	***7,252.9***	***535,921.2***	***502,677,479***	***162.6***	***$357,613***	$11,952,697	***535***	***$0***	***38,829,724***	7,950.5	$553,459,900
2. Contractual Employees											
Administration *(List general categories, add rows if needed)*											
			-			$0			-	0.0	$0
			-			$0			-	0.0	$0
			-			$0			-	0.0	$0
			-			$0			-	0.0	$0
Total Administration			-			$0			-	0.0	$0
Direct Care Staff *(List general categories, add rows if needed)*											
RNs	31.6	$134,090	4,230,837			$0			-	31.6	$4,230,837
Clinical Professionals	0.0	$0	-			$0			-	0.0	$0
Clinical Techs	0.0	$0	-			$0			-	0.0	$0
Non-Licensed Clinical	3.6	$49,615	178,613			$0			-	3.6	$178,613
Total Direct Care Staff	35.2	183,705	4,409,450	0.0	0.0	0.0	-	0.0	-	35.2	$4,409,450
Support Staff *(List general categories, add rows if needed)*											
Administrative and Clerical	17.0	$41,544	706,255			$0			-	17.0	$706,255
All Other Support	58.1	$32,936	1,913,562			$0			-	58.1	$1,913,562
			-			$0			-	0.0	$0
			-			$0			-	0.0	$0
Total Support Staff	75.1	74,480	2,619,817			$0			-	75.1	$2,619,817
CONTRACTUAL EMPLOYEES TO	***110.3***	***258,185***	***7,029,267***			$0			-	110.3	$7,029,267
Benefits *(State method of calculating benefits below)***:**			**112,293,254**			**2,605,688**			**8,473,156**		**123,372,098**
22.81% of regular employee sala											
TOTAL COST	***7,363.1***		***622,000,000***	***162.6***		***$14,558,385***	***535.00***		***47,302,879***		***$683,861,265***

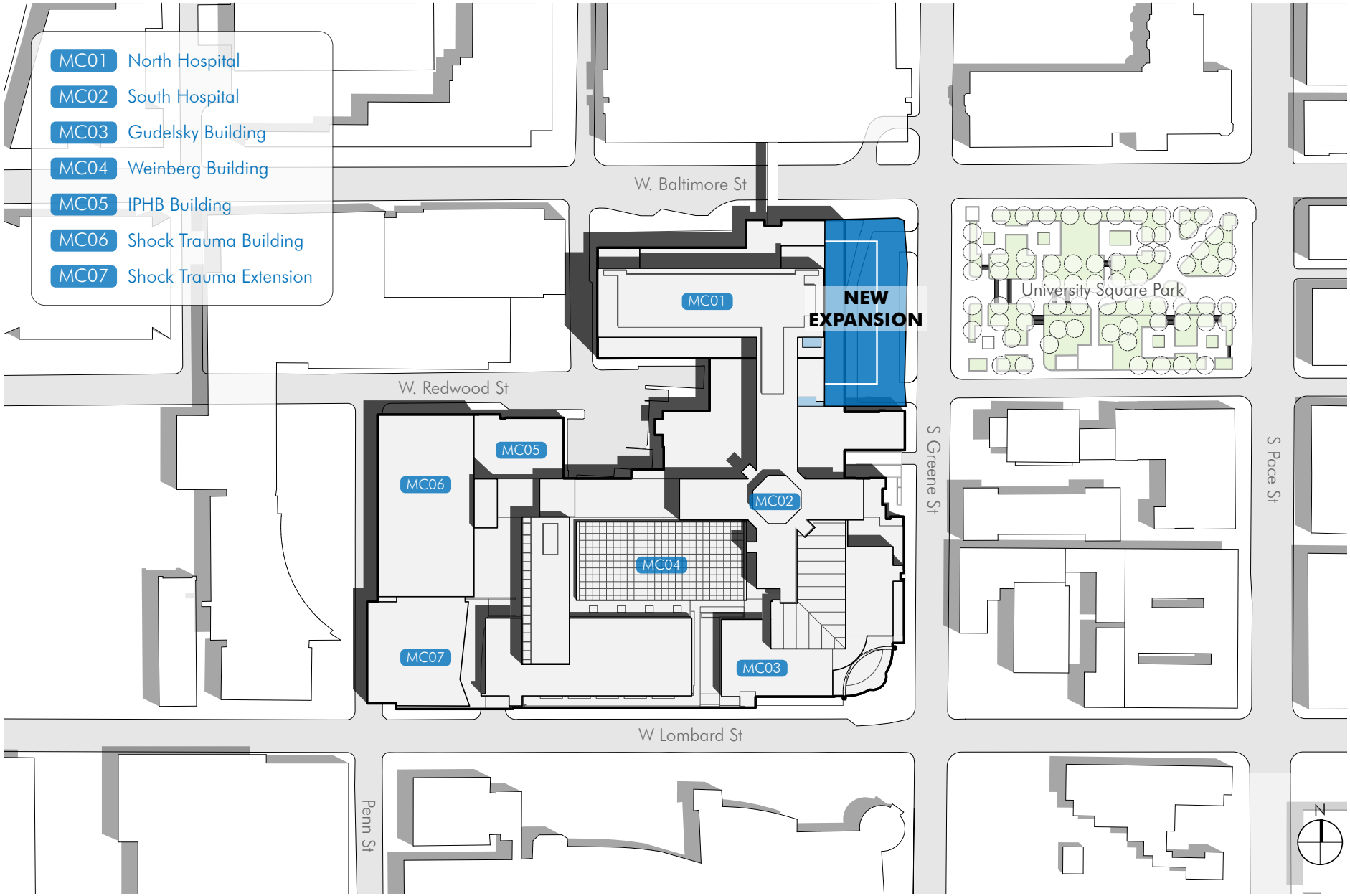
UNIVERSITY of MARYLAND MEDICAL SYSTEM

University of Maryland Medical Center

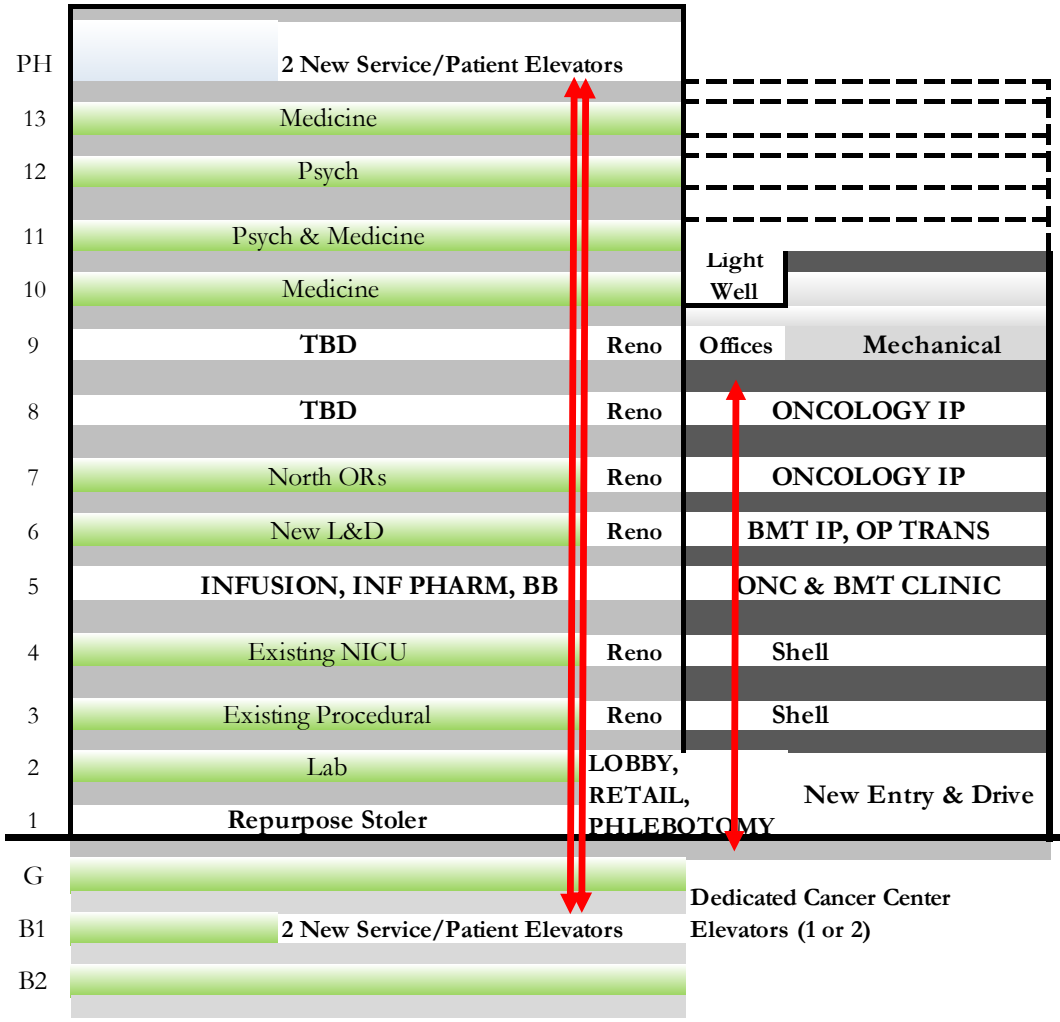
CON Planning Assumptions

	Seven Year Projection						
	2020	2021	2022	2023	2024	2025	2026
Assumptions to Revenue:							
Revenue Changes							
+ / - : HSCRC Inflation	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
+ / - : Demographics	0.69%	0.67%	0.40%	0.40%	0.40%	0.92%	0.92%
+ / - : Market Shift	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
+ / - : Quality	0.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
+ / - : Other	1.01%	0.42%	0.68%	0.67%	0.67%	0.15%	0.15%
Total Revenue Change	3.95%	3.09%	3.08%	3.07%	3.07%	3.07%	3.07%
CONTRACTUAL ALLOWANCES, UNCOMPENSATED CARE & BAD DEBT EXPENSE	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%
Summary Assumptions to Expense:							
The weighted average inflation factor for operating expense =	2.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
The weighted average variable cost factor =	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Detailed Assumptions to Operating Expenses:							
FTEs, SALARIES AND FRINGE BENEFITS - 50% Variable with Patient Days							
Salary inflation assumption	2.75%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Fringe benefits %	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%	21.8%
SUPPLIES (All Supplies & Drugs) - 75% Variable with Patient Days							
Inflation assumption	2.75%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
PURCHASED SERVICES - 70% Variable with Patient Days							
Inflation assumption	2.50%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
PHYSICIAN SERVICES - 65% Variable with Patient Days							
Inflation assumption	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
INSURANCE & OTHER EXPENSE - 0% Variable							
Inflation assumption	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
OTHER FIXED EXPENSE COST CHANGES							
Intensity Factor Expense Adjustment (100% offsets Net Revenue Impact)	$13,600	$27,600	$42,000	$56,700	$72,000	$72,000	$72,000
Historical Fixed Cost Additions Above Inflation and Variable Cost	$17,600	$35,600	$54,000	$72,700	$92,000	$96,000	$100,000
Performance Improvement / Cost Reductions	$0	($9,500)	($24,000)	($43,500)	($52,000)	($62,000)	($69,500)
Net Impact	$17,600	$26,100	$30,000	$29,200	$40,000	$34,000	$30,500
New Building Fixed Cost Additions (excluding Depreciation and Interest)	$0	$0	$0	$0	$14,437	$21,232	$28,410

EXHIBIT 2


MC01 North Hospital
MC02 South Hospital
MC03 Gudelsky Building
MC04 Weinberg Building
MC05 IPHB Building
MC06 Shock Trauma Building
MC07 Shock Trauma Extension
W. Baltimore St
W. Redwood St
W Lombard St
Penn St
S Greene St
S Pace St
University Square Park
NEW EXPANSION
MC01
MC02
MC03
MC04
MC05
MC06
MC07
N
0
20
50

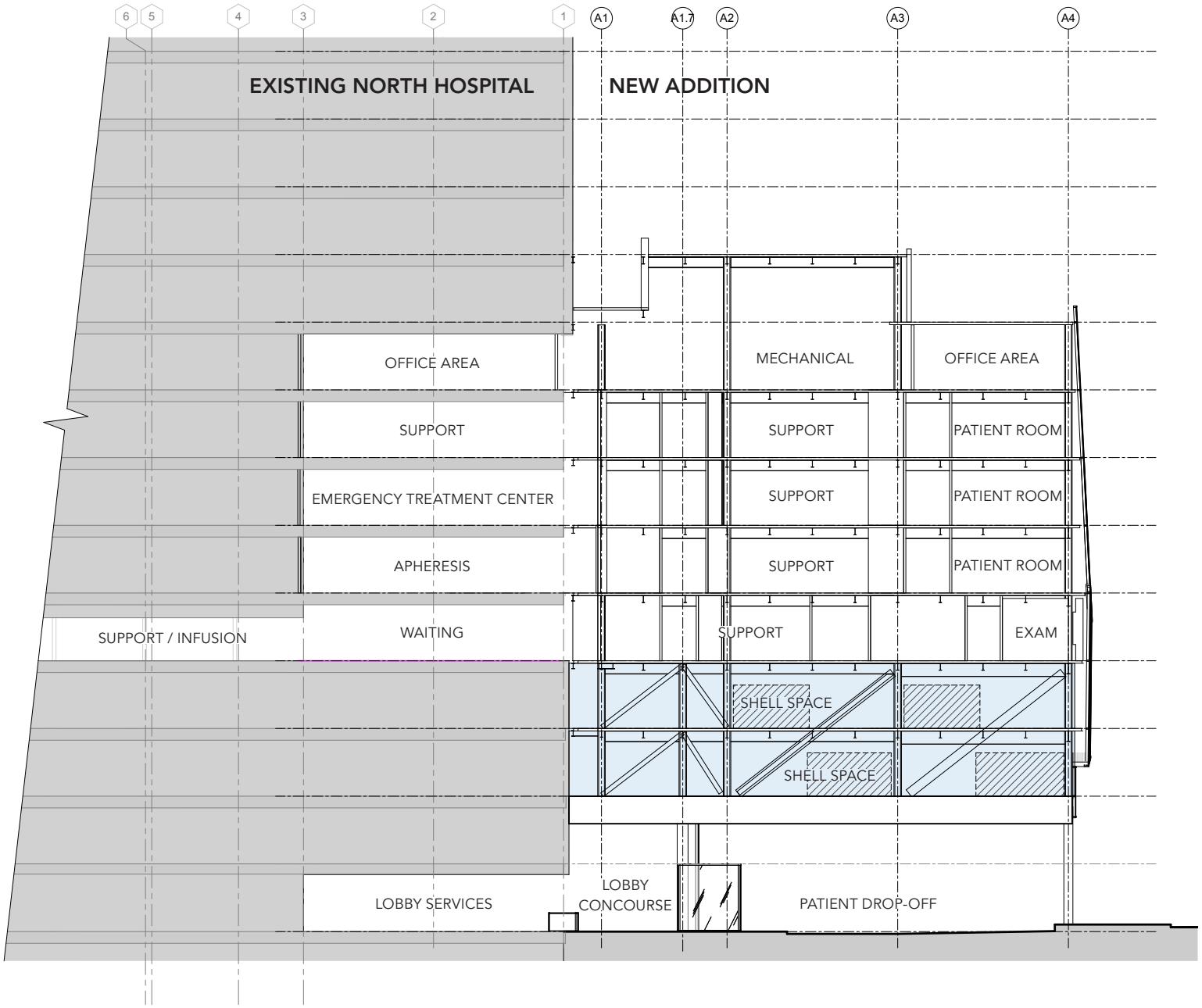
Site Plan



PH		Renovation Heavy DGSF	Renovation Medium DGSF	New Tower Construction BGSF	New Tower Construction DGSF
9	Mechanical			15,700	
9	Office	416	3,370	5,500	18,100
8	Clinical	520	3,110	21,200	18,100
7	Clinical	1,600	3,070	21,200	18,100
6	Clinical	1,700	2,820	21,200	18,100
5	Clinical	25,980	0	21,200	18,100
4		1,700	0	21,200	18,100
3		1,700	0	21,200	18,100
2		2,510	0	0	
1		4,940	14,730	6,210	6,210
G		1,210			
	Sub-Total	42,276	27,100	154,610	132,910
	Grand Total			223,986	

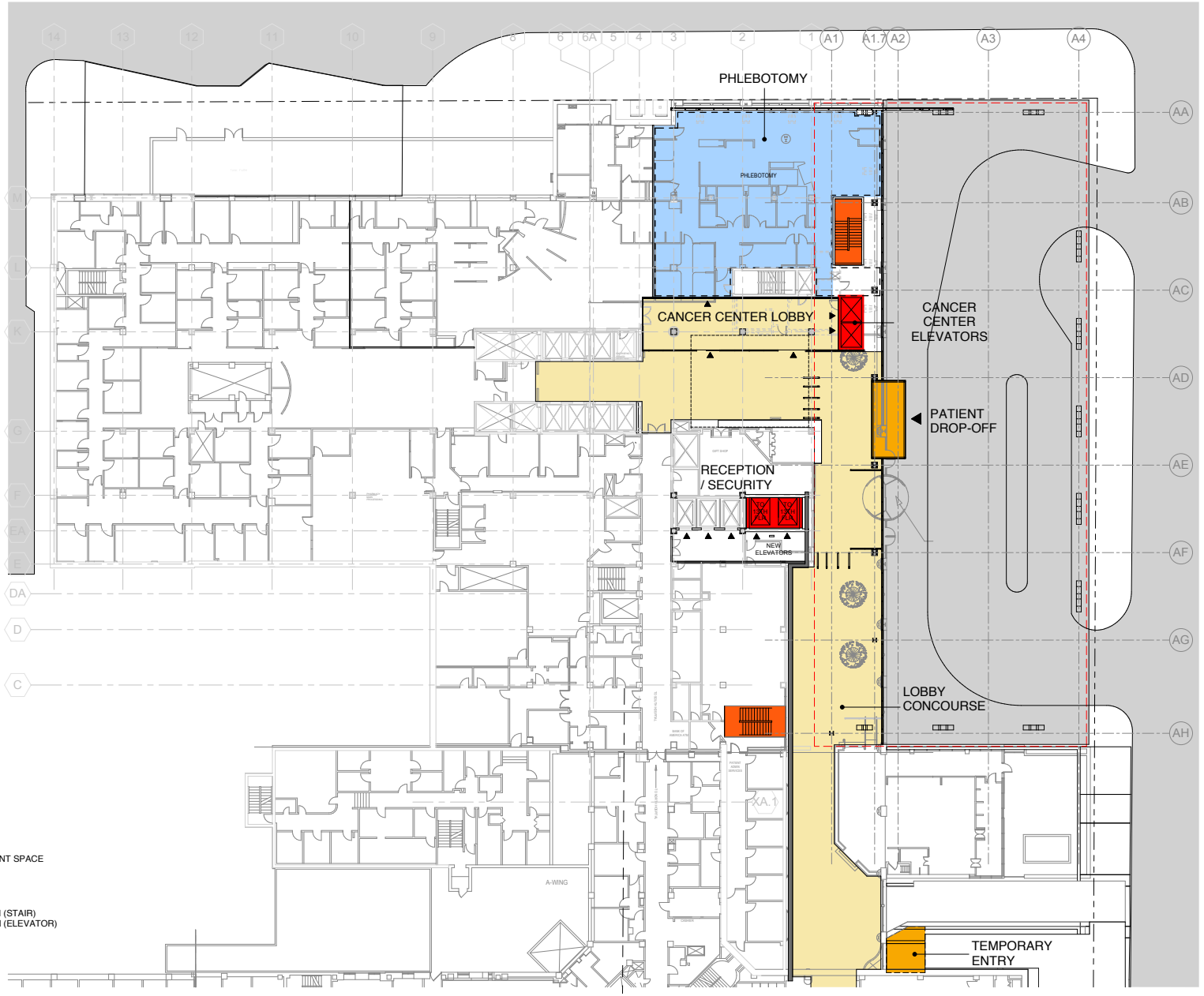
Stacking Diagram looking North through North Hospital

N



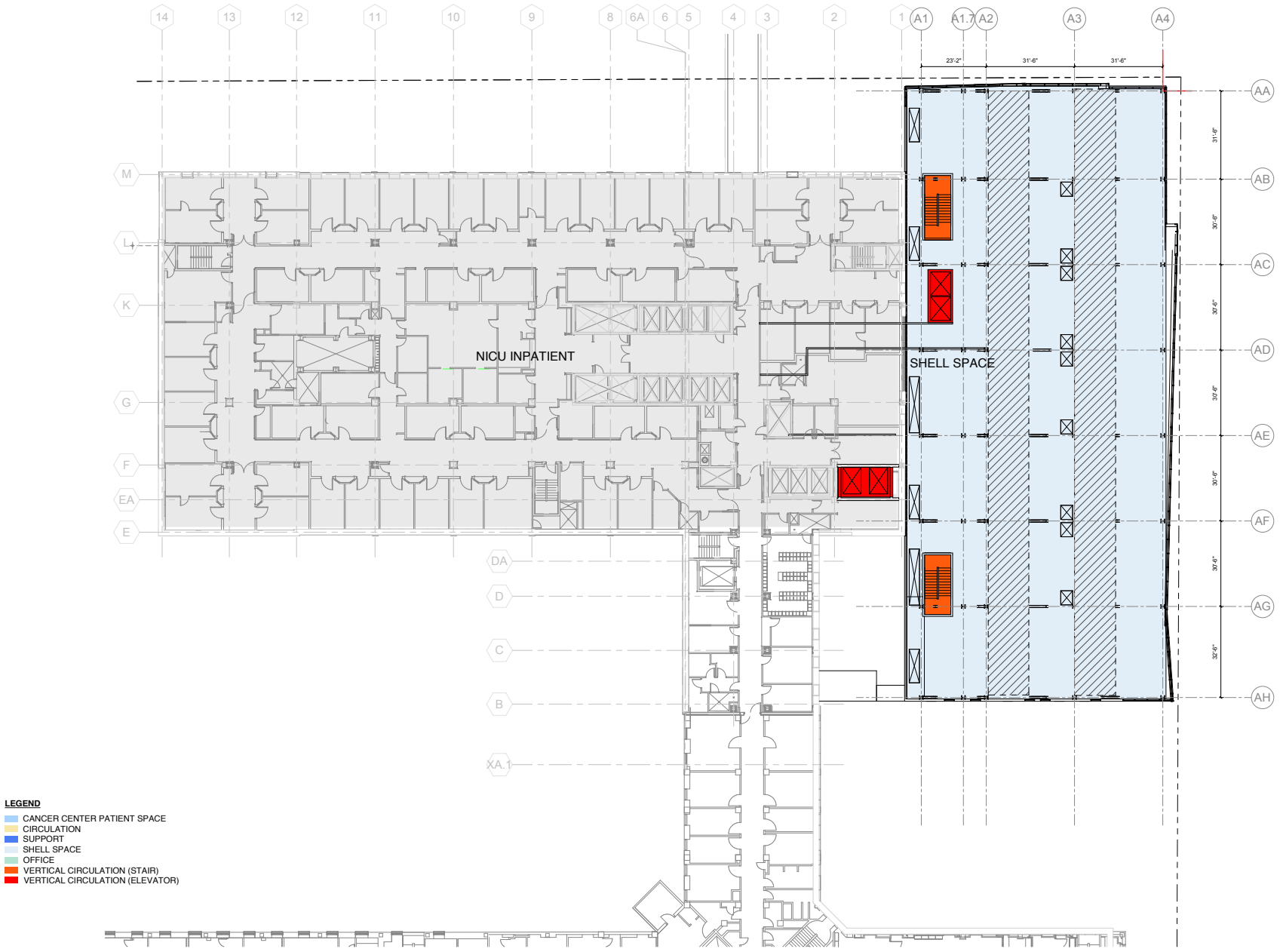
Concept East-West Section showing Structure and Zoning

N 0 20 50

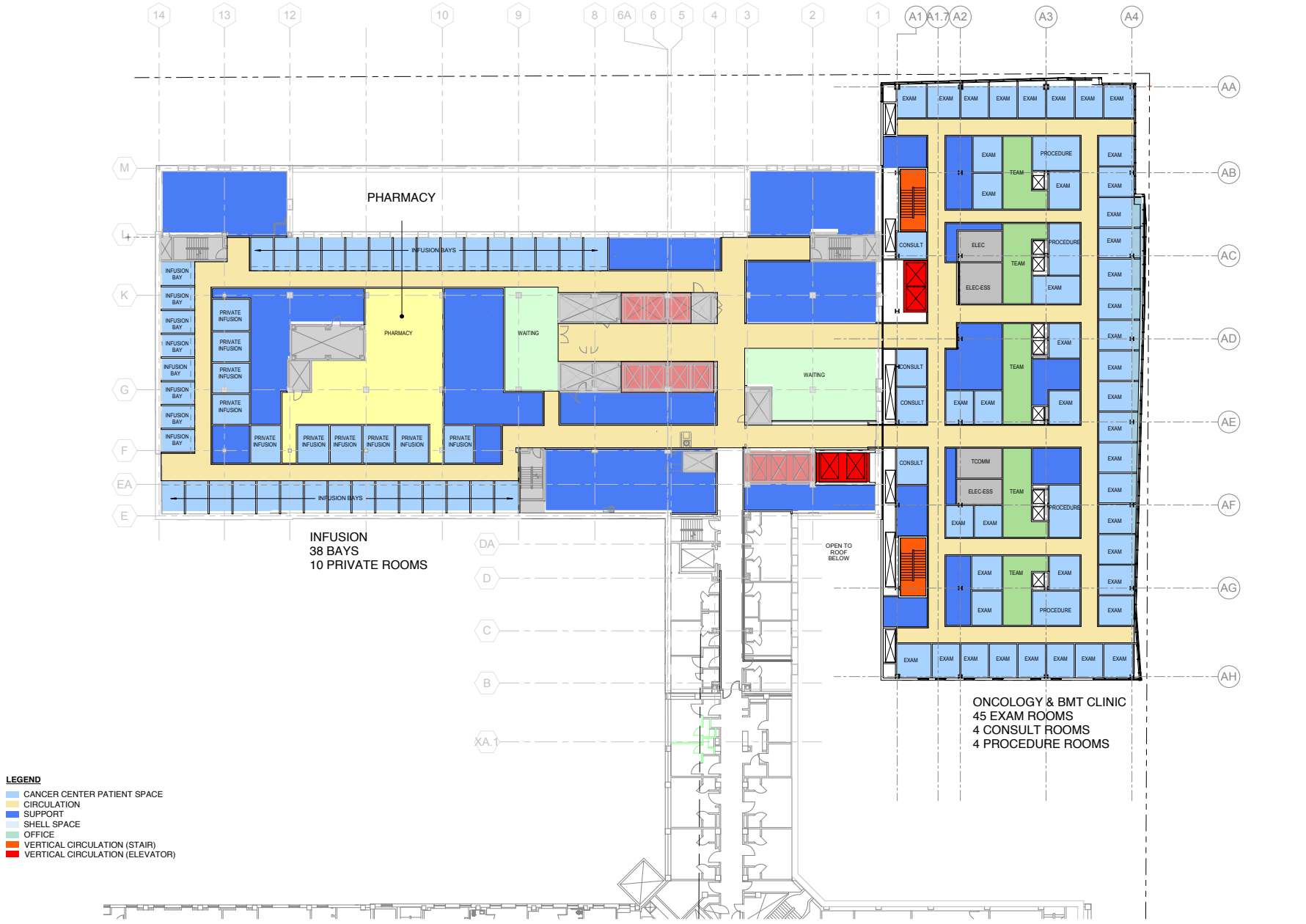


Level 01 Concept Plan

Level 03 Concept Plan



Level 04 Concept Plan

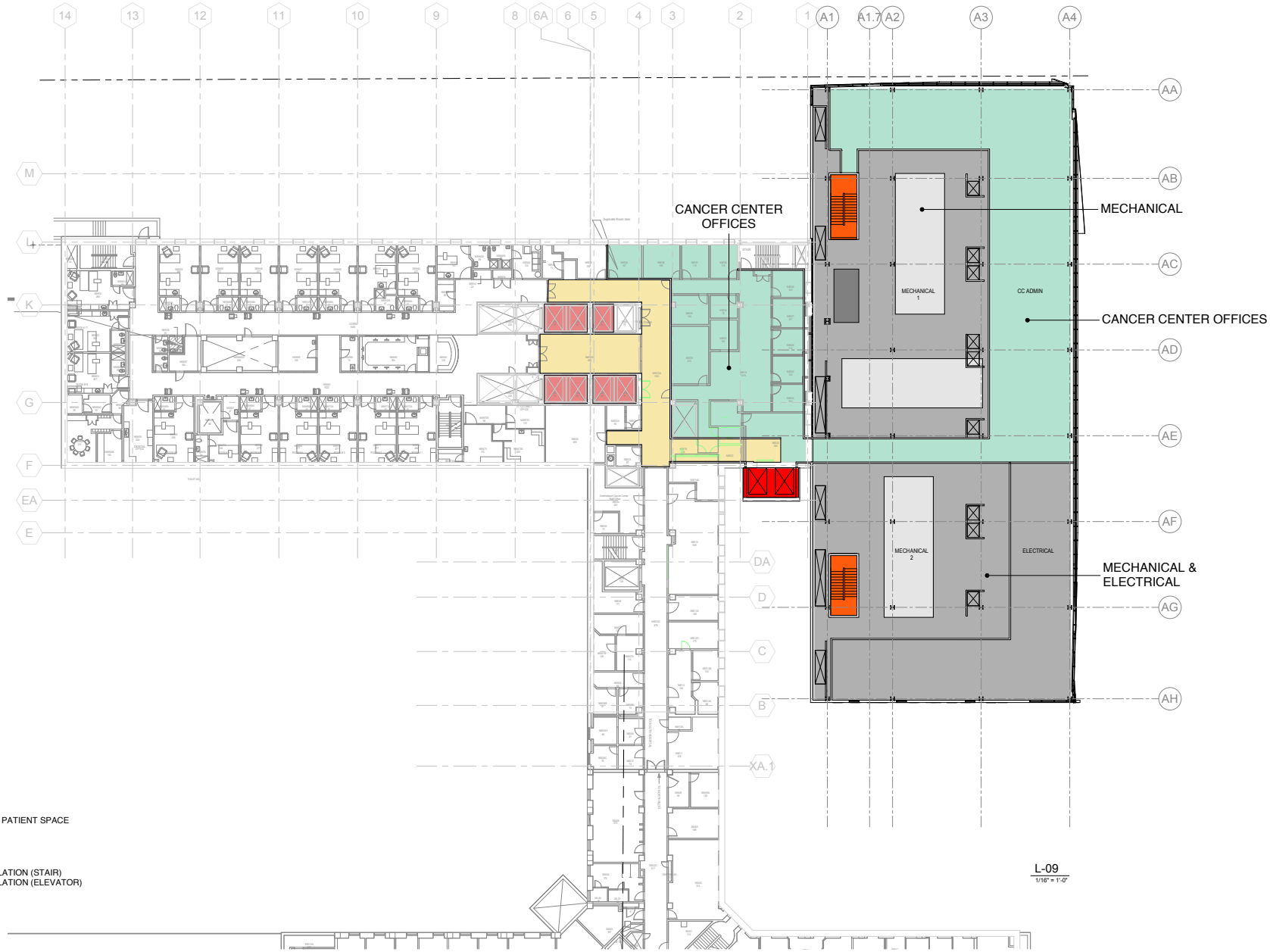


Level 05 Concept Plan

Level 06 Concept Plan

Level 07 Concept Plan

Level 08 Concept Plan



Level 09 Concept Plan

EXHIBIT 3

LETTERS OF SUPPORT

Name	Title	Affiliation
Rev. Dr. William C. Calhoun, Sr.	Pastor	Trinity Baptist Church
Robert A. Chrencik	President + CEO	University of Maryland Medical System
Eric T. Costello	Council Member	Baltimore City Council
Kevin J. Cullen	Director	UM Marlene and Stewart Greenebaum Comprehensive Cancer Center
Elijah E. Cummings	Member of Congress	U.S. House of Representatives
Stephen N. Davis	Chairman	University of Maryland School of Medicine
Dana C. Deighton	Grateful Patient	
Mary Beth Haller	Interim Health Commissioner	Baltimore City Health Department
Kris Kim	Executive Vice President	American Cancer Society
Jay A. Perman	President	University of Maryland, Baltimore
Catherin E. Pugh	Mayor	City of Baltimore
E. Albert Reece	Executive Vice President for Medical Affairs	University of Maryland School of Medicine
William F. Regine	Executive Director	Maryland Proton Treatment Center

TRINITY BAPTIST CHURCH

Commissioned to Serve. Commanded to Love. Committed to Build.

January 7, 2019

Mr. Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

On behalf of The Trinity Baptist Church of Baltimore, I am writing to express my strong support for the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of a new patient tower for the University of Maryland's Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC).

UMMC is currently planning to expand and enhance its capacity to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its Downtown Campus. The new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families. This will meet a great need especially for communities surrounding the Baltimore metropolitan area. It will also serve the Upton, Druid Heights, and Bolton Hill, particularly.

UMGCCC is one of only 49 National Cancer Institute (NCI)-designated comprehensive cancer centers in the United States and is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. UMGCCC has experienced significant growth over the last 15 years, and this expansion is needed to meet the escalating demands for cancer services in Maryland, the region, and beyond. It will allow UMGCCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients.

I respectively request that the Maryland Health Care Commission approve the University of Maryland Medical Center's Certificate of Need application. God bless you and yours.

Sincerely,

Rev. Dr. William C. Calhoun, Sr., Pastor

1601 DRUID HILL AVENUE | BALTIMORE, MD 21217 | PHONE: (410) 728-0797

UNIVERSITY of MARYLAND
MEDICAL SYSTEM

250 W. Pratt Street
24th Floor
Baltimore, Maryland 21201-6829
www.umms.org

CORPORATE OFFICE

January 4, 2019

Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. ~~Steffen~~ BEN:

On behalf of the University of Maryland Medical System, I am writing to express my strong support for the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of a new patient tower for the University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC).

UMMC is currently planning to expand and enhance its capacity to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its Downtown Campus. The new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families.

UMGCCC is one of only 49 National Cancer Institute (NCI)-designated comprehensive cancer centers in the United States and is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. UMGCCC has experienced significant growth over the last 15 years, and this expansion is needed to meet the escalating demands for cancer services in Maryland, the region, and beyond. It will allow UMGCCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients.

I respectively request that the Maryland Health Care Commission approve the University of Maryland Medical Center's Certificate of Need application.

Sincerely,

Robert A. Chrencik
President and Chief Executive Officer

RAC:jeg

Chairman, Budget & Appropriations Committee
Chairman, Judiciary & Legislative Investigations Committee
Chairman, Biennial Audits Oversight Commission
Chairman, Stormwater Remediation Oversight Committee

Land Use & Transportation Committee
Taxation, Finance, & Economic Development Committee

Eric T. Costello
Baltimore City Council, 11th District

City Hall, Room 527
100 N Holliday Street
Baltimore, MD 21202

(o) 410-396-4816
(m) 443-813-1457
(e) eric.costello@baltimorecity.gov

January 07, 2019

Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Ave
Baltimore, MD 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

I am writing to express my strong support for the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of a new patient tower for the University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC).

UMMC is currently planning to expand and enhance its capacity to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its Downtown Campus. The new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families.

UMGCCC is one of only 49 National Cancer Institute (NCI)-designated comprehensive cancer centers in the United States and is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. UMGCCC has experienced significant growth over the last 15 years, and this expansion is needed to meet the escalating demands for cancer services in Maryland, the region, and beyond. It will allow UMGCCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients.

As the City Councilmember representing Baltimore City's 11th District, which includes the UMMC Downtown and Midtown campuses, I am absolutely certain that this expansion will have an extremely positive impact on Downtown's Westside, and Baltimore City as a whole.

I respectively request that the Maryland Health Care Commission approve the University of Maryland Medical Center's Certificate of Need application. Should you have questions, please feel free to contact me directly at eric.costello@baltimorecity.gov or 410-396-4816.

Sincerely,

E. T. Costello

Eric. T. Costello
Baltimore City Council, 11th District

UNIVERSITY of MARYLAND
MARLENE AND STEWART GREENEBAUM
COMPREHENSIVE CANCER CENTER

Kevin J. Cullen, M.D.
Marlene & Stewart Greenebaum
Distinguished Professor of Oncology
Director, University of Maryland
Marlene and Stewart Greenebaum Comprehensive Cancer Center
University of Maryland School of Medicine

22 S. Greene Street
Baltimore, Maryland 21201
410-328-5506 | umgccc.org

NCI Comprehensive Cancer Center
A Cancer Center Designated by the National Cancer Institute

January 7, 2019

Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

On behalf of the entire University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC), I am writing to express my strongest support for the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) to support the construction of a new tower for UMGCCC clinical care.

The University of Maryland Greenebaum Comprehensive Cancer Center is one of 49 NCI designated comprehensive cancer centers in the United States. We care for more than 3,000 patients annually and provide access to state-of-the-art treatments, as well as clinical trials and ground breaking research. Because of a sustained investment from the state of Maryland, the UMGCCC has made seminal contributions to the understanding and treatment of cancer here in Maryland and around the world. As a result, we are caring for an ever increasing percentage of the 30,000 cancer patients diagnosed in the state of Maryland each year. Patients with particularly complex problem such as leukemia and advanced solid malignancies are referred from across the state for our care.

Unfortunately, the clinical facilities of the Greenebaum Comprehensive Cancer Center are overcrowded and out of date and insufficient to support our current or future clinical needs. This was readily apparent to Governor Larry Hogan who was treated here beginning in 2015 for advanced lymphoma. Because of his experience, and because of our growth, the Governor has committed $125 million to support the construction of a new cancer tower and we have already received a $25 million naming gift from Roslyn and Leonard Stoler as we launch a capital campaign to fund the remainder of the expense.

Our desire is to provide optimal cancer care for the citizens of Maryland in the years to come. On that basis, I strongly support the Certificate of Need application submitted by the University of Maryland Medical Center.

Sincerely yours,

Kevin J. Cullen, M.D.
Marlene and Stewart Greenebaum
Distinguished Professor of Oncology
Director, University of Maryland
Marlene and Stewart Greenebaum Comprehensive Cancer Center
University of Maryland School of Medicine

ELIJAH E. CUMMINGS
7TH DISTRICT, MARYLAND

RANKING MEMBER, COMMITTEE ON
OVERSIGHT AND GOVERNMENT REFORM

COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST
GUARD AND MARITIME TRANSPORTATION
SUBCOMMITTEE ON
RAILROADS, PIPELINES, AND HAZARDOUS
MATERIALS

Congress of the United States
House of Representatives
Washington, DC 20515

☐ 2163 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–2007
(202) 225–4741
FAX: (202) 225–3178

DISTRICT OFFICES:
☒ 1010 PARK AVENUE
SUITE 105
BALTIMORE, MD 21201–5037
(410) 685–9199
FAX: (410) 685–9399

☐ 754 FREDERICK ROAD
CATONSVILLE, MD 21228–4504
(410) 719–8777
FAX: (410) 455–0110

☐ 8267 MAIN STREET
ROOM 102
ELLICOTT CITY, MD 21043–9903
(410) 465–8259
FAX: (410) 465–8740

www.cummings.house.gov

January 8, 2019

Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

I am writing to express my strong support for the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of a new patient tower for the University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC).

UMMC is currently planning to expand and enhance its capacity to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its Downtown Campus. It is my understanding that the new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families.

UMGCCC is one of only 49 National Cancer Institute (NCI)-designated comprehensive cancer centers in the United States and is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. UMGCCC has experienced significant growth over the last 15 years, and this expansion is needed to meet the escalating demands for cancer services in Maryland, the region, and beyond. It will allow UMGCCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients. I believe that it is essential to our well-being that UMGCCC is able to offer its expert care to as many cancer patients and their families as possible.

It is my hope that you will give every reasonable consideration to the University of Maryland Medical Center's Certificate of Need application.

Sincerely,

Elijah E. Cummings
Member of Congress

UNIVERSITY of MARYLAND
SCHOOL OF MEDICINE

STEPHEN N. DAVIS, MBBS, FRCP, FACE, MACP
Theodore E. Woodward Chair in Medicine
Professor of Medicine and Physiology
Chairman, Department of Medicine

Department of Medicine

22 South Greene Street, Room N3W42
Baltimore, MD 21201-1595
410 328 2488 | 410 328 8688 FAX
sdavis@som.umaryland.edu

medschool.umaryland.edu/medicine

January 4, 2019

Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

As Chairman of the Department of Medicine at the University of Maryland School of Medicine and Vice President of Clinical Translational Science at the University of Maryland, Baltimore campus, I lend my full and enthusiastic support to the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of a new patient tower for the University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCC).

UMMC is currently planning to expand and enhance its capacity to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its Downtown Campus. The new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families. Due to the significant growth in the program, I am well aware and supportive of the need for expansion as 32 of our full-time, 2 part-time and 18 volunteer faculty members in the Department of Medicine currently work within the UMGCC.

As one of only 49 National Cancer Institute (NCI)-designated comprehensive cancer centers in the United States, the UMGCC is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. This new facility will allow the UMGCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients in the region.

I respectively request that the Maryland Health Care Commission approve the University of Maryland Medical Center's Certificate of Need application.

Sincerely,

Stephen N. Davis, MBBS, FRCP, FACE, MACP
Theodore E. Woodward Professor of Medicine and Professor of Physiology
Chairman, Department of Medicine, University of Maryland School of Medicine
Director, Institute for Clinical and Translational Research
Vice President of Clinical Translational Science
University of Maryland, Baltimore
Physician-in-Chief, University of Maryland Medical Center

January 13, 2019

Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: **Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project**

Dear Mr. Steffen:

UMMC is currently planning to expand and enhance its capacity to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its Downtown Campus. The new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families.

UMGCCC is one of only 49 National Cancer Institute (NCI)-designated comprehensive cancer centers in the United States and is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. UMGCCC has experienced significant growth over the last 15 years, and this expansion is needed to meet the escalating demands for cancer services in Maryland, the region, and beyond. It will allow UMGCCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients like me.

As an incredibly grateful cancer patient of nearly six years, I am writing to express my passionate support for the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of this new patient tower for UMGCCC, and here is why.

In 2013 after a receiving a devastating diagnosis of stage 4 Esophageal Cancer, I began the arduous quest to find medical care that could possibly help me outlive the poor prognosis of approximately 12 months to live. At the time, I was 43 and had three young kids and no choice but to pursue every option. One institution after another reinforced the terrible prognosis and offered few outside the box treatment ideas and even less hope. A serendipitous connection led me to the University of Maryland Medical Center and that changed my entire heath trajectory. While treatment was never easy or certain, the dedication, compassion, and steadfast support that every physician, nurse, and other employee--from security guards and parking garage attendants, to the radiation techs and nutritionists—provided, there was never a moment to doubt the possibilities. The team embraced challenges, pursued solutions far outside the standard of care where it made sense, and always recognized that I had more life in me than cancer. Everyday I am at UMGCCC, I see this same dedication and attention given to other patients. There is truly a unique culture of compassion and excellence not found in many other places.

I live over an hour away in Virginia. In addition to a two week in-patient stay at UMMC, I've made hundreds of trips for tests and treatment over the years, and the count goes on as I still receive immunotherapy infusions every two weeks. The exchange in mileage on my car is the

mileage I get out of life with my family. I would never entrust my health or my family's elsewhere. UMGCCC is the epitome of medical and scientific excellence, and also exemplifies what I call "the heart of medicine"-- and that's the distinguishing factor.

Cancer will continue to overwhelm waiting rooms and clinics, but innovative treatment options are already enhancing the reality of survival. Through expanded, world-class facility enhancements, UMGCCC providers will continue to lead, succeed, and challenge treatment barriers in the same dedicated and compassionate way they already do, allowing more people from every walk of life in Maryland and beyond to outrun cancer.

I respectively request that the Maryland Health Care Commission approve the University of Maryland Medical Center's Certificate of Need application. It would be my privilege to provide any details you may need.

Sincerely,

Dana C. Deighton
Grateful Patient

BALTIMORE CITY HEALTH DEPARTMENT

1001 E. Fayette Street • Baltimore, Maryland 21202
Catherine E. Pugh, Mayor
Mary Beth Haller, Esq. Interim Commissioner of Health

January 10, 2019

Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support— University of Maryland Medical Center: Phase VI Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

The Baltimore City Health Department is pleased to support the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of a new patient tower for the University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC).

UMMC plans to expand and enhance its capacity to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its downtown campus. The new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families.

UMGCCC is one of only 49 National Cancer Institute-designated comprehensive cancer centers in the United States and is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. UMGCCC has experienced significant growth over the last 15 years, and this expansion is needed to meet the escalating demands for cancer services in Maryland, the region, and beyond. It will allow UMGCCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients.

We request that the Maryland Health Care Commission approve the University of Maryland Medical Center's Certificate of Need application.

Sincerely,

Mary Beth Haller, Esq.
Interim Commissioner of Health

Kris Kim
Executive Vice President

January 8, 2019

Mr. Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

On behalf of the American Cancer Society, I am writing to support the Certificate of Need application from the University of Maryland Medical Center (UMMC) to construct a new patient tower for the University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC). The UMGCCC and the American Cancer Society work hand in hand to address the needs of cancer patients in Maryland and across the mid-Atlantic region. The UMGCCC is a critical provider of advanced cancer care for patients in need of complex therapy. The American Cancer Society has a very fruitful partnership with the UMGCCC through our Hope Lodge program which provides free housing for patients who need to receive the high quality care at the Greenebaum Comprehensive Cancer Center but are traveling from an unacceptable distance. Additionally, the ACS funds patient navigator programs and other critical patient services to enhance the care for UMGCCC patients.

We also support cutting edge research by funding UMGCCC investigators.

Despite its prominence and success, the UMGCCC is limited by its current antiquated clinical facilities. Because of the excellent care that they provide for the citizens of Baltimore, Maryland and the region, we strongly support the construction of a new clinical facility which will enhance our mutual goal of providing the best cancer care to the patients who desperately need it.

We look forward to a continued partnership with UMGCCC well into the future.

Sincerely yours,

Kris Kim

Kris Kim
Executive Vice President
American Cancer Society
Northeast Region

UNIVERSITY of MARYLAND
BALTIMORE

JAY A. PERMAN, MD
President

220 North Arch Street, 14th Floor
Baltimore, MD 21201
410 706 7002 | 410 706 0500 FAX

www.umaryland.edu

January 8, 2019

Mr. Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

On behalf of the University of Maryland, Baltimore, I am writing to express my strong support for the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of a new patient tower for the University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC).

UMMC is currently planning to expand and enhance its capacity to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its Downtown Campus. The new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families.

UMGCCC is one of only 49 National Cancer Institute (NCI)-designated comprehensive cancer centers in the United States and is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. UMGCCC has experienced significant growth over the last 15 years, and this expansion is needed to meet the escalating demands for cancer services in Maryland, the region, and beyond. It will allow UMGCCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients.

I respectively request that the Maryland Health Care Commission approve the University of Maryland Medical Center's Certificate of Need application.

Sincerely,

Jay A. Perman, MD
President

CATHERINE E. PUGH
MAYOR

100 Holliday Street, Room 250
Baltimore, Maryland 21202

January 9, 2019

Mr. Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

I am writing to you to express my strong support for the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of a new patient tower for the University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC).

UMGCCC is one of an elite group of only 49 National Cancer Institute (NCI)-designated comprehensive cancer centers in the United States and is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. The number of patients who have come for treatment to UMGCCC has grown exponentially in the last 15 years and our cancer center is out of space.

UMMC is currently planning to expand and enhance the UMGCCC capacity to continue to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its Downtown Campus. The new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families. UMMC is one of Baltimore's most prominent anchor institutions and this expansion will allow UMGCCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients.

I respectively request that the Maryland Health Care Commission approve the University of Maryland Medical Center's Certificate of Need application.

Sincerely,

Catherine E. Pugh
Mayor
City of Baltimore

phone: 410.396.3835 fax: 410.576.9425 email: mayor@baltimorecity.gov

UNIVERSITY of MARYLAND
SCHOOL OF MEDICINE

E. ALBERT REECE, MD, PhD, MBA
Vice President for Medical Affairs, University of Maryland
John Z. and Akiko K. Bowers Distinguished Professor and
Dean, University of Maryland School of Medicine

655 West Baltimore Street, 14-029
Baltimore, MD 21201-1509
410 706 7410 | 410 706 0235 FAX
deanmed@som.umaryland.edu

www.medschool.umaryland.edu

January 4, 2019

Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

On behalf of the University of Maryland School of Medicine, I am writing to express my strong support for the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of a new patient tower for the University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC).

UMMC is currently planning to expand and enhance its capacity to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its Downtown Campus. The new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families.

UMGCCC is one of only 49 National Cancer Institute (NCI)-designated comprehensive cancer centers in the United States and is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. UMGCCC has experienced significant growth over the last 15 years, and this expansion is needed to meet the escalating demands for cancer services in Maryland, the region, and beyond. It will allow UMGCCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients.

I respectively request that the Maryland Health Care Commission approve the University of Maryland Medical Center's Certificate of Need application.

Sincerely yours,

E. Albert Reece

E. Albert Reece, MD, PhD, MBA
Executive Vice President for Medical Affairs, UM Baltimore
John Z. and Akiko K. Bowers Distinguished Professor and
Dean, University of Maryland School of Medicine

UNIVERSITY of MARYLAND
SCHOOL OF MEDICINE

OFFICE OF THE CHAIRMAN

Radiation Oncology

22 South Greene Street
Baltimore, MD 21201
410 328 2326 | 410 328 6911 FAX

www.umm.edu

January 7, 2019

Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Letter of Support - University of Maryland Medical Center: Phase VI - Greenebaum Comprehensive Cancer Center Expansion Project

Dear Mr. Steffen:

On behalf of University of Maryland School of Medicine, Department of Radiation Oncology, I am writing to express my strong support for the Certificate of Need application submitted by the University of Maryland Medical Center (UMMC) for the development of a new patient tower for the University of Maryland Marlene and Stewart Greenebaum Comprehensive Cancer Center (UMGCCC).

UMMC is currently planning to expand and enhance its capacity to provide state-of-the-art cancer care by constructing a nine-story addition to the Medical Center on its Downtown Campus. The new patient tower will include space for inpatient care, chemotherapy infusion, ambulatory care, urgent care, patient education, and therapeutic support services for patients and their families.

UMGCCC is one of only 49 National Cancer Institute (NCI)-designated comprehensive cancer centers in the United States and is renowned for its multidisciplinary care, cutting-edge clinical trials and state-of-the-art therapies. UMGCCC has experienced significant growth over the last 15 years, and this expansion is needed to meet the escalating demands for cancer services in Maryland, the region, and beyond. It will allow UMGCCC to continue to provide the most scientifically advanced, patient-centered care available to cancer patients.

I respectively request that the Maryland Health Care Commission approve the University of Maryland Medical Center's Certificate of Need application.

Sincerely,

William F. Regine, MD, FACR, FACRO
Isadore and Fannie Schneider Foxman Chair and Professor of Radiation Oncology
University of Maryland School of Medicine
Executive Director, Maryland Proton Treatment Center (MPTC)
Department of Radiation Oncology

EXHIBIT 4

UNIVERSITY of MARYLAND MEDICAL SYSTEM

Reimbursement and Revenue Advisory Services

Estimated Average Charges for Common Procedures (updated 07/01/18)

The tables below provide estimated average charges for common inpatient and outpatient procedures at University of Maryland Medical Center. These tables are updated quarterly and are based on the patient charges actually incurred for these services during the previous twelve months. They may be used by patients to estimate the charge for services that they may incur. Please note that these are only estimates and are subject to change without notice. The actual cost of your procedure may be higher or lower based on factors specific to your case, such as your length of stay in the hospital and the complexity of your medical condition.

These estimates reflect hospital charges only. They do not include physician or other provider fees that are billed separately from the hospital fees. You may receive bills from multiple physicians for their services, including but not limited to your anesthesiologist, hospitalist, pathologist, radiologist, cardiologist, emergency room physician, and other specialist who participate in your care. If you have questions regarding the bill for their services, please contact the individual provider.

Most Frequent Inpatient Medical/Surgical Cases	Estimated Average Charge
SEPTICEMIA & DISSEMINATED INFECTIONS	$38,559.85
CRANIOTOMY EXCEPT FOR TRAUMA	$69,259.30
ASTHMA	$8,512.49
SICKLE CELL ANEMIA CRISIS	$13,962.75
PERCUTANEOUS CARDIOVASCULAR PROCEDURES W/O AMI	$65,351.91
CARDIAC CATHETERIZATION FOR ISCHEMIC HEART DISEASE	$25,033.85
SEIZURE	$19,203.85
MAJOR CARDIOTHORACIC REPAIR OF HEART ANOMALY	$83,996.92
DORSAL & LUMBAR FUSION PROC EXCEPT FOR CURVATURE OF BACK	$67,977.19
HEART FAILURE	$15,814.62

Most Frequent Inpatient Pediatric Cases	Estimated Average Charge
NEONATE BIRTHWT >2499G, NORMAL NEWBORN OR NEONATE W OTHER PROBLEM	$3,148.18
NEONATE BIRTHWT >2499G W MAJOR ANOMALY	$20,808.03
NEONATE BIRTHWT >2499G W OTHER SIGNIFICANT CONDITION	$12,049.08
NEONATE BWT 2000-2499G, NORMAL NEWBORN OR NEONATE W OTHER PROBLEM	$6,542.02
NEONATE, BIRTHWT >2499G W RESP DIST SYND/OTH MAJ RESP COND	$23,610.12
NEONATE BWT 1500-1999G W RESP DIST SYND/OTH MAJ RESP COND	$52,023.06
NEONATE BWT 1250-1499G W RESP DIST SYND/OTH MAJ RESP OR MAJ ANOM	$91,658.90
NEONATE BIRTHWT 1500-1999G W MAJOR ANOMALY	$67,130.57
NEONATE BWT 1000-1249G W RESP DIST SYND/OTH MAJ RESP OR MAJ ANOM	$123,506.10
NEONATE BWT 1500-1999G W OR W/O OTHER SIGNIFICANT CONDITION	$38,487.68

UNIVERSITY of MARYLAND MEDICAL SYSTEM

Reimbursement and Revenue Advisory Services

Most Frequent Inpatient Obstetric Cases	Estimated Average Charge
VAGINAL DELIVERY	$10,180.76
CESAREAN DELIVERY	$14,591.43
OTHER ANTEPARTUM DIAGNOSES	$13,086.60
POSTPARTUM & POST ABORTION DIAGNOSES W/O PROCEDURE	$9,971.23
THREATENED ABORTION	$11,529.51
VAGINAL DELIVERY W STERILIZATION &/OR D&C	$12,963.12
VAGINAL DELIVERY W COMPLICATING PROCEDURES EXC STERILIZATION &/OR D&C	$13,703.68
OTHER O.R. PROC FOR OBSTETRIC DIAGNOSES EXCEPT DELIVERY DIAGNOSES	$17,965.70
ECTOPIC PREGNANCY PROCEDURE	$15,145.18

Most Frequent Inpatient Psychiatric Cases	Estimated Average Charge
SCHIZOPHRENIA	$33,360.10
MAJOR DEPRESSIVE DISORDERS & OTHER/UNSPECIFIED PSYCHOSES	$23,242.86
CHILDHOOD BEHAVIORAL DISORDERS	$15,493.33
BIPOLAR DISORDERS	$21,880.48
DEPRESSION EXCEPT MAJOR DEPRESSIVE DISORDER	$13,272.23
ACUTE ANXIETY & DELIRIUM STATES	$12,395.31
ADJUSTMENT DISORDERS & NEUROSES EXCEPT DEPRESSIVE DIAGNOSES	$14,427.38
ORGANIC MENTAL HEALTH DISTURBANCES	$27,671.34
DISORDERS OF PERSONALITY & IMPULSE CONTROL	$12,436.85
OTHER MENTAL HEALTH DISORDERS	$8,300.08

Most Frequent Outpatient Surgical Services	Estimated Average Charge
FETAL NON-STRESS TEST	$526.77
TRANSFUSION, BLOOD OR BLOOD COMPONENTS	$212.08
UPPER GASTROINTESTINAL ENDOSCOPY INCLUDING ESOPHAGUS, STOMACH, AND EITHER THE DUODENUM AND/OR JEJUNUM AS APPROPRIATE; WITH BIOPSY, SINGLE OR MULTIPLE	$1,243.45
LARYNGOSCOPY, FLEXIBLE FIBEROPTIC; DIAGNOSTIC	$240.18
UNLISTED PROCEDURE, DENTOALVEOLAR STRUCTURES	$1,555.57
COLONOSCOPY, FLEXIBLE, PROXIMAL TO SPLENIC FLEXURE; WITH BIOPSY, SINGLE OR MULTIPLE	$1,774.58
NASAL ENDOSCOPY, DIAGNOSTIC, UNILATERAL OR BILATERAL (SEPARATE PROCEDURE)	$208.32
LARYNGOSCOPY, FLEXIBLE OR RIGID FIBEROPTIC, WITH STROBOSCOPY	$320.67
COLONOSCOPY, FLEXIBLE, PROXIMAL TO SPLENIC FLEXURE; DIAGNOSTIC, WITH OR WITHOUT COLLECTION OF SPECIMEN(S) BY BRUSHING OR WASHING, WITH OR WITHOUTCOLON DECOMPRESSION (SEPARATE PROCEDURE)	$1,690.10
BONE MARROW; BIOPSY, NEEDLE OR TROCAR	$997.84

UNIVERSITY of MARYLAND MEDICAL SYSTEM

Reimbursement and Revenue Advisory Services

Most Frequent Laboratory Services	Estimated Average Charge
COMPREHENSIVE METABOLIC PANEL	$34.51
BLOOD COUNT; COMPLETE (CBC), AUTOMATED (HGB, HCT, RBC, WBC AND PLATELET COUNT) AND AUTOMATED DIFFERENTIAL WBC COUNT	$22.27
MAGNESIUM	$14.11
PHOSPHORUS INORGANIC (PHOSPHATE);	$4.73
PROTHROMBIN TIME;	$19.53
BLOOD COUNT; COMPLETE (CBC), AUTOMATED (HGB, HCT, RBC, WBC AND PLATELET COUNT)	$20.23
URINALYSIS, BY DIP STICK/TABLET REAGENT FOR BILIRUBIN, GLUCOSE, HEMOGLOBIN, KETONES, LEUKOCYTES, NITRITE, PH, PROTEIN, SPEC GRAV, UROBILINOGEN,ANYNUMBER OF CONSTITUENTS; AUTOMATED, W/ MICROSCOPY	$21.66
LACTATE DEHYDROGENASE (LD), (LDH);	$8.87
BLOOD TYPING; ABO	$8.84
BLOOD TYPING; RH (D)	$8.84

Most Frequent Outpatient Diagnostic Imaging Services	Estimated Average Charge
DOPPLER ECHOCARDIOGRAPHY, FETAL, CARDIOVASCULAR SYSTEM, PULSED WAVE AND/OR CONTINUOUS WAVE WITH SPECTRAL DISPLAY; FOLLOW-UP OR REPEAT STUDY	$103.91
COMPUTED TOMOGRAPHY, HEAD OR BRAIN; WITHOUT CONTRAST MATERIAL	$92.43
US, PRGNANT UTERUS, REAL TME W IMG DOCUMENTATION, F/U (EG, RE-EVAL, ORGAN SYST(S) SUSPECTED/CONFMED BE ABNORM PREVIOUS SCAN), TRANSABDOM APPR,/FETUS	$311.61
RADIOLOGIC EXAMINATION, CHEST, TWO VIEWS, FRONTAL AND LATERAL;	$112.20
FETAL BIOPHYSICAL PROFILE; WITHOUT NON-STRESS TESTING	$415.21
COMPUTED TOMOGRAPHY, THORAX; WITH CONTRAST MATERIAL(S)	$204.48
ULTRASOUND, PREGNANT UTERUS, REAL TIME WITH IMAGE DOCUMENTATION, LIMITED (EG, FETAL HEART BEAT, PLACENTAL LOCATION, FETAL POSITION AND/OR QUALITATIVE AMNIOTIC FLUID VOLUME), ONE OR MORE FETUSES	$305.11
RADIOLOGIC EXAMINATION, KNEE; ONE OR TWO VIEWS	$137.04
RADIOLOGIC EXAMINATION, ANKLE; COMPLETE, MINIMUM OF THREE VIEWS	$139.71
RADIOLOGIC EXAMINATION, CHEST; SINGLE VIEW, FRONTAL	$93.22

EXHIBIT 5

University of Maryland Medical Center University of Maryland Medical Center Midtown Campus University of Maryland Rehabilitation & Orthopaedic Institute University of Maryland St. Joseph Medical Center University of Maryland Baltimore Washington Medical Center University of Maryland Shore Medical Center at Chestertown University of Maryland Shore Medical Center at Dorchester University of Maryland Shore Medical Center at Easton	**The University of Maryland Medical System** **Central Business Office** **Policy & Procedure**	*Policy #:*	TBD
		Effective Date:	09/01/2017
	Subject: **FINANCIAL ASSISTANCE**	*Page #:*	1 of 9
		Supersedes:	07-01-2017

POLICY

This policy applies to The University of Maryland Medical System (UMMS) following entities:

- University of Maryland Medical Center (UMMC)
- University of Maryland Medical Center Midtown Campus (MTC)
- University of Maryland Rehabilitation & Orthopaedic Institute (UMROI)
- University of Maryland St. Joseph Medical Center (UMSJMC)
- University of Maryland Baltimore Washington Medical Center (UMBWMC)
- University of Maryland Shore Medical Center at Chestertown (UMSMCC)
- University of Maryland Shore Medical Center at Dorchester (UMSMCD)
- University of Maryland Shore Medical Center at Easton (UMSME)

UMMS is committed to providing financial assistance to persons who have health care needs and are uninsured, underinsured, ineligible for a government program, or otherwise unable to pay, for emergent and medically necessary care based on their individual financial situation.

It is the policy of the UMMS Entities to provide Financial Assistance based on indigence or high medical expenses for patients who meet specified financial criteria and request such assistance. The purpose of the following policy statement is to describe how applications for Financial Assistance should be made, the criteria for eligibility, and the steps for processing applications.

UMMS Entities will publish the availability of Financial Assistance on a yearly basis in their local newspapers and will post notices of availability at appropriate intake locations as well as the Billing Office. Notice of availability will also be sent to patients to patient with patient bills. Signage in key patient access areas will be made available. A Patient Billing and Financial Assistance Information Sheet will be provided before discharge and will be available to all patients upon request.

Financial Assistance may be extended when a review of a patient's individual financial circumstances has been conducted and documented. This should include a review of the patient's existing medical expenses and obligations (including any accounts having gone to bad debt except those accounts that have gone to lawsuit and a judgment has been obtained) and any projected medical expenses. Financial Assistance Applications may be offered to patients whose accounts are with a collection agency and may apply only to those accounts on which a judgment has not been granted.

UMMS retains the right in its sole discretion to determine a patient's ability to pay. All patients presenting for emergency services will be treated regardless of their ability to pay. For emergent/urgent services, applications to the Financial Clearance Program will be completed, received, and evaluated retrospectively and will not delay patients from receiving care.

University of Maryland St. Joseph Medical Center (UMSJMC) adopted this policy effective June 1, 2013.

University of Maryland Medical Center Midtown Campus (MTC) adopted this policy effective September 22, 2014.

University of Maryland Baltimore Washington Medical Center (UMBWMC) adopted this policy effective July 1, 2016.

University of Maryland Shore Medical Center at Chestertown (UMSMCC) adopted this policy effective September 1, 2017.

University of Maryland Shore Medical Center at Dorchester (UMSMCD) adopted this policy effective September 1, 2017.

University of Maryland Shore Medical Center at Easton (UMSMCE) adopted this policy effective September 1, 2017.

PROGRAM ELIGIBILITY

Consistent with their mission to deliver compassionate and high quality healthcare services and to advocate for those who do not have the means to pay for medically necessary care, UMMC, MTC, UMROI, UMSJMC, UMBWMC, UMSMCC, UMSMCD, and UMSMCE hospitals strive to ensure that the financial capacity of people who need health care services does not prevent them from seeking or receiving care.

Specific exclusions to coverage under the Financial Assistance program include the following:

1. Services provided by healthcare providers not affiliated with UMMS hospitals (e.g., durable medical equipment, home health services)
2. Patients whose insurance program or policy denies coverage for services by their insurance company (e.g., HMO, PPO, or Workers Compensation), are not eligible for the Financial Assistance Program.
   a. Generally, the Financial Assistance Program is not available to cover services that are denied by a patient's insurance company; however, exceptions may be made on a case by case basis considering medical and programmatic implications.
3. Unpaid balances resulting from cosmetic or other non-medically necessary services
4. Patient convenience items
5. Patient meals and lodging
6. Physician charges related to the date of service are excluded from UMMS financial assistance policy. Patients who wish to pursue financial assistance for physician-related bills must contact the physician directly.

Patients may be ineligible for Financial Assistance for the following reasons:

1. Refusal to provide requested documentation or provide incomplete information.
2. Have insurance coverage through an HMO, PPO, Workers Compensation, Medicaid, or other insurance programs that deny access to the Medical Center due to insurance plan restrictions/limits.
3. Failure to pay co-payments as required by the Financial Assistance Program.
4. Failure to keep current on existing payment arrangements with UMMS.
5. Failure to make appropriate arrangements on past payment obligations owed to UMMS (including those patients who were referred to an outside collection agency for a previous debt).
6. Refusal to be screened for other assistance programs prior to submitting an application to the Financial Clearance Program.
7. Refusal to divulge information pertaining to a pending legal liability claim
8. Foreign-nationals traveling to the United States seeking elective, non-emergent medical care

Patients who become ineligible for the program will be required to pay any open balances and may be submitted to a bad debt service if the balance remains unpaid in the agreed upon time periods.

Patients who indicate they are unemployed and have no insurance coverage shall be required to submit a Financial Assistance Application unless they meet Presumptive Financial Assistance Eligibility criteria. If the patient qualifies for COBRA coverage, patient's financial ability to pay COBRA insurance premiums shall be reviewed by the Financial Counselor/Coordinator and recommendations shall be made to Senior Leadership. Individuals with the financial capacity to purchase health insurance shall be encouraged to do so, as a means of assuring access to health care services and for their overall personal health.

Coverage amounts will be calculated based upon 200-300% of income as defined by Maryland State Department of Health and Mental Hygiene Medical Assistance Planning Administration Income Eligibility Limits for a Reduced Cost of Care.

Presumptive Financial Assistance

Patients may also be considered for Presumptive Financial Assistance Eligibility. There are instances when a patient may appear eligible for financial assistance, but there is no financial assistance form on file. There is adequate information provided by the patient or through other sources, which provide sufficient evidence to provide the patient with financial assistance. In the event there is no evidence to support a patient's eligibility for financial assistance, UMMS reserves the right to use outside agencies or information in determining estimated income amounts for the basis of determining financial assistance eligibility and potential reduced care rates. Once determined, due to the inherent nature of presumptive circumstances, the only financial assistance that can be granted is a 100% write-off of the account balance. Presumptive Financial Assistance Eligibility shall only cover the patient's specific date of service. Presumptive eligibility may be determined on the basis of individual life circumstances that may include:

a. Active Medical Assistance pharmacy coverage
b. SLMB coverage

c. PAC coverage
d. Homelessness
e. Medical Assistance and Medicaid Managed Care patients for services provided in the ER beyond the coverage of these programs
f. Medical Assistance spend down amounts
g. Eligibility for other state or local assistance programs
h. Patient is deceased with no known estate
i. Patients that are determined to meet eligibility criteria established under former State Only Medical Assistance Program
j. Non-US Citizens deemed non-compliant
k. Non-Eligible Medical Assistance services for Medical Assistance eligible patients
l. Unidentified patients (Doe accounts that we have exhausted all efforts to locate and/or ID)
m. Bankruptcy, by law, as mandated by the federal courts
n. St. Clare Outreach Program eligible patients
o. UMSJMC Maternity Program eligible patients
p. UMSJMC Hernia Program eligible patients

Specific services or criteria that are ineligible for Presumptive Financial Assistance include:

a. Purely elective procedures (example – Cosmetic) are not covered under the program.
b. Uninsured patients seen in the Emergency Department under Emergency Petition will not be considered under the presumptive financial assistance program until the Maryland Medicaid Psych program has been billed.

PROCEDURES

1. There are designated persons who will be responsible for taking Financial Assistance applications. These staff can be Financial Counselors, Patient Financial Receivable Coordinators, Customer Service Representatives, etc.
2. Every possible effort will be made to provide financial clearance prior to date of service. Where possible, designated staff will consult via phone or meet with patients who request Financial Assistance to determine if they meet preliminary criteria for assistance.

a. Staff will complete an eligibility check with the Medicaid program for Self Pay patients to verify whether the patient has current coverage.

b. Preliminary data will be entered into a third party data exchange system to determine probably eligibility. To facilitate this process each applicant must provide information about family size and income. To help applicants complete the process, we will provide an application that will let them know what paperwork is required for a final determination of eligibility.

c. Applications initiated by the patient will be tracked, worked and eligibility determined within the third party data and workflow tool. A letter of final determination will be submitted to each patient that has formally requested financial assistance. Determination of Probable Eligibility will be provided within two business days following a patient's request for charity care services, application for medical assistance, or both.

d. Upon receipt of the patient's application, they will have thirty (30) days to submit the required documentation to be considered for eligibility. If no data is received within the 30 days, a denial letter will be sent notifying that the case is now closed for lack of the required documentation. The patient may re-apply to the program and initiate a new case if the original timeline is not adhered to. The Financial Assistance application process will be open up to at least 240 days after the first post-discharge patient bill is sent.

e. Individual notice regarding the hospital's charity care policy shall be provided at the time of preadmission or admission to each person who seeks services in the hospital.

3. There will be one application process for UMMC, MTC, UMROI, UMSJMC, UMBWMC, UMSMCC, UMSMCD, and UMSMCE. The patient is required to provide a completed Financial Assistance Application orally or in writing. In addition, the following may be required:

   a. A copy of their most recent Federal Income Tax Return (if married and filing separately, then also a copy spouse's tax return); proof of disability income (if applicable), proof of social security income (if applicable). If unemployed, reasonable proof of unemployment such as statement from the Office of Unemployment Insurance, a statement from current source of financial support, etc ...

   b. A copy of their most recent pay stubs (if employed) or other evidence of income.

   c. A Medical Assistance Notice of Determination (if applicable).

   d. Copy of their Mortgage or Rent bill (if applicable), or written documentation of their current living/housing situation.

A written request for missing information will be sent to the patient. Oral submission of needed information will be accepted, where appropriate.

4. A patient can qualify for Financial Assistance either through lack of sufficient insurance or excessive medical expenses. Once a patient has submitted all the required information, the Financial Counselor will review and analyze the application and forward it to the Patient Financial Services Department for final determination of eligibility based on UMMS guidelines.

   a. If the patient's application for Financial Assistance is determined to be complete and appropriate, the Financial Coordinator will recommend the patient's level of eligibility and forward for a second and final approval.

i) If the patient does qualify for Financial Assistance, the Financial Coordinator will notify clinical staff who may then schedule the patient for the appropriate hospital-based service.
ii) If the patient does not qualify for Financial Assistance, the Financial Coordinator will notify the clinical staff of the determination and the non-emergent/urgent hospital-based services will not be scheduled.
   (1) A decision that the patient may not be scheduled for hospital-based, non-emergent/urgent services may be reconsidered by the Financial Clearance Executive Committee, upon the request of a Clinical Chair.

5. Each clinical department has the option to designate certain elective procedures for which no Financial Assistance options will be given.

6. Once a patient is approved for Financial Assistance, Financial Assistance coverage may be effective for the month of determination, up to 3 years prior, and up to six (6) calendar months in to the future. However, there are no limitations on the Financial Assistance eligibility period. Each eligibility period will be determined on a case-by-case basis. If additional healthcare services are provided beyond the approval period, patients must reapply to the program for clearance. In addition, changes to the patient's income, assets, expenses or family status are expected to be communicated to the Financial Assistance Program Department. All Extraordinary Collections Action activities, as defined below, will be terminated once the patient is approved for financial assistance and all the patient responsible balances are paid.

   Extraordinary Collection Actions (ECAs) may be taken on accounts that have not been disputed or are not on a payment arrangement. Except in exceptional circumstances, these actions will occur no earlier than 120 days from submission of first bill to the patient and will be preceded by notice 30 days prior to commencement of the action. Availability of financial assistance will be communicated to the patient and a presumptive eligibility review will occur prior to any action being taken.

   i) Garnishments may be applied to these patients if awarded judgment.

   ii) A lien will be placed by the Court on primary residences within Baltimore City. The facility will not pursue foreclosure of a primary residence but may maintain our position as a secured creditor if a property is otherwise foreclosed upon.

   iii) Closed account balances that appear on a credit report or referred for judgment/garnishment may be reopened should the patient contact the facility regarding the balance report. Payment will be expected from the patient to resolve any credit issues, until the facility deems the balance should remain written off.

7. If a patient is determined to be ineligible, all efforts to collect co-pays, deductibles or a percentage of the expected balance for the service will be made prior to the date of service or may be scheduled for collection on the date of service.

8. A letter of final determination will be submitted to each patient who has formally submitted an application.

9. Refund decisions are based on when the patient was determined unable to pay compared to when the patient payments were made. Refunds may be issued back to the patient for credit balances, due to patient payments, resulted from approved financial assistance on considered balance(s). Payments received for

care rendered during the financial assistance eligibility window will be refunded, if the amount exceeds the patient's determined responsibility by $5.00 or more.

10. Patients who have access to other medical care (e.g., primary and secondary insurance coverage or a required service provider, also known as a carve-out), must utilize and exhaust their network benefits before applying for the Financial Assistance Program.
11. The Financial Assistance Program will accept the Faculty Physicians, Inc.'s (FPI) completed financial assistance applications in determining eligibility for the UMMS Financial Assistance program. This includes accepting FPI's application requirements.
12. The Financial Assistance Program will accept all other University of Maryland Medical System hospital's completed financial assistance applications in determining eligibility for the program. This includes accepting each facility's application format.
13. The Financial Assistance Program does not cover Supervised Living Accommodations and meals while a patient is in the Day Program.
14. Where there is a compelling educational and/or humanitarian benefit, Clinical staff may request that the Financial Clearance Executive Committee consider exceptions to the Financial Assistance Program guidelines, on a case-by-case basis, for Financial Assistance approval.
    a. Faculty requesting Financial Clearance/Assistance on an exception basis must submit appropriate justification to the Financial Clearance Executive Committee in advance of the patient receiving services.
    b. The Chief Medical Officer will notify the attending physician and the Financial Assistance staff of the Financial Clearance Executive Committee determination.

Financial Hardship

The amount of uninsured medical costs incurred at either, UMMC, MTC, UMROI, UMSJMC, UMBWMC, UMSMCC, UMSMCD, and UMSMCE will be considered in determining a patient's eligibility for the Financial Assistance Program. The following guidelines are outlined as a separate, supplemental determination of Financial Assistance, known as Financial Hardship. Financial Hardship will be offered to all patients who apply for Financial Assistance.

Medical Financial Hardship Assistance is available for patients who otherwise do not qualify for Financial Assistance under the primary guidelines of this policy, but for whom:

1) Their medical debt incurred at our either UMMC, MTC, UMROI, UMSJMC, UMBWMC, UMSMCC, UMSMCD, and UMSMCE exceeds 25% of the Family Annual Household Income, which is creating Medical Financial Hardship; and
2) who meet the income standards for this level of Assistance.

For the patients who are eligible for both, the Reduced Cost Care under the primary Financial Assistance criteria and also under the Financial Hardship Assistance criteria, UMMC, MTC, UMROI, UMSJMC, UMBWMC, UMSMCC, UMSMCD, and UMSMCE will grant the reduction in charges that are most favorable to the patient.

Financial Hardship is defined as facility charges incurred here at either UMMC, MTC, UMROI, UMSJMC and UMBWMC for medically necessary treatment by a family household over a twelve (12) month period that exceeds 25% of that family's annual income.

Medical Debt is defined as out of pocket expenses for the facility charges incurred here at UMMC, MTC, UMROI, UMSJMC, UMBWMC, UMSMCC, UMSMCD, and UMSMCE for medically necessary treatment.

Once a patient is approved for Financial Hardship Assistance, coverage will be effective starting the month of the first qualifying date of service and up to the following twelve (12) calendar months from the application evaluation completion date. Each patient will be evaluated on a case-by-case basis for the eligibility time frame according to their spell of illness/episode of care. It will cover the patient and the immediate family members living in the household for the approved reduced cost and eligibility period for medically necessary treatment. Coverage shall not apply to elective or cosmetic procedures. However, the patient or guarantor must notify the hospital of their eligibility at the time of registration or admission. In order to continue in the program after the expiration of each eligibility approval period, each patient must reapply to be reconsidered. In addition, patients who have been approved for the program must inform the hospitals of any changes in income, assets, expenses, or family (household) status within 30 days of such change(s).

All other eligibility, ineligibility, and procedures for the primary Financial Assistance program criteria apply for the Financial Hardship Assistance criteria, unless otherwise stated above.

Appeals

- Patients whose financial assistance applications are denied have the option to appeal the decision.
- Appeals can be initiated verbally or written.
- Patients are encouraged to submit additional supporting documentation justifying why the denial should be overturned.
- Appeals are documented within the third party data and workflow tool. They are then reviewed by the next level of management above the representative who denied the original application.
- If the first level of appeal does not result in the denial being overturned, patients have the option of escalating to the next level of management for additional reconsideration.
- The escalation can progress up to the Chief Financial Officer who will render a final decision.
- A letter of final determination will be submitted to each patient who has formally submitted an appeal.

Judgments

If a patient is later found to be eligible for Financial Assistance after a judgment has been obtained or the debt submitted to a credit reporting agency, UMMC, MTC, UMROI, UMSJMC, UMBWMC, UMSMCC, UMSMCD, and UMSMCE shall seek to vacate the judgment and/or strike the adverse credit information.

ATTACHMENT A

Sliding Scale – Reduced Cost of Care

MD DHMH 2017 Income Elig Limit Guidelines		Income Level Up to 200% Pt Resp 0%	S L I D I N G S C A L E	Income Level Pt Resp 10%	Income Level Pt Resp 20%	Income Level Pt Resp 30%	Income Level Pt Resp 40%	Income Level Pt Resp 50%	Income Level Pt Resp 60%	Income Level Pt Resp 70%	Income Level Pt Resp 80%	Income Level Pt Resp 90%
HH	**100% MD DHMH**	**100% Charity**		**90% Charity**	**80% Charity**	**70% Charity**	**60% Charity**	**50% Charity**	**40% Charity**	**30% Charity**	**20% Charity**	**10% Charity**
Size	Max	**Max**		Max	Max	Max	Max	Max	Max	Max	Max	Max
1	**$16,643**	**$33,286**		$34,430	$36,615	$38,279	$39,943	$41,608	$43,272	$44,936	$46,600	$49,928
2	**$22,411**	**$44,822**		$47,063	$49,304	$51,545	$53,786	$56,028	$58,269	$60,510	$62,751	$67,232
3	**$28,180**	**$56,360**		$59,178	$61,996	$64,814	$67,632	$70,450	$73,268	$76,086	$78,904	$84,539
4	**$33,948**	**$67,896**		$71,291	$74,686	$78,080	$81,475	$84,870	$88,265	$91,660	$95,054	$101,843
5	**$39,716**	**$79,432**		$83,404	$87,375	$91,347	$95,318	$99,290	$103,262	$107,233	$111,205	$119,147
6	**$45,485**	**$90,970**		$95,519	$100,067	$104,616	$109,164	$113,713	$118,261	$122,810	$127,358	$136,454
7	**$51,253**	**$102,506**		$107,631	$112,757	$117,882	$123,007	$128,133	$133,258	$138,383	$143,508	$153,758
8	**$57,022**	**$114,044**		$119,746	$125,448	$131,151	$136,853	$142,555	$148,257	$153,959	$159,662	$171,065

Effective 7/1/17

EXHIBIT 6

U.S. message to Asia: Keep heat on Kim

By Tracy Wilkinson
Washington Bureau

SINGAPORE — With a modest investment package and contradictory messages, the Trump administration is attempting to counter China's powerful influence in Southeast Asia while also urging the region's countries to keep up pressure on nuclear-armed North Korea.

Secretary of State Mike Pompeo arrived Friday in Singapore as part of a three-nation trip that will include meetings with officials of roughly two dozen governments. The meetings are part of a foreign ministers' summit of the Association of Southeast Asian Nations, which also includes "partners," including the United States, China, Australia and Iran.

Pompeo's trip is part of Washington's attempt to reshape and expand its footprint in Asia. The Trump administration has tried to relabel the Asia-Pacific region as the Indo-Pacific in an effort to incorporate India into the region's diplomacy as a counterbalance to China.

Also on the sidelines of the minister-level summit, Pompeo met his Turkish counterpart Friday to press again for the release of an American Protestant minister detained there for nearly two years. The State Department characterized Pompeo's talks with Mevlut Cavusoglu as "constructive."

Earlier this week, the Trump administration hit Turkey with economic sanctions to demand the release of the preacher, Andrew Brunson, and other U.S. citizens swept up in a massive crackdown on dissidents.

Speaking to reporters traveling with him to Singapore, Pompeo said the Turkish government was "on notice" that the "clock had run" and that it was time for Brunson to go home.

"I hope they'll see this for what it is, a demonstration that we're very serious," Pompeo said. "Brunson needs to come home. As do all the Americans being held by the Turkish government. Pretty straightforward. They've been holding these folks for a long time. These are innocent people."

The main theme here, however, is the giant potential of the region's economic power. Ahead of his trip, Pompeo said the United States had a stake in the peace and prosperity of a "free and open Indo-Pacific."

But Pompeo's efforts have been overshadowed by President Donald Trump's escalating trade war with China. Far from an open market, several countries in the region say, it seems the United States has become more protectionist.

In his Singapore meetings, Pompeo will also urge Asian countries to keep up pressure on North Korea by continuing to enforce tough economic sanctions. The sanctions were imposed on Pyongyang by the United Nations and are aimed at discouraging its nuclear activities.

Pompeo maintains that the sanction regime is largely intact, but several of the region's governments have begun to relax the measures, which targeted North Korea's imports and exports as a means to strangle the government of Kim Jong Un economically and cause diplomatic and political isolation.

China, Pyongyang's chief ally, has been accused by U.S. officials of reneging on sanctions and allowing some trade to resume.

The efforts to pressure North Korea come as the United States continues to try to negotiate with North Korean leader Kim Jong Un on a program to "denuclearize" the Korean Peninsula. Many officials in Washington remain skeptical about Kim's intentions, despite Trump's apparent willingness to believe the dictator.

"We, too, remain concerned about the scale of North Korea's illicit procurement, in particular of refined petroleum products via U.N.-prohibited ship-to-ship transfers," a senior State Department official said. Ship-to-ship transfers often involve Chinese vessels.

The said a goal of the meetings was to remind countries of the success a global coalition confronting North Korea has had in encouraging Pyongyang to come to the negotiating table.

"On North Korea, these are more than 'asks.' It's a reminder of their obligations," the official told reporters aboard Pompeo's flight to his first stop, Malaysia. "We do have concerns that North Korea is not meeting its obligations."

For all Pompeo's intentions, the administration's message conflicts with many of the region's needs or concerns.

The one meeting that Pompeo will chair involves countries from the Lower Mekong River region, including Laos and Vietnam, which have experienced deadly flooding and other environmental disasters.

Administration officials emphasized their interest in promoting work with the countries to collect what they called water data. But many of these countries blame the disasters on climate change, a problem that many in the Trump administration dismiss.

tracy.wilkinson@latimes.com

VINCENT THIAN/AP

Officials greet Secretary of State Mike Pompeo on Thursday at a military airport in Subang, outside of Kuala Lumpur, the Malaysian capital. Pompeo arrived Friday in Singapore.

FROM PAGE ONE

Pancreas transplants become more common for diabetes patients

PANCREAS, *From page 1*
sulted in more people turning to them as an option to control their blood sugar — mostly in severe cases.

Nearly four out of five pancreas transplants used to fail within five years, according to the American Diabetes Association. As surgical techniques have improved, there are now fewer complications, the association said. Pancreas transplants have one of the highest survival rates of any transplant procedure.

The improvements are mostly due to better drugs used to protect a patient's compromised immune system after a transplant. In most transplants, the body's immune system attacks the new organ as foreign, so patients must take immunosuppressants to increase the likelihood of success.

The drugs can lower a transplant recipient's resistance to other diseases. Newer immunosuppressants, however, have fewer side effects, doctors said.

"We are more comfortable and have gotten better with transplants in general," said Dr. Asha Thomas, director of endocrinology at Sinai Hospital of Baltimore. "We better understand what happens to people and our bodies when we take immunosuppressant drugs over a long period of time."

The University of Maryland Medical Center is performing many more pancreas transplants than it once did. Doctors performed 41 of the procedures last year and expect to do 50 this year. The medical center is expanding the programming and touting its expertise because it says few doctors specialize in it.

"It is an under-appreciated treatment option for diabetes," said Dr. Joseph Scalea, director of pancreas and islet cell transplantation at the University of Maryland Medical Center, who performed Lewentowicz's transplant.

Pancreas transplants are usually saved for the more serious cases of diabetes, such as when a patient can't control their blood sugar levels despite taking insulin and eating a healthy, low-sugar diet. Their blood sugar levels may fluctuate so much that they could black out, making it so they can't drive or do other tasks.

Other good candidates include people who also need a kidney transplant, in many cases because the organ was damaged by complications from diabetes like Lewentowicz's.

About 85 percent of pancreas transplants are performed on people who are already on immunosuppressants or would need them anyway after a kidney transplant, said Dr. Niraj Desai, director of the kidney and pancreas transplant program at the Johns Hopkins School of Medicine.

"The risk benefit ratio has to be optimized to make it worth the big surgery," Desai said. "Surgery comes with the potential for complications and other problems."

It took Lewentowicz years to convince doctors to give him a kidney transplant. His kidney had been destroyed by complications from diabetes, as well as the chemotherapy to treat a brain tumor, so he received regular kidney dialysis to clean wastes from his blood.

Five transplant centers, including the University of Maryland in 2013, turned him down out of concern that the immunotherapy might cause his cancer to return. He was approved for the procedure only after the advancement of immunotherapy protocols finally made it possible.

"We have to make sure they can tolerate the process," said Scalea, an assistant professor of surgery at the University of Maryland School of Medicine, who noted that transplants are complicated, serious procedures.

Type 1 diabetics are more likely to get pancreas transplants than those with Type 2 of the disease since Type 1 is caused by a problem with insulin production in the pancreas.

Type 2 diabetes is caused when the body becomes resistant to insulin and can't use it properly. Eating a bad diet high in sugary foods can lead to it. About 10 percent of all pancreas transplants are performed in people with type 2 diabetes, according to the Mayo Clinic.

Another reason transplants aren't a common option for type 2 diabetics is that the drugs to treat the disease have gotten better over time, both Scalea and Thomas said.

"There has been a lot of evolution of the medications to treat diabetes," Thomas said. "There are so many drugs that are available now than there were five or 10 years ago."

Thomas said she would recommend a pancreas transplant only as a last resort.

New technology also has made it easier and more convenient for people to track their blood sugar levels. For instance, there are glucose sensors that can be placed on the belly or arm that automatically measure blood sugar levels every five minutes, Thomas said.

Still, pancreas transplants are becoming more common for those with type 2 diabetes who have low insulin resistance and low insulin production, according to the Mayo Clinic.

Scalea said patients' sugar levels begin to stabilize quickly after a pancreas transplant.

"Within 20 to 30 minutes the new pancreas begins to work and the diabetes begins to go away," Scalea said. "In three to four hours the person's blood sugar is pretty normal. We have a lot of fun with that. We check the blood sugar every ten minutes and watch it change."

Lewentowicz has adapted well to the immunosuppressants.

Six months after the transplant, he was cleared to participate in his favorite activities — bowling and golfing. His blood sugar remains stable and he doesn't miss the inconvenience of checking his glucose levels and giving himself insulin.

"I recommend anyone who has type 1 or type 2 diabetes consider this surgery," he said, "because it completely changes your life."

amcdaniels@baltsun.com
twitter.com/ankwalker

LEGAL NOTICES

NOTICE OF INTENT TO REQUEST RELEASE OF FUNDS
August 4, 2018
The City of Baltimore – Department of Housing and Community Development (DHCD)
417 East Fayette Street, Suite 1101
Baltimore, MD 21202
410.396.1228
On or about August 14, 2018, the City of Baltimore – DHCD will submit requests to the US Department Housing and Urban Development (HUD) for the release of Community Development Block Grant (CDBG) funds under Title 1 of the Housing and Community Development Act of 1974, as amended to undertake two projects as follows: (1) The Baltimore Community Mediation Center renovation project for the purpose of renovating the interior office and meeting spaces, HVAC systems upgrades, creation of office spaces on the second floor and providing ADA accessible accommodations to the second floor of the building located at 3331-3333 Greenmount Avenue, Baltimore, MD 21218. The estimated total CDBG funding for this undertaking is $250,000.00. The total estimated cost of the project from all funding sources is $601,000.00, (2) The Franciscan Center - the renovation project entails the roof replacement at their facility located 101 West 23rd Street, Baltimore, MD 21218. The estimated total CDBG funding for this undertaking is $75,000.00. The total estimated cost of the project from all funding sources is $75,000.00.
The rehabilitation activities proposed are Categorically Excluded under HUD Regulations at 24 CFR Part 58 from the National Environmental Policy Act requirements. An Environmental Review Record (ERR) that documents the environmental determinations for these locations is on file at City of Baltimore – Department of Housing and Community Development (DHCD), 417 East Fayette Street, Suite 1101, Baltimore, MD 21202 and may be examined or copied weekdays 9:00 a.m. to 4:00 p.m.
PUBLIC COMMENTS
Any individual, group, or agency may submit written comments on the ERR to the City of Baltimore – Department of Housing and Community Development (DHCD), 417 East Fayette Street, Suite 1101, Baltimore, MD 21202. All comments received by August 13, 2018 will be considered by the City of Baltimore – DHCD prior to authorizing submission of a request for release of funds.
RELEASE OF FUNDS
The City of Baltimore – DHCD certifies to HUD that Mr. Michael Braverman in his capacity as the Commissioner of the City of Baltimore – DHCD consents to accept the jurisdiction of the Federal Courts if an action is brought to enforce responsibilities in relation to the environmental review process and that these responsibilities have been satisfied. HUD's approval of the certification satisfies its responsibilities under NEPA and related laws and authorities, and allows the City of Baltimore – DHCD to use Program funds.
OBJECTIONS TO RELEASE OF FUNDS
HUD will accept objections to its release of funds and the City of Baltimore – DHCD certification for a period of fifteen days following the anticipated submission date or its actual receipt of the request (whichever is later) only if they are on one of the following bases: (a) the certification was not executed by the Certifying Officer of the City of Baltimore – DHCD; (b) the City of Baltimore – DHCD has omitted a step or failed to make a decision or finding required by HUD regulations at 24 CFR Part 58; (c) the grant recipient or other participants in the development process have committed funds, incurred costs, or undertaken activities not authorized by 24 CFR Part 58 before approval of a release of funds by HUD or (d) another Federal agency acting pursuant to 40 CFR Part 1504 has submitted a written finding that the project is unsatisfactory from the standpoint of environmental quality. Objections must be prepared and submitted in accordance with the required procedures (24 CFR Part 58) and shall be addressed to HUD Baltimore Field Office, Bank of America Building - Tower II, 100 South Charles Street, Suite 500, Baltimore, MD 21201, Attention: Mr. Charles Halm, Director, Community Planning and Development Division. Potential objectors should contact HUD at 410-209-6546, to verify the actual last day of the objection period.
Michael Braverman, Commissioner - The City of Baltimore – DHCD

THE UNIVERSITY OF MARYLAND MEDICAL CENTER CHARITY CARE POLICY:
The University of Maryland Medical Center maintains accessibility to all services regardless of an individual's ability to pay. The hospital policy on charity care is that the hospital will provide necessary emergency medical care to all persons regardless of their ability to pay and will consider for charity care those patients who cannot pay the total cost of hospitalization due to lack of insurance coverage and/ or inability to pay. For more information on our financial assistance policy for patients who qualify for help for their hospital bills, please call 1-800-492-5538. If you require translation services to understand this policy, please call the University of Maryland Patient Advocacy Office at 410-328-8777.

FAMILY COURT FOR THE STATE OF DELAWARE
NOTICE OF FAMILY COURT ACTION
TO: Jalisa Morgan/Dion Finney, Respondent(s)
Petitioner, Theresa Morgan has filed an emergency guardianship petition against you in the Family Court of the State of Delaware for Kent County on July 25, 2018. If you do not file an answer with the Family Court within 20 days after publication of this notice, exclusive of the date of publication, as required by statute, this action will be heard in Family Court without further notice. Petition# 18-21333
Date: 8/3/18
Signature: /s/ Theresa Morgan
5747455 - 8/4/2018

NOTICE
Waterfront Partnership seeks qualification materials from CM Firms interested in providing cost estimating and construction services for the redevelopment of Rash Field in the Inner Harbor. Download RFQ at rashfield.org/rfq, starting 8/10. Quals due by 8/31.
5748035 - 8/4/2018

DEATH / LODGE NOTICES

GRAMBOW, Herbert
Herbert William Grambow, age 89, died Monday, July 23 in his home.
He leaves his wife of 65 years, Barbara (Hulse) Grambow; his daughter Susan Sinden, and her husband John Sinden of Raleigh; his daughter Anne Lyons and her husband Jerry Lyons of Sparta, NJ; his five grandchildren, Richard, Elizabeth, William, Brianna, and Lauren; and his great-grandson Gordon. He was preceded in death by his parents and sister, Joan.
Herb was born and raised in New York. He served in the army at the end of World War II and attended the University of Maryland where he went on to dental school. He was an oral surgeon, anesthesiologist, and orthodontist in Baltimore, MD.
After his retirement, Herb and Barbara moved to Raleigh in 1995. He was an avid tennis player and played most days of the week at the Raleigh Racquet Club. They spent the summers in Bay Head, NJ where he played at the Bay Head Yacht Club. Herb was also a life member of Congressional Country Club in Potomac, MD.
Herb loved his wife with great devotion; he called her "Boo" and even on his last day of life was worried about leaving her. Together they raised two daughters. Herb was a proud grandfather who loved spending time with his grandchildren, playing tennis, throwing a football, practicing free throws, watching old movies, marking their heights on the wall of his house in Bay Head, NJ, and enjoying meals together.
In lieu of flowers, memorial donations to Transitions Lifecare at 250 Hospice Circle Raleigh, NC are appreciated.
Funeral services will take place at Arlington National Cemetery at a future date.

STREET, James
The Baltimore Fire Officers Association - IAFF Local 964 announces with deep regret the death of retired member, Captain James W. Street, Sr., and we extend our deepest sympathy to his family.
Stephen M. Horchar, Jr.

VOELKER, Clara

Clara "Clare" Marie Voelker passed away peacefully on Sunday, July 22, 2018 in Silver Spring, MD at the age of 90. Clare was born February 25, 1928 in Baltimore, MD to Anna and Leo Wisnewski. Clare is survived by her daughter, Kathi Terlizzese, her husband Joe Terlizzese, her son, Robert Voelker, and his husband Mark Schweizer. She was preceded in death by her husband, Vincent "Bill" Voelker, in 2009. She felt blessed to call Bill the love of her life and was exceedingly proud of her children Bob and Kathi. She was also proud of her 12 years service in support of the Sunpapers Sports Editor. A funeral mass will be held at St. Joseph's Catholic Church, 100 Church Lane, Cockeysville, MD, on 8/11/2018 at 10:00 a.m. Interment will be held at Dulaney Valley Memorial Gardens, 200 East Padonia Road, Timonium, Maryland, at 1:30 p.m. Family and friends are invited to join in this celebration of Clare Voelker's life. In lieu of flowers, please consider donations to: Montgomery Hospice, 301-921-4400 or American Cancer Society, 800-227-2345.

YOFFEE, William
Husband, father, grandfather, friend, and career civil-servant in the Baltimore and Washington, DC offices of the Social Security Administration, William (Bill) Morris Yoffee, age 86, of Silver Spring, passed away August 2, 2018. He was predeceased by his wife of 54 years, Barbara Bernstein Yoffee, who passed away in April 2017. He is survived by his two children, a son, Michael (Carol Beth) of Pittsburgh, Pennsylvania; a daughter, Stephanie of Rockville, Maryland; and four grandchildren, Eric (fiancée Abigail Blatt), Max Zack, Alana and Benjamin. Funeral services will take place at 12 noon, Sunday, August 5, 2018 at the Hines-Rinaldi Funeral Home, 11800 New Hampshire Avenue, Silver Spring, MD. Burial will be at 1 p.m. on Sunday, August 12, at Ohev Sholom Mount Moriah Cemetery in Harrisburg, PA.

classified marketplace
Order your ad online
www.advertise.baltimoresun.com
It's fast and easy!
Reach more than 1 million readers a week!
Visit baltimoresun.com/classified • Place an ad: 410-539-7700

EXHIBIT 7

The University of Maryland Medical Center provides healthcare services to those in need regardless of an individuals ability to pay. Care may be provided without charge, or at a reduced charge, to those who do not have insurance, Medicare/Medical Assistance coverage, and are without the means to pay. An individual's eligibility to receive care without charge, at a reduced charge, or to pay for their care over time is determined on a case by case basis. Interested parties seeking to determine a patient's eligibility should direct their inquiries to the Financial Counseling Office at (410) 821-4140.

UNIVERSITY OF MARYLAND
MEDICAL CENTER
UNIVERSITY OF MARYLAND MEDICINE

EXHIBIT 8

MARYLAND Department of Health

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Robert R. Neall, Secretary

May 2, 2018

RECEIVED

MAY 04 2018

University of Maryland Medical Center
Executive Office

Mohan Suntha, President and CEO
University Of Maryland Medical Center
22 South Greene Street
Baltimore, MD 21201

Dear Dr. Suntha,

Based on legislation passed during the 2018 legislative session, the Office of Health Care Quality will eliminate license fees and expiration date effective July 1, 2018. Therefore, we are issuing new licenses to all facilities reflecting an effective date of July 1, 2018. Please continue to supply the findings of The Joint Commission's accreditation survey to the OHCQ at the address below:

The Hospital and HMO QA Unit
Spring Grove Center, Bland-Bryant Building
55 Wade Ave.
Catonsville, MD 21228

The Department of Health retains the authorities as specified in Health-General Article 19 and may revoke this license for failure to comply with its provisions. The license is the hospital's authority to operate an Acute General Hospital.

This license should be displayed in a conspicuous place, at or near the entrance to the hospital, plainly visible and easily read by the public.

Sincerely,

Anne Jones RN, BSN, MA
Acting Director, Hospital and HMO QA Unit

cc: Maryland Health Care Commission
Maryland Health Services Cost Review Commission
Office of Health Services
Division of Cost and Reimbursements
Ann Elliott, CareFirst Blue Cross
Baltimore City Health Department
License File

MARYLAND DEPARTMENT OF HEALTH
OFFICE OF HEALTH CARE QUALITY
SPRING GROVE CENTER
BLAND BRYANT BUILDING
55 WADE AVENUE
CATONSVILLE, MARYLAND 21228

License No. 30-068

Issued to:

University Of Maryland Medical Center
22 South Greene Street
Baltimore, MD 21201

Type of Facility: Acute General Hospital

Date Issued: July 1, 2018

Authority to operate in this State is granted to the above entity pursuant to The Health-General Article, Title 19 Section 318 Annotated Code of Maryland, 1982 Edition, and subsequent supplements and is subject to any and all statutory provisions, including all applicable rules and regulations promulgated thereunder. This document is not transferable.

Patricia Tomasko May MD

Director

Falsification of a license shall subject the perpetrator to criminal prosecution and the imposition of civil fines.

EXHIBIT 9

University of Maryland Medical Center

Baltimore, MD

has been Accredited by

The Joint Commission

Which has surveyed this organization and found it to meet the requirements for the

Hospital Accreditation Program

October 21, 2017

Accreditation is customarily valid for up to 36 months.

Craig W. Jones, FACHE
Chair, Board of Commissioners

ID #6264
Print/Reprint Date: 01/19/2018

Mark R. Chassin, MD, FACP, MPP, MPH
President

The Joint Commission is an independent, not-for-profit national body that oversees the safety and quality of health care and other services provided in accredited organizations. Information about accredited organizations may be provided directly to The Joint Commission at 1-800-994-6610. Information regarding accreditation and the accreditation performance of individual organizations can be obtained through The Joint Commission's web site at www.jointcommission.org.

EXHIBIT 10

UNIVERSITY of MARYLAND MEDICAL CENTER

Cancer CON Application
Quality of Care Section
For Each Below Average Rating, Please provide a short paragraph of Actions Underway at UMMC to Improve Performance

Ratings for Health Conditions and Topics — **Response Action Plan Underway**

Ratings shown here are compared to State Average

Category	Quality Measure	Rating	Risk-Adjusted Rates	
Deaths	Patients who died in the hospital after having one of six common conditions.	Below average	1.2384 (1.0597, 1.4170)	**Actions:** 1. Cases are reviewed 2. Deaths are reviewed by quality department and sent to service line quality representatives 3. Trends are identified and quality improvement initiatives are developed 4. For specific conditions action plans see below.
Environment	How often were the patients' rooms and bathrooms always kept clean?	Below average	59%	**Actions:** 1) UMMC has contracted with an outside vendor in an effort to improve hospital cleanliness. 2) A process has been put in place where the nurse manager and EVS supervisor perform inspections on every room after discharge cleaning has occurred. 3) Initiatives have been instituted to build a more collaborative relationship between clinical staff and EVS staff. **Monitoring of performance:** Patient experience survey data is reviewed and monitored monthly with medical center leadership.
	How often did patients always receive help quickly from hospital staff?	Below average	58%	**Actions:** 1) Unit specific data is shared with unit mangers and their supervisor. Nurse manager will work with senior nurses on the unit to improve responsiveness of staff by using a team approach to answer call bells and ensuring the call bell is within reach at all times. 2) Nurses engage in a bedside shift change hand-off at each transfer of care from one shift to another. With patient participation, the focus of hand-off is patient safety, introduction of nurse for shift, and specific patient needs/goals for the day. **Monitoring of performance:** Data for this metric are pushed to clinical leaders quarterly. Individual unit leaders have the ability to pull the data more frequently to assess improvement at the functional unit level.
	How often was the area around patients' rooms always kept quiet at night?	Below average	51%	**Actions:** 1) Unit specific data is shared with unit mangers and their supervisor. Nurse manager will work with senior nurses on the unit to improve quietness at night and accountability of staff on off shifts to maintain a restful environment. 2) Work with facilities personnel to reduce the amount of unnecessary activity at night (i.e. trash removal). **Monitoring of performance:** Data for this metric (quietness at night) are pushed to clinical leaders quarterly. Individual unit leaders have the ability to pull the data more frequently to assess improvement at the functional unit level.

UNIVERSITY of MARYLAND MEDICAL CENTER

Cancer CON Application
Quality of Care Section
For Each Below Average Rating, Please provide a short paragraph of Actions Underway at UMMC to Improve Performance

Ratings for Health Conditions and Topics — **Response Action Plan Underway**

Ratings shown here are compared to State Average

Category	Quality Measure	Rating	Risk-Adjusted Rates	
Emergency Department	How long patients spent in the emergency department before leaving for their hospital room	Below average	678 minutes	**Actions**: 1) Re-evaluate priorities/ performance of Medical Admitting Officer role in the ED. 2) Open Access Center (August FY19) - enhance real-time access/ flow data analytics. **Monitoring of performance:** Monthly reporting of departmental metrics to leadership in the ED and other key departmental leaders
	How long patients spent in the emergency department after the doctor decided the patient would stay in the hospital before leaving for their hospital room	Below average	384 minutes	**Actions**: 1) Re-work process/ outcomes of Medicine IDR + enhance process/ flow of appropriate transfers to Midtown Campus to increase bed capacity and access to inpatient care units. 2) Further augment role of Physician Administrator of the Day - key triage role within new Access Center. **Monitoring of performance**: Monthly reporting of departmental metrics.
	How long patients spent in the emergency department before being sent home	Below average	272 minutes	**Actions**: 1) Revised process (activated July FY19) to prioritize up-front flow. Intent by ED leaders is to reduce wait for d/c for pts being sent home as well as further prioritize flow of ESI-3/4/5 patients. 2) New process is intended to also augment screen and send numbers to Urgent Care and further decant up-front operations for the ED teams. **Monitoring of performance**: Monthly reporting of departmental metrics to leadership in the ED and other key departmental leaders.
	How long patients spent in the emergency department before they were seen by a healthcare professional	Below average	54 minutes	**Actions**: 1) Median door-to-triage time to be seen by a healthcare professional for FY18 - 14 mins. 2) Median door-to-provider time to be seen - 65 mins for FY18. 3) New ED -up-front process change intended to reduce time to waiting to see a provider (NP's in our process). **Monitoring of performance**: Monthly reporting of departmental metrics to leadership in the ED and other key departmental leaders.
	Patients who left the emergency department without being seen	Below average	4%	**Actions**: 1) Alternative destination processes for ED patients - further augmentation of process flow to Urgent Care and Care Coordination Centers. 2) New ED up-front flow process. 3) Use of an up-front Quick-Look RN to monitor arrivals and waiting-room. **Monitoring of performance**: Monthly reporting of departmental metrics to leadership in the ED and other key departmental leaders.
Flu Protection	Patients in the hospital who got the flu vaccine if they were likely to get flu	Below average	88%	**Actions:** 1. Use of Banner for Nursing for real time alert 2. Quality Department concurrent support to ensure all identified patients receive vaccine 3.Targeted Flu education in September before initiation of flu season **Monitor Performance:** Flu Core Measure compliance.
Heart Attack & Chest Pain	How often patients die in the hospital after heart attack	Below average	9.2614 (7.0091, 11.5138)	**Actions:** 1. Cases are reviewed 2. Deaths are reviewed by quality department and sent to service line quality representatives 3. Trends are identified and quality improvement initiatives are developed 4. Code STEMI process in place to ensure door to balloon time of <90 minutes 5. Alternative fibrinolytic pathway exists for patients who fall outside 90 minute window 6. Team meets monthly to review each case to identify trends for process improvement opportunities **Monitor Performance:** Door to Balloon time, ED Wait Times, 12 Lead EKG review times.

UNIVERSITY of MARYLAND MEDICAL CENTER

Cancer CON Application
Quality of Care Section
For Each Below Average Rating, Please provide a short paragraph of Actions Underway at UMMC to Improve Performance

Ratings for Health Conditions and Topics **Response Action Plan Underway**

Ratings shown here are compared to State Average

Category	Quality Measure	Rating	Risk-Adjusted Rates	
Heart Failure	How often patients die in the hospital after heart failure	Below average	4.5231 (2.9304, 6.1158)	**Actions:** 1. Cases are reviewed 2. Deaths are reviewed by quality department and sent to service line quality representatives 3. Trends are identified and quality improvement initiatives are developed 4. Increasing volumes of advanced heart failure therapies to include Heart Transplantation and Ventricular Assist Device Implantation 5. Increasing usage of Temporary Mechanical Support (ECMO) to increase survival **Monitor Performance:** Various quality committees review volumes and appropriate usage and outcomes.
Imaging	Patients who had a low-risk surgery and received a heart-related test, such as an MRI, at least 30 days prior to their surgery though they do not have a heart condition	Below average	11.10%	**Actions:** The UM Heart and Vascular Center Leadership are reviewing cases to determine appropriate utilization of heart related tests for low-risk surgeries.
	Patients who came to the hospital for a scan of their brain and also got a scan of their sinuses.	Below average	5.40%	**Actions:** 1. Cases are reviewed 2. Deaths are reviewed by quality department and sent to service line quality representatives 3. Trends are identified and quality improvement initiatives are developed 4. For specific conditions action plans see below
Patient Safety	How often the hospital accidentally makes a hole in a patient's lung	Below average	0.9250 (0.6226, 1.2274)	**Actions:** 1. Cases are reviewed 2. Deaths are reviewed by quality department and sent to service line quality representatives 3. Trends are identified and quality improvement initiatives are developed 4. For specific conditions action plans see below.
	Returning to the hospital for any unplanned reason within 30 days after being discharged	Below average	16.5 (15.5 - 17.3)	**Actions:** Between CY13 and CY16 the University of Maryland Medical Center reduced its all-hospital, risk adjusted readmission rate by 11.95%, a reduction that was 11% greater than the State average (10.75%). Between CY16 and CY17 the readmission rate increased slightly, by 2%. Since then we have launched a number of initiatives that focus on steps taken before readmission (an intensive ER social work/navigation initiative), after readmission (interdisciplinary discharge planning rounds), before discharge (re-engineering discharge initiative) and after discharge (mobile integrated health using City fire department paramedics as well as community based care navigators). We are also w+E28orking with nationally recognized expert in readmissions Dr. Amy Boutwell to continue our progress in reducing potentially avoidable utilization. **Monitoring of performance:** Performance is monitored through the Annual Operating Plan and reported to leadership on a quarterly basis.

UNIVERSITY of MARYLAND MEDICAL CENTER

Cancer CON Application
Quality of Care Section
For Each Below Average Rating, Please provide a short paragraph of Actions Underway at UMMC to Improve Performance

Ratings for Health Conditions and Topics — **Response Action Plan Underway**

Ratings shown here are compared to State Average

Category	Quality Measure	Rating	Risk-Adjusted Rates	
Patient Safety	Percentage of patients who received appropriate care for severe sepsis and septic shock	Below average	39	Actions: A Sepsis Clinical Performance Council was established in 2017. This is a system-wide workgroup whose sole purpose is the reduction of sepsis. The initiatives taken on by the group include: 1. Improvement in documentation, coding and quality abstraction. 2. Educational initiatives focused on sepsis bundle compliance and disease state recognition. 3. The implementation of a sepsis alert system with the use of NEWS (National Early Warning Score). 4. Development of sepsis specific order sets and a nursing handoff tool within Epic so sepsis bundle elements do not get missed when transferring a patient from the ED to the ICU or the floor to the ICU. 5. Implementation of an antibiotic stewardship program. 6. Creation of a discharge checklist which contains all the sepsis specific discharge processes (including a pre-discharge visit by a pharmacist) and other specific components that may play a part in reducing sepsis readmissions. 7. Creation of a system-wide sepsis educational program which includes Grand Rounds, mandatory annual sepsis education for nursing and an annual sepsis conference. All sepsis deaths are also reviewed by the UMMC Quality and Safety department for identification of sentinel events that may be corrected.
	How often patients die in the hospital after fractured hip	Below average	9.6711 (4.1503, 15.1919)	**Actions:** 1. Falls Committee reviews each fall and alerts deaths through Patient Safety structure 2. Death is reviewed by quality department and sent to service line quality representatives 3. Trends are identified and quality improvement initiatives are developed
Stroke	How often patients who came in after having stroke subsequently died in the hospital.	Below average	12.6482 (11.1299, 14.1665)	**Actions:** 1. Comprehensive Stroke Center (CSC) team reviews each death to determine if it is preventable. 2. Weekly case review with interdisciplinary team members 3. Review criteria for patient transport to CSC 4. CSC Chairman peer review of all cause death, including the following departments: neurology, Neurocritical care, Neurosurgery, and Emergency Medicine.
	Death rate for Stroke patients	Below average	21 (17.6, 24.7)	**Actions:** 1. Comprehensive Stroke Center (CSC) team reviews each death to determine if it is preventable. 2. Weekly case review with interdisciplinary team members 3. Review criteria for patient transport to CSC 4. CSC Chairman peer review of all cause death, including the following departments: neurology, Neurocritical care, Neurosurgery, and Emergency Medicine.
Surgeries for Specific Health Conditions	How often patients die in the hospital during or after a surgery to fix the artery that carries blood to the lower body when it gets too large	Below average	100.0000 (100.0000, 100.0000)	**Actions:** 1. Cases are reviewed 2. Deaths are reviewed by quality department and sent to service line quality representatives 3. Trends are identified and quality improvement initiatives are developed 4. Unexpected deaths are reviewed at the patient level by a provider on the service and brought to the committee for further review

UNIVERSITY of MARYLAND MEDICAL CENTER

Cancer CON Application
Quality of Care Section
For Each Below Average Rating, Please provide a short paragraph of Actions Underway at UMMC to Improve Performance

Ratings for Health Conditions and Topics — **Response Action Plan Underway**

Ratings shown here are compared to State Average

Category	Quality Measure	Rating	Risk-Adjusted Rates	
Surgical Patient Safety	How often surgical patients die in the hospital because a serious condition was not identified and treated	Below average	263.2969 (234.8064, 291.7874)	This measure is an AHRQ PSI that is calculated using claims based data. The CDE team reviews every PSI for documentation opportunities and potential quality of care issues. Every case identified with a PSI is shared with the appropriate medical/surgical service for case review and/or practice change; results are trended quarterly over time per service. In FY 2018, the rate for this PSI improved to 234.68 (not risk-adjusted; awaiting release of AHRQ ICD-10 software in 2019 for risk-adjustment).
	How often patients in the hospital had to use a breathing machine after surgery because they could not breathe on their own	Below average	9.8603 (7.8859, 11.8347)	This measure is an AHRQ PSI that is calculated using claims based data. The CDE team reviews every PSI for documentation opportunities and potential quality of care issues. Every case identified with a PSI is shared with the appropriate medical/surgical service for case review and/or practice change; results are trended quarterly over time per service. In FY 2018, the rate for this PSI improved to 7.98 (not risk-adjusted; awaiting release of AHRQ ICD-10 software in 2019 for risk-adjustment).

Note: As of the date this plan was finalized, January 28, 2019, certain Quality Measures within the Maryland Health Care Quality Reports accessible on the Commission website contain errors. It appears that certain quality standards have data input in the incorrect order, leading above average hospitals to be listed as below average, and below average hospitals listed as above average. For example, UMMC is listed as below average for Readmissions for Stroke Patients, yet UMMC's rate is 10.9 and the Maryland averal 12.4. UMMC has raised this with Commission staff and understands the Commission is in the process of addressing these errors. The description here responds only to those quality measures for which, based upon UMMC's review of the underlying data, UMMC actually has below average performance.

EXHIBIT 11

I. Marshall Valuation Service
Valuation Benchmark – New Construction – Tower 1

Type		Hospital
Construction Quality/Class		Good/A
Stories		9
Perimeter		634
Average Floor to Floor Height		13.3
Square Feet		154,610
f.1	Average floor Area	19,326
A. Base Costs		
	Basic Structure	$374.00
	Elimination of HVAC cost for adjustment	0
	HVAC Add-on for Mild Climate	0
	HVAC Add-on for Extreme Climate	0
Total Base Cost		$374.00
Adjustment for Departmental Differential Cost Factors		0.85
Adjusted Total Base Cost		$316.51
B. Additions		
	Elevator (If not in base)	$0.00
	Other	$0.00
Subtotal		$0.00
Total		$316.51
C. Multipliers		
Perimeter Multiplier		0.930566413
	Product	$294.53
Height Multiplier		1.03
Multi-story Multiplier		1.030
	Product	$312.70
D. Sprinklers		
	Sprinkler Amount	$2.80
Subtotal		$315.50
E. Update/Location Multipliers		
Update Multiplier		1.08
	Product	$340.74
Location Multiplier		1.01
	Product	$344.14
Calculated Square Foot Cost Standard		**$344.14**

The MVS estimate for this project is impacted by the Adjustment for Departmental Differential Cost Factor. In Section 87 on page 8 of the Valuation Service, MVS provides the cost differential by department compared to the average cost for an entire hospital. The calculation of the average factor is shown below.

Department/Function	BGSF	MVS Department Name	MVS Differential Cost Factor	Cost Factor X SF
Mechanical/Electrical	15,700	Mechanical Equipment and Shops	0.7	10,990
Cancer Center Administrative Offices	5,500	Offices	0.96	5,280
Oncology Inpatient	42,400	Inpatient Unit	1.06	44,944
Oncology Inpatient & Outpatient BMT (Bone Marrow Transplant)	21,200	Inpatient Unit	1.06	22,472
Oncology & BMT Clinics	21,200	Outpatient	0.99	20,988
Shell Space	42,400	Unassigned	0.5	21,200
Lobby	6,210	Public Space	0.8	4,968
TOTAL	154,610		0.85	130,842

II. Cost of New Construction

A. Base Calculations	Actual	Per Sq. Foot
Building	$84,625,169	$547.35
Fixed Equipment		$0.00
Site Preparation	$13,000,000	$84.08
Architectural Fees	$12,000,000	$77.61
Permits	$1,000,000	$6.47
Capitalized Construction Interest	Calculated Below	Calculated Below
Subtotal	$110,625,169	$703.60

However, as related below, this project includes expenditures for items not included in the MVS average.

B. Extraordinary Cost Adjustments

	Project Costs		Associated Cap Interest & Financing
Site Demolition Costs	$1,188,000	Site	
Storm Drains	$1,500,000	Site	
Rough Grading	$550,000	Site	
Paving	$400,000	Site	

	Project Costs		Associated Cap Interest & Financing
Deep Foundation	$2,770,000	Site	
Yard Lighting	$395,000	Site	
Dewatering	$80,000	Site	
Sediment Control & Stabilization	$80,000	Site	
Premium for Constrained Site	$650,000	Site	
Underground utility work for Foundations / Total Shoring for excavation	$1,584,000	Site	
Premium for Prevailing Wage	$1,300,000	Site	
Premium for Minority Business Enterprise Requirement	$520,000	Site	
Canopy	$4,750,000	Building	$500,566
Pneumatic Tube System	$750,000	Building	$79,037
Deep trusses on Levels 3 & 4 to allow building to span over drive up	$2,376,000	Building	$250,388
Infection Prevention	$1,000,000	Building	$105,382
Asbestos abatement	$500,000	Building	$52,691
Adjacent Occupants Premium	$1,000,000	Building	$105,382
Temporary entrance and logistics associated with entrance closure	$1,200,000	Building	$126,459
Structured Floor with Soffit under 3rd Level in lieu of Slab on Grade	$4,750,000	Building	$500,566
Premium for Constrained Site	$4,231,258	Building	$445,900
Level 4 Temporary MEP Piping Offset to allow access in 4th Floor Ceiling to access to Mechanicals	$5,664,000	Building	$596,886
Retro Fit Two New Elevators, Shafts and Pits into the existing Medical Tower	$4,242,000	Building	$447,032
Premium for LEED Silver Construction	$3,385,007	Building	$356,720
Premium for Prevailing Wage	$8,462,517	Building	$891,800
Premium for Minority Business Enterprise Requirement	$3,385,007	Building	$309,218
Total Cost Adjustments	$56,712,789		$4,768,028

Explanation of Extraordinary Costs

Below are the explanations of the Extraordinary Costs that are not specifically excluded from the MVS average costs in the MVS Guide (at Section 1, Page 3), but are elements of this project that would not be in the average cost of a hospital project.

Premium for LEED Silver Construction

UMMC included a 4% premium (based on Building Costs only) due to constructing this building to LEED Silver standards. The potential for a 0%-7% premium is recognized by MVS in Section 99, Page 1.

Premium for Constrained Site

The site for the new building is quite constrained in a dense downtown block, directly next to an existing operating hospital building on the west side, Baltimore Street on the North side, Greene Street on the east wide, and other existing hospital buildings on the south side. Building on this site will require close coordination with adjacent occupants, and premiums for overtime to shorten the duration of the work to reduce operational impacts and night / weekend work throughout the project.

Underground utility work for Foundations / Total Shoring for excavation

Excavation shoring is necessary primarily for two reasons. First, the work will function as protection for electrical service from feeders SE-1 and SW-1 to a junction node located in the South Hospital electrical room under the Au Bon Pain restaurant. The planned area of electrical tie-in is adjacent to the heavily utilized main entrance at S. Greene Street. Second, the excavation shoring will protect the existing entrance as long as possible to keep it operational and divert traffic.

Premium for Paying Prevailing Wage

Because the building construction will be funded partially through state funds, UMMC's contractors will have to pay "prevailing" wages, rather than "scale." For a previous project, UMMC's consultant, Andrew Solberg, telephoned Marshall and Swift's Technical Assistance staff on 9/27/13 and he asked John Thompson whether this would constitute a premium over the average cost per square foot presented in the MVS, even when adjusted for update and local multipliers. Mr. Thompson stated that paying prevailing wage would definitely be a premium over the average. He stated that he had previously been an electrician and, on buildings on which he was paid scale, the pay was approximately $11/hour. However, on projects on which he was paid prevailing wage, he was paid approximately $32/hour. Mr. Solberg searched for an average premium to use as the basis for the assumption that the different between scale and prevailing wages are treated as a premium. The Maryland Department of Legislative Services Office of Policy Analysis issued a report on March 25, 2014 that found that in cases of available "side by side" bid comparisons with prevailing wage requirements and without prevailing wage requirements, on average bids with prevailing wages came in at 10% higher.[1] UMMC assumes the premium will be 10%. Because prevailing wage will have to be paid for both site preparation and construction, UMMC has applied it to both.

[1] Maryland Department of Legislative Services Office of Policy Analysis, Task Force to Study the Applicability of the Maryland Prevailing Wage Law (Annapolis, MD, March 25, 2014), p. 5

Premium for Minority Business Enterprise Requirement

UMMC projects include a premium for Minority Business Enterprises that would not be in the average cost of hospital construction. This premium was projected to be 4%. UMMC consulted with its cost estimators/construction managers on the impact on project budgets of targeting 25% inclusion of MBE subcontractors or suppliers as part of its projects. The cost estimators and construction managers said they conservatively estimate that achieving the MBE goals will add 3-4% to the costs, compared to projects that do not include MBE subcontractors or suppliers. This estimate has been confirmed through UMMC and UMMS experience with past construction jobs. UMMS and UMMC now use this percentage in all of their construction cost estimates.

Pneumatic Tube System

UMMC uses a pneumatic tube system to transport medications and lab samples throughout the complex. The new building will include tube stations on every clinical floor connecting back to the existing system and allowing for movement of these items to and from any point on campus. Extensive coordination, design, and fabrication / installation work will be required to implement the system.

Deep trusses on Levels 3 & 4 to allow building to span over drive up

The project requires deep trusses (2-story high structural steel transfer trusses spanning east to west starting on the 3rd floor and extending up to the 4th floor). The added cost is for providing deep trusses in lieu of a standard framed column grid elevated deck high rise construction.

Infection Prevention

Working in an occupied hospital requires rigorous infection control requirements to ensure dust does not impact adjacent patient care areas. These requirements include, but are not limited to, containment around the site perimeter, mechanical devices to vent the contaminated air outside the building, and protective coverings to be worn by all workers during construction.

Asbestos abatement

Given the age of the building in which renovations are required, UMMC anticipates needing to abate multiple building elements within the site. These elements could include piping insulation, structure fire-proofing, and under-floor adhesive materials.

Adjacent Occupants Premium

Connecting a new tower to an existing operating medical facility with ongoing adjacent inpatient services poses complex phasing and congested areas. MVS states at Section 99, Page 1 that the premium for Complex/congested areas is 2%-5%. UMMC believes that the premium is at least 5%, given that all materials cannot be stored on-site and delivery of materials will have to be phased without affecting adjacent services. UMMC has assumed a 5% premium.

Temporary entrance and logistics associated with entrance closure

The new building will connect to the existing campus over the main entrance at the corner of Baltimore and Greene streets. This will necessitate closing that main entrance for a long, to be determined, period of time. UMMC will need to create a temporary entrance near that location to ensure that patients and staff members can still gain appropriate access to the facility. The temporary entrance will involve filling in an existing ramp, deconstructing part of the curtain-wall and canopy of the first floor concourse, and adding new security measures to ensure safety of visitors and staff.

Structured Floor with Soffit under 3rd Level in lieu of Slab on Grade

The drive up soffit canopy premium excludes the construction cost premium for the deep truss system discussed above. The premium is inclusive of a typical elevated deck column grid construction structured floor under the 3rd level in lieu of a slab-on-grade. In addition, the premium includes the cost for an elevated hung insulated metal panel soffit, inclusive of lighting & dry fire protection sprinkling. These costs are in addition to the cost of the canopy, itself, which is a separate extraordinary cost.

Level 4 Temporary MEP Piping Offset to allow access in 4th Floor Ceiling to access to New Building's Mechanicals

The proposed 9th floor new North Tower addition mechanicals will be fed from the existing adjacent Medical Tower. The mechanical units in the new building will be fed from the risers in the existing tower. The required riser offsets and tie-ins will occur on the 4th floor of the existing adjacent tower and will require both new construction renovation costs related to rework, and tapping in order to tie-in at the 4th floor and move horizontally into the new North Tower addition.

Retro Fit Two New Elevators, Shafts and Pits into the existing Medical Tower

The additional vertical circulation and Service / Passenger elevators will alleviate the vertical deficiencies caused by the addition, in the existing medical tower and the addition. More importantly, these will allow proper horizontal integration between the existing and renovated cancer services and the proposed new and future cancer and neonatal services. This retro fit is in addition to the new elevators in the proposed addition.

Capitalized Construction Interest and Loan Placement Fees on Extraordinary Costs

Capital interest and loan placement fees included in the project budget are for the entire costs of the hospital building. The costs associated with this line item also apply to the extraordinary costs. Because only the capitalized construction interest and loan placement fees associated with the costs in the "Building" budget line are considered in the MVS analysis, it is appropriate to adjust the cost of each of the above items that are included in the Building costs to include the associated capitalized construction interest.

Capitalized construction interest and loan placement fees were calculated as follows:

Hospital	New	Renovation	Total		
Building Cost	$84,625,169	$20,000,000	$104,625,169		
Subtotal Cost (w/o Cap Interest)	$110,625,169	$20,000,000	$130,625,169		
Subtotal/Total	84.7%	15.3%	Net Interest	Financing	Total
Total Project Cap Interest &Financing [(Subtotal Cost/Total Cost) X Total Cap Interest]	$7,552,566	$1,365,434	$8,868,000	$50,000	$8,918,000
Building/Subtotal	76.5%	100.0%			
Cap Interest & Financing for Building	$5,777,503	$1,365,434			
Associated with Extraordinary Costs	$4,768,028				
Applicable Cap Interest & Loan Place.	$1,009,474				

Eliminating all of the extraordinary costs reduces the project costs that should be compared to the MVS estimate. As noted below, the project's cost per square foot is approximate to the MVS benchmark.

C. Adjusted Project Cost		Per Square Foot
Building	$38,929,380	$251.79
Fixed Equipment	$0	$0.00
Site Preparation	$1,983,000	$12.83
Architectural Fees	$12,000,000	$77.61
Permits	$1,000,000	$6.47
Subtotal	$53,912,380	$348.70
Capitalized Construction Interest	$1,009,474	$6.53
Total	$54,921,854	$355.23

MVS Benchmark	$344.14
The Project	$355.23
Difference	$11.09
	3.22%

EXHIBIT 12

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Table of Contents

KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Directors
University of Maryland Medical System Corporation:

We have audited the accompanying consolidated financial statements of the University of Maryland Medical System Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2017 and 2016, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Maryland Medical System Corporation and Subsidiaries as of June 30, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in Schedules 1-8 is presented for purposes of additional

analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Baltimore, Maryland
October 26, 2017

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2017 and 2016

(In thousands)

Assets		2017	2016
Current assets:			
Cash and cash equivalents	$	476,201	523,169
Assets limited as to use, current portion		50,940	51,412
Accounts receivable:			
Patient accounts receivable, less allowance for doubtful accounts of $219,806 and $202,298 as of June 30, 2017 and 2016, respectively		378,148	331,055
Other		84,709	97,887
Inventories		60,883	59,738
Prepaid expenses and other current assets		36,023	25,381
Total current assets		1,086,904	1,088,642
Investments		742,949	645,534
Assets limited as to use, less current portion		776,387	750,179
Property and equipment, net		2,092,103	2,086,546
Investments in joint ventures		82,094	71,906
Other assets		328,867	323,275
Total assets	$	5,109,304	4,966,082
Liabilities and Net Assets			
Current liabilities:			
Trade accounts payable	$	271,602	249,543
Accrued payroll and benefits		233,544	253,337
Advances from third-party payors		131,941	124,717
Lines of credit		125,000	180,000
Short-term financing		—	150,000
Other current liabilities		182,688	147,522
Long-term debt subject to short-term remarketing arrangements		28,440	32,515
Current portion of long-term debt		40,937	37,592
Total current liabilities		1,014,152	1,175,226
Long-term debt, less current portion and amount subject to short-term remarketing arrangements		1,550,490	1,422,604
Other long-term liabilities		334,274	352,605
Interest rate swap liabilities		194,524	273,037
Total liabilities		3,093,440	3,223,472
Net assets:			
Unrestricted		1,711,329	1,459,280
Temporarily restricted		266,025	246,265
Permanently restricted		38,510	37,065
Total net assets		2,015,864	1,742,610
Total liabilities and net assets	$	5,109,304	4,966,082

See accompanying notes to consolidated financial statements.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2017 and 2016

(In thousands)

	2017	2016
Unrestricted revenues, gains and other support:		
Patient service revenue (net of contractual adjustments)	$ 3,669,619	3,544,050
Provision for bad debts	(184,597)	(176,198)
Net patient service revenue	3,485,022	3,367,852
Other operating revenue:		
State support	18,200	3,200
Premium revenue	268,060	140,958
Other revenue	136,408	156,939
Total unrestricted revenues, gains and other support	3,907,690	3,668,949
Operating expenses:		
Salaries, wages and benefits	1,836,434	1,751,856
Expendable supplies	704,724	674,994
Purchased services	538,698	552,426
Medical claims expense	252,118	127,636
Contracted services	226,690	216,562
Depreciation and amortization	219,749	200,764
Interest expense	57,197	57,464
Total operating expenses	3,835,610	3,581,702
Operating income	72,080	87,247
Nonoperating income and expenses, net:		
Contributions	5,425	3,769
St. Joseph escrow settlement	—	34,275
Equity in net income (loss) of joint ventures	3,856	(298)
Investment income, net	35,496	21,111
Change in fair value of investments	54,175	(36,443)
Change in fair value of undesignated interest rate swaps	76,797	(78,429)
Loss on early extinguishment of debt	(26,427)	—
Other nonoperating losses, net	(38,043)	(31,033)
Excess of revenues over expenses	$ 183,359	199

See accompanying notes to consolidated financial statements.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2017 and 2016

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at June 30, 2015	$ 1,457,227	245,653	36,201	1,739,081
Excess of revenues over expenses	199	—	—	199
Investment gains, net	—	(968)	(52)	(1,020)
State support for capital	—	4,364	—	4,364
Contributions, net	—	15,884	469	16,353
Net assets released from restrictions used for operations and nonoperating activities	—	(7,067)	—	(7,067)
Net assets released from restrictions used for purchase of property and equipment	10,417	(10,417)	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	(1,545)	—	(1,545)
Change in ownership interest of joint ventures	566	(36)	—	530
Amortization of accumulated loss of discontinued designated interest rate swap	1,765	—	—	1,765
Change in funded status of defined benefit pension plans	(10,643)	—	—	(10,643)
Asset reclassifications at request of donor	(847)	400	447	—
Other	596	(3)	—	593
Increase in net assets	2,053	612	864	3,529
Balance at June 30, 2016	1,459,280	246,265	37,065	1,742,610
Excess of revenues over expenses	183,359	—	—	183,359
Investment gains, net	—	4,519	489	5,008
State support for capital	—	23,029	—	23,029
Contributions, net	—	20,632	893	21,525
Net assets released from restrictions used for operations and nonoperating activities	—	(2,868)	—	(2,868)
Net assets released from restrictions used for purchase of property and equipment	33,038	(33,038)	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	4,395	63	4,458
Change in ownership interest of joint ventures	397	1,266	—	1,663
Amortization of accumulated loss of discontinued designated interest rate swap	1,716	—	—	1,716
Change in funded status of defined benefit pension plans	34,353	—	—	34,353
Asset reclassifications at request of donor	(1,853)	1,853	—	—
Other	1,039	(28)	—	1,011
Increase in net assets	252,049	19,760	1,445	273,254
Balance at June 30, 2017	$ 1,711,329	266,025	38,510	2,015,864

See accompanying notes to consolidated financial statements.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2017 and 2016

(In thousands)

	2017	2016
Cash flows from operating activities:		
Increase in net assets	$ 273,254	3,529
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	219,749	200,764
Provision for bad debts	184,597	176,198
Amortization of bond premium and deferred financing costs	919	1,944
Net realized gains and change in fair value of investments	(83,907)	28,046
Loss on early extinguishment of debt	26,427	—
Equity in net (income) loss of joint ventures	(3,856)	298
Change in economic and beneficial interests in net assets of related organizations	(4,458)	1,545
Change in fair value of interest rate swaps	(78,513)	76,665
Change in funded status of defined benefit pension plans	(34,353)	10,643
Restricted contributions, grants and other support	(21,525)	(16,353)
Change in operating assets and liabilities:		
Patient accounts receivable	(231,690)	(174,069)
Other receivables, prepaid expenses, other current assets and other assets	(8,700)	(45,510)
Inventories	(1,145)	(484)
Trade accounts payable, accrued payroll and benefits, other current liabilities and other long-term liabilities	57,976	22,842
Advances from third-party payors	7,224	(4,495)
Net cash provided by operating activities	301,999	281,563
Cash flows from investing activities:		
Purchases and sales of investments and assets limited as to use, net	8,691	47,619
Purchases of alternative investments	(175,688)	(120,788)
Sales of alternative investments	132,211	46,544
Acquisition of UM Health Plans, net of cash acquired	—	(30,747)
Purchases of property and equipment	(231,257)	(215,691)
(Contributions to)/distributions from joint ventures, net	(688)	3,031
Net cash used in investing activities	(266,731)	(270,032)

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2017 and 2016

(In thousands)

		2017	2016
Cash flows from financing activities:			
Proceeds from long-term debt	$	653,396	51,350
Repayment of long-term debt and capital leases		(698,460)	(54,171)
Draws on lines of credit, net		(55,000)	35,600
Payment of debt issuance costs		(3,697)	—
Restricted contributions, grants and other support		21,525	16,353
Net cash (used in) provided by financing activities		(82,236)	49,132
Net (decrease) increase in cash and cash equivalents		(46,968)	60,663
Cash and cash equivalents, beginning of year		523,169	462,506
Cash and cash equivalents, end of year	$	476,201	523,169
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest, net of amounts capitalized	$	56,330	56,478
Amount included in accounts payable for construction in progress		29,164	23,213
Supplemental disclosures of noncash information:			
Capital leases	$	1,276	2,309

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The University of Maryland Medical System Corporation (the Corporation or UMMS) is a private, not-for-profit corporation providing comprehensive healthcare services through an integrated regional network of hospitals and related clinical enterprises. UMMS was created in 1984 when its founding hospital was privatized by the State of Maryland. Over its 30 year history, UMMS evolved into a multi-hospital system with academic, community and specialty service missions reaching primarily across Maryland. In continuing partnership with the University of Maryland School of Medicine, UMMS operates healthcare programs that improve the physical and mental health of thousands of people each day.

The accompanying consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, and entities controlled by the Corporation. In addition, the Corporation maintains equity interests in various unconsolidated joint ventures, which are described in note 4. The significant operating divisions of the Corporation are described in further detail below.

All material intercompany balances and transactions have been eliminated in consolidation.

(i) Recent Acquisitions & Divestitures

University of Maryland Health Ventures, LLC (UMHV), a wholly owned subsidiary of UMMS, acquired 100% of the stock of Riverside Health, Inc. (Riverside) and its affiliates on August 17, 2015 (the Purchase Date). Concurrent with the transaction, Riverside Health, Inc. was renamed University of Maryland Medical System Health Plans, Inc. (UM Health Plans).

UM Health Plans is a holding company that operates as a managed healthcare and insurance organization in the State of Maryland and includes the following subsidiaries: University of Maryland Health Partners, formerly Riverside Health of Maryland, Inc. (UMHP), University of Maryland Health Advantage, Inc., formerly Riverside Advantage, Inc. (UMHA), Riverside Health of Delaware, Inc. (RHDE), and Riverside Health DC, Inc.

The transaction is described in more detail below.

(ii) University of Maryland Medical Center (Medical Center)

The University of Maryland Medical Center, which is a major component of UMMS, is an 816-bed academic medical center located in Baltimore. The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823. While the Corporation is not affiliated with the University System of Maryland, clinical faculty members of the School of Medicine serve as medical staff of the Medical Center.

The Medical Center is comprised of two operating divisions: University Hospital, which includes the Greenebaum Cancer Center, and Shock Trauma Center. University Hospital, which generates approximately 80% of the Medical Center's admissions and patient days, is a tertiary teaching hospital providing over 70 clinical services and programs. The Greenebaum Cancer Center specializes in the treatment of cancer patients and is a site for clinical cancer research. The Shock Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 20% of admissions and patient days.

The Medical Center's operations include g, LLC (UCARE), a physician hospital organization of which the Corporation has a majority ownership interest and therefore consolidates, and 36 South Paca Street, LLC, a wholly owned subsidiary of the Corporation that operates a residential apartment building.

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients. Total expense under these agreements in the years ended June 30, 2017 and 2016 was approximately $158,649,000 and $152,155,000, respectively.

(iii) University of Maryland Rehabilitation and Orthopaedic Institute (ROI)

ROI is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 134 licensed beds, including 88 rehabilitation beds, 36 chronic care beds, 10 medical/surgical beds, and off-site physical therapy facilities.

A related corporation, The James Lawrence Kernan Endowment Fund, Inc. (Kernan Endowment), is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of ROI. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the Kernan Endowment.

(iv) University of Maryland Medical Center Midtown Campus (Midtown)

Midtown is located in Baltimore city and is comprised of University of Maryland Midtown Hospital (UM Midtown), a 208-bed acute care hospital and a wholly owned subsidiary providing primary care.

(v) University of Maryland Baltimore Washington Medical System, Inc. (Baltimore Washington)

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of University of Maryland Baltimore Washington Medical Center (UM Baltimore Washington), a 319-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services.

Baltimore Washington Medical Center Foundation, Inc. (BWMC Foundation) is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of UM Baltimore Washington. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the BWMC Foundation.

(vi) University of Maryland Shore Regional Health System (Shore Regional)

Shore Regional is a health system located on the Eastern Shore of Maryland. Shore Regional owns and operates University of Maryland Memorial Hospital (UM Memorial), a 132-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland; University of Maryland Dorchester Hospital (UM Dorchester), a 41-bed acute care hospital providing inpatient and outpatient services in Cambridge, Maryland; University of Maryland Chester River Hospital Center (UM Chester River), a 41-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne's counties; Shore Emergency Center at Queenstown (Shore Emergency Center), a free-standing emergency center; Memorial Hospital Foundation (Memorial Foundation), a nonprofit corporation established to solicit donations for the benefit of UM Memorial; Chester River Health Foundation (Chester River Foundation), a nonprofit corporation established to solicit donations for the benefit of UM Chester River; and several other subsidiaries providing various outpatient and home care services.

Dorchester General Hospital Foundation, Inc. (Dorchester Foundation) is governed by a separate, independent board of directors to raise funds on behalf of UM Dorchester. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation, and accordingly, the accompanying consolidated financial statements reflect a beneficial interest in the net assets of the Dorchester Foundation.

(vii) University of Maryland Charles Regional Health System, Inc. (Charles Regional)

Charles Regional owns and operates University of Maryland Charles Regional Medical Center (UM Charles Regional), which is comprised of a 121-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland.

(viii) University of Maryland St. Joseph Health System, LLC (St. Joseph)

St. Joseph owns and operates University of Maryland St. Joseph Medical Center (UM St. Joseph), a 232-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County.

(ix) University of Maryland Upper Chesapeake Health System (Upper Chesapeake)

Upper Chesapeake is a health system located in Harford County, Maryland. Upper Chesapeake's healthcare delivery system includes two acute care hospitals, University of Maryland Upper Chesapeake Medical Center (UM Upper Chesapeake), a 181-bed acute care hospital and University of Maryland Harford Memorial Hospital (UM Harford Memorial), an 89-bed acute care hospital; a physician practice; a captive insurance company; a land holding company; and Upper Chesapeake Health Foundation.

(x) University of Maryland Medical System Foundation, Inc. (UMMS Foundation)

The UMMS Foundation, a not-for-profit foundation, was established for the purpose of soliciting contributions on behalf of the Corporation.

(xi) University of Maryland Community Medical Group, LLC (CMG)

CMG is a physician network that employs more than 300 primary care physicians, specialists and advanced practice providers. CMG is a wholly owned subsidiary of UMMS and has over 75 locations across the state of Maryland.

(xii) University of Maryland Medical System Health Plans Inc. (UM Health Plans)

UM Health Plans (formerly Riverside Health Inc.), a Delaware corporation, is a public sector managed healthcare company based in Baltimore, Maryland. UM Health Plans is the parent company of: University of Maryland Health Partners (UMHP) which provides managed care health coverage to Medicaid recipients throughout Maryland; University of Maryland Health Advantage, Inc. (UMHA), a Medicare Advantage Plan; Riverside Health of Delaware Inc. (RHDE) and Riverside Health DC, Inc.

On August 17, 2015, UMHV, a wholly owned subsidiary of UMMS, purchased all of the outstanding shares of UM Health Plans for approximately $42,250,000 in cash, net working capital and convertible promissory notes. In addition, the Stock Purchase Agreement included an earn-out payment clause for the previous stockholders of UM Health Plans, the final computation of which is not to be determined until March 31, 2020. This earn-out could result in an undiscounted payment ranging from $7,000,000 to $106,500,000 depending on the performance and membership of both plans. UMHV has recorded a contingent consideration liability representing a discounted estimate of the future payment of the earn-out provision of approximately $35,700,000, which is included within other long-term liabilities in the accompanying consolidated balance sheets.

The acquisition was accounted for under the purchase accounting method for business combinations and the financial position and results of operations of UM Health Plans were consolidated by the Corporation beginning on August 17, 2015.

The following table summarizes the estimated fair value of UM Health Plan's assets acquired and liabilities assumed at August 17, 2015 (the acquisition date) (in thousands):

Assets:		
Current assets	$	29,786
Property and equipment		3,750
Goodwill		42,020
Other long-term assets		46,638
Total assets	$	122,194

(Continued)

Liabilities:		
Current liabilities	$	28,226
Long-term liabilities		16,249
Total liabilities		44,475
Net assets:		
Unrestricted		77,719
Temporarily restricted		—
Total net assets		77,719
Total liabilities and net assets	$	122,194

The following table summarizes the Corporation's pro forma consolidated results as though the acquisition date occurred at July 1, 2015 (in thousands):

Operating revenues	$	3,685,503
Net operating income		85,969
Changes in net assets:		
Unrestricted	$	775
Temporarily restricted		612
Permanently restricted		864
Total changes in net assets	$	2,251

(b) Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(c) Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less from the date of purchase.

(d) Investments and Assets Limited as to Use

The Corporation's investment portfolios are classified as trading, and are reported in the consolidated balance sheets at their fair value, based on quoted market prices, at June 30, 2017 and 2016. Unrealized holding gains and losses on trading securities with readily determinable market values are

included in nonoperating income. Investment income, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations.

Assets limited as to use include investments set aside at the discretion of the board of directors for the replacement or acquisition of property and equipment, investments held by trustees under bond indenture agreements and self-insurance trust arrangements, and assets whose use is restricted by donors. Such investments are stated at fair value. Amounts required to meet current liabilities have been included in current assets in the consolidated balance sheets. Changes in fair values of donor-restricted investments are recorded in temporarily restricted net assets unless otherwise required by the donor or state law.

Assets limited as to use also include the Corporation's economic interests in financially interrelated organizations (note 12).

Alternative investments are recorded under the equity method of accounting. Underlying securities of these alternative investments may include certain debt and equity securities that are not readily marketable. Because certain investments are not readily marketable, their fair value is subject to additional uncertainty, and therefore values realized upon disposition may vary significantly from current reported values.

Investments are exposed to certain risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially differ from the amounts reported in the accompanying consolidated financial statements.

(e) Inventories

Inventories, consisting primarily of drugs and medical/surgical supplies, are carried at the lower of cost or market, on a first-in, first-out basis.

(f) Economic Interests in Financially Interrelated Organizations

The Corporation recognizes its rights to assets held by recipient organizations, which accept cash or other financial assets from a donor and agree to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to the Corporation. Changes in the Corporation's economic interests in these financially interrelated organizations are recognized in the consolidated statements of changes in net assets.

(g) Property and Equipment

Property and equipment are stated at cost, or estimated fair value at date of contribution, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful

lives of the depreciable assets using half-year convention. The estimated useful lives of the assets are as follows:

Buildings	20 to 40 years
Building and leasehold improvements	5 to 15 years
Equipment	3 to 15 years

Interest costs incurred on borrowed funds less interest income earned on the unexpended bond proceeds during the period of construction are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(h) Deferred Financing Costs

Costs incurred related to the issuance of long-term debt, which are included in long-term debt, are deferred and are amortized over the life of the related debt agreements or the related letter of credit agreements using the effective-interest method.

(i) Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is evaluated for impairment at least annually using a qualitative assessment to determine whether there are events or circumstances that indicate it is more likely than not that the fair value of the reporting unit is less than its carrying value, which determines whether a quantitative goodwill impairment test is necessary. Under the quantitative assessment, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, goodwill impairment exists for the reporting unit and the entity must record an impairment loss. As of June 30, 2017 and 2016, the Corporation had one reporting unit, which included all subsidiaries of the Corporation and held goodwill on its consolidated balance sheet of $90,830,000.

Based on the Corporation’s qualitative assessment, it was determined that there was no goodwill impairment for the years ended June 30, 2017 or 2016. Accumulated impairment loss was $0 at June 30, 2017 and 2016.

The changes in the carrying amount of goodwill are as follows (in thousands):

		2017	2016
Goodwill, beginning of year	$	90,830	48,810
Current year acquisitions		—	42,020
Goodwill, end of year	$	90,830	90,830

(j) Contingent Consideration for Business Acquisitions

Acquisitions may include contingent consideration payments based on future financial measures of an acquired company. Contingent consideration is required to be recognized at fair value as of the acquisition date. The fair value of these liabilities is estimated based on financial projections of the acquired companies and estimated probabilities of achievement and discount the liabilities to present value using a weighted average cost of capital. Contingent consideration is valued using significant inputs that are not observable in the market, which are defined as Level 3 inputs pursuant to fair value measurement accounting. At each reporting date, the contingent consideration obligation is revalued to estimated fair value and changes in fair value subsequent to the acquisition are reflected in operating income in the consolidated statements of operations. Changes in the fair value of contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of revenue and/or earnings estimates, and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria.

(k) Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

No impairment losses were recorded for the years ended June 30, 2017 or 2016.

(l) Investments in Joint Ventures

When the Corporation does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Corporation applies the equity method of accounting.

(m) Self-Insurance

Under the Corporation's self-insurance programs (general and professional liability, workers' compensation, and employee health and long-term disability benefits), claims are reflected as a

present-value liability based upon actuarial estimates and reported and incurred but not reported claims analysis, taking into consideration the severity of incidents and the expected timing of claim payments.

(n) Net Assets

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts, and grants, which have no donor-imposed restrictions or which arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes. The restrictions associated with these net assets generally pertain to patient care, specific capital projects, and funding of specific hospital operations and community outreach programs.

(o) Net Patient Service Revenue and Provision for Uncollectible Accounts

Patient service revenue for the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, and Upper Chesapeake reflects actual charges to patients based on rates established by the State of Maryland Health Services Cost Review Commission (HSCRC) in effect during the period in which the services are rendered, net of contractual adjustments. Contractual adjustments represent the difference between amounts billed as patient service revenue and amounts allowed by third-party payors. Such adjustments include discounts on charges as permitted by the HSCRC. See note 18 for further discussion on the HSCRC and regulated rates.

The Corporation records revenues and accounts receivable from patients and third-party payors at their estimated net realizable value. Revenue is reduced for anticipated discounts under contractual arrangements and for charity care. An estimated provision for bad debts is recorded in the period the related services are provided based upon anticipated uncompensated care, and is adjusted as additional information becomes available.

The provision for bad debts is based upon management’s assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for bad debts and to establish an allowance for uncollectible receivables. After collection of amounts due from insurers, the Corporation follows internal guidelines for placing certain past due balances with collection agencies.

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for bad debts, allowance for contractual adjustments, provision for bad debts, and contractual adjustments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients or with balances remaining after the third-party coverage has already paid, the Corporation records a significant provision for bad debts in the period of service on the basis of its historical collections, which indicates that many patients ultimately do not pay the portion of their bill for which they are financially responsible. The difference between the discounted rates and the amounts collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts. The change in the allowance for doubtful accounts was as follows during the years ended June 30 (in thousands):

		2017	2016
Beginning allowance for doubtful accounts	$	202,298	248,054
Plus provision for bad debt		184,597	176,198
Less bad debt write-offs		(167,089)	(221,954)
Ending allowance for doubtful accounts	$	219,806	202,298

The change in the allowance for doubtful accounts during 2017 is attributable to changes in trends experienced in the collection of the related patient receivables.

(p) Premium Revenue and Medical Claims Expense

Premium revenue consists of amounts received from the State of Maryland and the Centers for Medicare and Medicaid Services (CMS) by the Corporation's managed care organization for providing medical services to subscribing participants, regardless of services actually performed. The managed care organization provides services primarily to enrolled Medicaid and Medicare beneficiaries. This revenue is recognized ratably over the contractual period for the provision of services. Medical expenses of the managed care organization include actuarially determined estimates of the ultimate costs for both reported claims and claims incurred but unreported and are included in purchased services on the consolidated statements of operations and changes in net assets.

(Continued)

(q) Charity Care

The Corporation is committed to providing quality healthcare to all, regardless of one's ability to pay. Patients who meet the criteria of its charity care policy receive services without charge or at amounts less than its established rates. The criteria for charity care consider the household income in relation to the federal poverty guidelines. The Corporation provides services at no charge for patients with adjusted gross income equal to or less than 200% of the federal poverty guidelines. For uninsured patients with adjusted gross income greater than 200% of the federal poverty guidelines, a sliding scale discount is applied. Income and asset information obtained from patient credit reporting data are used to determine patients' ability to pay. The Corporation maintains records to identify and monitor the level of charity care it furnished under its charity care policy. The charity care policies of the new affiliates are generally consistent with that of the Corporation's policy.

Due to the complexity of the eligibility process, the Corporation provides eligibility services to patients free of charge to assist in the qualification process. These eligibility services include, but are not limited to, the following:

- Financial assistance brochures and other information are posted at each point of service. When patients have questions or concerns, they are encouraged to call a toll-free number to reach customer service representatives during the business day. Financial assistance programs are published on the Corporation's Web site and included on the statements provided to patients.
- The Corporation offers assistance to patients in completing the applications for Medicaid or other government payment assistance programs, or applying for care under the Corporation's charity care policy, if applicable. The Corporation also employs an external firm to assist in the eligibility process.
- Any patient, whether covered by insurance or not, may meet with a UMMS representative and receive financial counseling from UMMS' dedicated financial assistance unit.

The Corporation recognizes that a large number of uninsured and insured patients meet the charity care guidelines but do not respond to the Corporation's attempts to obtain necessary financial information. In these instances, the Corporation uses credit reporting data to properly classify these unpaid balances as charity care as opposed to bad debt expense. Utilization of income and asset information and credit reporting data indicate the vast majority of amounts reported as provision for bad debts represent amounts due from patients that would otherwise qualify for charity benefits but do not respond to the Corporation's attempts to obtain the necessary financial information. In these cases, reasonable collection efforts are pursued, but yield few collections. Amounts determined to meet the criteria under the charity care policy are not reported as net patient service revenue.

The amounts reported as charity care represent the cost of rendering such services. Costs incurred are estimated based on the cost-to-charge ratio for each hospital and applied to charity care charges. The Corporation estimates the total direct and indirect costs to provide charity care were $36,195,000 and $48,149,000 for the years ended June 30, 2017 and 2016, respectively.

(r) Nonoperating Income and Expenses, Net

Other activities that are only indirectly related to the Corporation's primary business of delivering healthcare services are recorded as nonoperating income and expenses, and include investment income, equity in the net income of joint ventures, general donations and fund-raising activities, escrow settlements, gains on sale of joint venture interest, changes in fair value of investments, changes in fair value of undesignated interest rate swaps, settlement payments on interest rate swaps that do not qualify for hedge accounting treatment, and loss on early extinguishment of debt. Settlement payments on interest rate swaps were approximately $23,469,000 and $25,289,000 for the years ended June 30, 2017 and 2016, respectively, and are reported within other nonoperating losses, net.

(s) Derivative Financial Instruments

The Corporation records derivative and hedging activities on the consolidated balance sheets at their respective fair values.

The Corporation utilizes derivative financial instruments to manage its interest rate risks associated with long-term tax-exempt debt. The Corporation does not hold or issue derivative financial instruments for trading purposes.

The Corporation's specific goals are to (a) manage interest rate sensitivity by modifying the reprising or maturity characteristics of some of its tax-exempt debt, and (b) lower unrealized appreciation or depreciation in the market value of the Corporation's fixed-rate tax-exempt debt when that market value is compared with the cost of the borrowed funds. The effect of this unrealized appreciation or depreciation in market value, however, will generally be offset by the income or loss on the derivative instruments that are linked to the debt.

The Corporation formally documents all hedge relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. On the date the derivative contract is entered into, the Corporation may designate the derivative as either a hedge of the fair value of a recognized or forecasted liability (fair value hedge) or a hedge of the variability of cash flows to be received or paid related to a recognized liability (cash flow hedge), provided the derivative instrument meets certain criteria related to its effectiveness. This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific liabilities on the consolidated balance sheets. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

All derivative instruments are reported as other assets or interest rate swap liabilities in the consolidated balance sheets and measured at fair value. Derivatives not designated as hedges or not meeting effectiveness criteria are carried at fair value with changes in the fair value recognized in other nonoperating income and expenses. For the years ended June 20, 2017 and 2016, none of the Corporation's derivatives qualify for hedge accounting.

Changes in the fair value of derivative instruments are included in or excluded from the excess of revenues over expenses depending on the use of the derivative and whether it qualifies for hedge accounting treatment. Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with the changes in the fair value of the hedged item related to the risk being hedged, are included in the excess of revenues over expenses. Changes in the fair value of a derivative that is designated as a cash flow hedge are excluded from the excess of revenues over expenses to the extent that the hedge is effective until the excess of revenues over expenses is affected by the variability of cash flows in the hedged transaction. Changes in the fair value that relate to ineffectiveness are included in the excess of revenues over expenses as interest expense.

(t) Excess of Revenue over Expenses

The consolidated statements of operations includes a performance indicator, excess of revenue over expenses. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets), pension-related changes other than net periodic pension costs, change in the fair value of derivatives that qualify for hedge accounting, and other items that are required by generally accepted accounting principles to be reported separately.

(u) Income Taxes

The Corporation and most of its subsidiaries are not-for-profit corporations formed under the laws of the State of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code pursuant to Section 501(a) of the Code. The effect of the taxable status of its for-profit subsidiaries is not material to the consolidated financial statements.

The Corporation has net operating loss carryforwards on for-profit and unrelated business activities of approximately $59,189,000 and $51,888,000 as of June 30, 2017 and June 30, 2016, respectively, which expire at various dates through 2031. The Corporation’s remaining deferred tax assets, which consist primarily of the net operating loss carryforwards, of approximately $23,676,000 at June 30, 2017 and $20,755,000 at June 30, 2016 are fully reserved as they are not expected to be utilized. The Corporation has a deferred tax liability in the amount of $17,356,000 and $17,361,000 related to indefinite-lived intangibles at June 30, 2017 and June 30, 2016, respectively, which is included in other long-term liabilities on the accompanying consolidated balance sheets.

The Corporation follows a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management does not believe that there are any unrecognized tax benefits that should be recognized.

(v) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the promise becomes unconditional. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Such amounts are classified as other revenue or transfers and additions to property and equipment.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contributions, and nature of fund-raising activity.

The Corporation follows accounting guidance for classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management Institutional Funds Act of 2006 (UPMIFA).

(w) Fair Value Measurements

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

Cash and cash equivalents, accounts receivable, assets limited as to use, investments, trade accounts payable, accrued payroll and benefits, other accrued expenses, and advances from third-party payors – The carrying amounts reported in the consolidated balance sheets approximate the related fair values.

Pension plan assets – The Corporation applies Accounting Standards Update (ASU) No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan assets. The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value (NAV) or its equivalent. The alternative investments classified within of the fair value hierarchy have been recorded using the (NAV).

The Corporation discloses its financial assets, financial liabilities, and fair value measurements of nonfinancial items according to the fair value hierarchy required by GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs are unobservable inputs for the asset or liability.

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. The Corporation uses techniques consistent with the market approach and the income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

As of June 30, 2017 and 2016, the Level 2 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

(i) Cash Equivalents

The fair value of investments in cash equivalent securities, with maturities within three months of the date of purchase, is determined using techniques that are consistent with the market approach. Significant observable inputs include reported trades and observable broker-dealer quotes.

(ii) U.S. Government and Agency Securities

The fair value of investments in U.S. government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

(iii) Corporate Bonds

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds and foreign government bonds, is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

(iv) Collateralized Corporate Obligations

The fair value of collateralized corporate obligations is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

(v) Derivative Liabilities

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, treasury yields, volatilities, credit spreads, maturity, and recovery rates.

(x) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(y) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(z) New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The ASU requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 is effective for fiscal year 2019. The Corporation expects to record a decrease in net patient service revenue related to self-pay patients and a corresponding decrease in bad debt expense upon the adoption of the standard.

The FASB issued ASU No. 2015-03, *Interest – Imputation of Interest*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. ASU No. 2015-03 is effective for fiscal year 2017. The Corporation adopted ASU No. 2015-03 for fiscal year 2017 and the change has been applied retrospectively to July 1, 2015, which resulted in a decrease in assets and liabilities of $8,451,000 and $9,531,000, respectively, for the years ended June 30, 2017 and 2016.

The FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*. This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The Corporation adopted ASU No. 2015-07 for fiscal year 2017. This change has been applied retrospectively to July 1, 2015 and was a disclosure only impact. There was no impact on the consolidated balance sheets, consolidated statements of operations, or consolidated statements of changes in net assets.

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require lessees to recognize most leases on balance sheet, increasing their reported assets and liabilities – sometimes very significantly. This update was developed to provide financial statement users with more information about an entity's leasing activities, and will require changes in processes and internal controls. The adoption of ASU No. 2016-02 is effective fiscal year 2020, and will require application of the new guidance at the beginning of the earliest comparable period presented. Early adoption is permitted. The Corporation is in the process of assessing the impact the adoption of this standard will have on the consolidated financial statements.

The FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958)*, to improve the current net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. This update requires not-for-profit entities to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions), rather than the three classes of net assets currently required, and other qualitative information regarding the entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Corporation is in the process of assessing the impact the adoption of this standard will have on the consolidated financial statements.

The FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Topic 205-40)*. This ASU establishes the requirement for management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. The Corporation adopted ASU No. 2014-15 for fiscal year 2017. Management performed an evaluation as required in this amendment and determined there are no conditions or events that raise substantial doubt about the Corporation's ability to continue as a going concern.

The FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments in this ASU require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost as defined in paragraphs 715-30-35-4 and 715-60-35-9 are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments also allow only the service cost component to be eligible for capitalization when applicable (e.g., as a cost of internally manufactured inventory or a self-constructed asset). ASU No. 2017-07 is effective for fiscal year 2020. This ASU requires retrospective application to all prior periods presented. The Corporation does not anticipate that the adoption of this ASU will have a material impact on its financial position and results of operations.

(2) Investments and Assets Limited as to Use

The carrying values of Assets Limited as to Use were as follows at June 30 (in thousands):

	2017	2016
Investments held for collateral	$ 122,646	177,998
Debt service and reserve funds	54,411	66,712
Construction funds – held by the Corporation	107,490	41,986
Board designated funds	109,466	117,502
Self-insurance trust funds	180,220	154,327
Funds restricted by donors	60,751	55,181
Economic and beneficial interests in the net assets of related organizations (note 12)	192,343	187,885
Total Assets Limited as to Use	827,327	801,591
Less amounts available for current liabilities	(50,940)	(51,412)
Total Assets Limited as to Use, less current portion	$ 776,387	750,179

(Continued)

The carrying values of Assets Limited as to Use were as follows at June 30, 2017 (in thousands):

	Investments held for collateral	Debt service and reserve funds	Construction funds	Board designated funds	Self-insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents	$ 4,958	31,624	97,562	10,154	12,991	7,850	—	165,139
Corporate bonds	—	—	633	13,334	2,883	6,483	—	23,333
Collateralized corporate obligations	—	—	220	109	—	258	—	587
U.S. government and agency securities	117,688	22,787	283	140	283	331	—	141,512
Common stocks, including mutual funds	—	—	2,479	49,225	—	23,409	—	75,113
Alternative investments	—	—	6,313	36,504	—	22,420	—	65,237
Assets held by other organizations	—	—	—	—	164,063	—	192,343	356,406
Total Assets Limited as to Use	$ 122,646	54,411	107,490	109,466	180,220	60,751	192,343	827,327

The carrying values of Assets Limited as to Use were as follows at June 30, 2016 (in thousands):

	Investments held for collateral	Debt service and reserve funds	Construction funds	Board designated funds	Self-insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents	$ 52,568	41,826	32,385	16,656	11,178	7,567	—	162,180
Corporate bonds	—	—	680	18,212	2,904	6,690	—	28,486
Collateralized corporate obligations	—	—	91	45	—	153	—	289
U.S. government and agency securities	125,430	24,886	268	133	204	449	—	151,370
Common stocks, including mutual funds	—	—	2,513	46,114	—	16,601	—	65,228
Alternative investments	—	—	6,049	36,342	—	23,721	—	66,112
Assets held by other organizations	—	—	—	—	140,041	—	187,885	327,926
Total Assets Limited as to Use	$ 177,998	66,712	41,986	117,502	154,327	55,181	187,885	801,591

Self-insurance trust funds include amounts held by the Maryland Medicine Comprehensive Insurance Program (MMCIP) for payment of malpractice claims. These assets consist primarily of stocks, fixed-income corporate obligations, and alternative investments. MMCIP is a funding mechanism for the Corporation's malpractice insurance program. As MMCIP is not an insurance provider, transactions with MMCIP are recorded under the deposit method of accounting. Accordingly, the Corporation accounts for its participation in MMCIP by carrying limited-use assets representing the amount of funds contributed to MMCIP and recording a liability for claims, which is included in other current and other long-term liabilities in the accompanying consolidated balance sheets.

(Continued)

The carrying values of investments were as follows at June 30 (in thousands):

	2017	2016
Cash and cash equivalents	$ 37,160	42,382
Corporate bonds	52,440	52,175
Collateralized corporate obligations	14,573	5,567
U.S. government and agency securities	22,195	19,274
Common stocks	181,117	158,936
Alternative investments:		
Hedge funds/private equity	110,830	56,400
Commingled funds	324,634	310,800
	$ 742,949	645,534

Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2017, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. There are funds, totaling approximately $52,500,000, which are subject to 31-60 day notice requirements and can be redeemed monthly, quarterly, or annually. Other funds, totaling approximately $62,000,000, are subject to over 60-day notice requirements and can be redeemed monthly, quarterly, or annually. Of the funds with over 60-day notice requirements, approximately $13,500,000 are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. In addition, there are approximately $6,200,000 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. The Corporation had $2,990,000 of unfunded commitments in alternative investments as of June 30, 2017.

As of June 30, 2016, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. There are funds, totaling approximately $6,000,000, which are subject to 31-60 day notice requirements and can be redeemed on at least a monthly basis. Of the funds with 31-60 day notice requirements, approximately $3,700,000 are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. Other funds, totaling approximately $80,700,000, are subject to over 60-day notice requirements and can be redeemed monthly, quarterly, or annually. Of the funds with over 60-day notice requirements, approximately $17,700,000 are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. In addition, there are approximately $9,200,000 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. The Corporation had $4,077,000 of unfunded commitments in alternative investments as of June 30, 2016.

(Continued)

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis excluding alternative investments in the amount of $435,464 and $65,237, respectively, which are accounted for under the equity method at June 30, 2017 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Cash and cash equivalents	$ 37,160	—	—	37,160
Corporate bonds	31,421	21,019	—	52,440
Collateralized corporate obligations	—	14,573	—	14,573
U.S. government and agency securities	10,610	11,585	—	22,195
Common and preferred stocks, including mutual funds	180,999	118	—	181,117
	260,190	47,295	—	307,485
Assets limited as to use:				
Cash and cash equivalents	133,678	31,461	—	165,139
Corporate bonds	19,786	3,547	—	23,333
Collateralized corporate obligations	—	587	—	587
U.S. government and agency securities	118,127	23,385	—	141,512
Common and preferred stocks, including mutual funds	75,113	—	—	75,113
Investments held by other organizations	—	356,406	—	356,406
	346,704	415,386	—	762,090
	$ 606,894	462,681	—	1,069,575

(Continued)

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis excluding alternative investments in the amount of $367,200 and $66,112, respectively, which are accounted for under the equity method at June 30, 2016 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Cash and cash equivalents	$ 42,382	—	—	42,382
Corporate bonds	39,215	12,960	—	52,175
Collateralized corporate obligations	—	5,567	—	5,567
U.S. government and agency securities	8,879	10,395	—	19,274
Common and preferred stocks, including mutual funds	158,817	119	—	158,936
	249,293	29,041	—	278,334
Assets limited as to use:				
Cash and cash equivalents	120,371	41,809	—	162,180
Corporate bonds	25,137	3,349	—	28,486
Collateralized corporate obligations	—	289	—	289
U.S. government and agency securities	125,922	25,448	—	151,370
Common and preferred stocks, including mutual funds	65,228	—	—	65,228
Investments held by other organizations	—	327,926	—	327,926
	336,658	398,821	—	735,479
	$ 585,951	427,862	—	1,013,813

Changes to Level 1 and Level 2 securities between June 30, 2017 and 2016 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments.

(Continued)

The Corporation's total return on its investments and assets limited as to use was as follows for the years ended June 30 (in thousands):

		2017	2016
Dividends and interest, net of fees	$	10,772	11,694
Net realized gains		26,827	11,559
Change in fair value of trading securities		57,080	(39,605)
Total investment return	$	94,679	(16,352)

Total investment return (loss) is classified in the consolidated statements of operations as follows for the years ended June 30 (in thousands):

		2017	2016
Nonoperating investment income	$	35,496	21,111
Change in fair value of unrestricted investments		54,175	(36,443)
Investment gains on restricted net assets		5,008	(1,020)
Total investment return (loss)	$	94,679	(16,352)

Investment return does not include the returns on the economic interests in the net assets of related organizations, the returns on the self-insurance trust funds, returns on undesignated interest rates swaps, or the returns on certain construction funds where amounts have been capitalized.

(3) Property and Equipment

The following is a summary of property and equipment at June 30 (in thousands):

		2017	2016
Land	$	148,905	142,256
Buildings		1,480,610	1,465,218
Building and leasehold improvements		808,738	775,638
Equipment		1,485,195	1,596,086
Construction in progress		132,740	119,031
		4,056,188	4,098,229
Less accumulated depreciation and amortization		(1,964,085)	(2,011,683)
	$	2,092,103	2,086,546

Interest cost capitalized was $0 for both years ended June 30, 2017 and 2016.

(Continued)

Remaining commitments on construction projects were approximately $59,735,000 at June 30, 2017.

Construction in progress includes building and renovation costs for assets that have not yet been placed into service. These costs relate to major construction projects as well as routine renovations under way at the Corporation's facilities.

(4) Investments in Joint Ventures

The Corporation has investments of $82,094,000 and $71,906,000 at June 30, 2017 and 2016, respectively, in the following unconsolidated joint ventures:

Joint venture	Business purpose	Ownership percentage	
		FY 2017	FY 2016
Shipley's Imaging Center, LLC	Freestanding imaging center	50 %	50 %
Maryland Care, Inc.	Managed care organization	(a)	(a)
Innovative Health Services, LLC	Third-party insurance claims processor	50	50
Terrapin Insurance Company (Terrapin)	Healthcare professional liability insurance company	50	50
Mt. Washington Pediatric Hospital, Inc. (Mt. Washington)	Healthcare services	50	50
Central Maryland Radiation Oncology Center LLC	Healthcare services	50	50
University of Maryland Medicine ASC, LLC	Ambulatory surgical services	50	—
Chesapeake-Potomac Healthcare Alliance	Healthcare services	33	33
Civista Ambulatory Surgery Center, Inc.	Ambulatory surgical services	50	50
NRH/CPT/St. Mary's/Civista Regional Rehab, LLC	Medical rehabilitative and therapy services	15	15
UM SJMC Choice One Urgent Care Centers	Urgent care centers	25	25
UM UCHS Choice One Urgent Care Centers	Urgent care centers	49	49
UM SRH Choice One Urgent Care Centers	Urgent care centers	49	49

(Continued)

Joint venture	Business purpose	Ownership percentage FY 2017	Ownership percentage FY 2016
Maryland eCare, LLC	Remote monitoring technology	14 %	14 %
MRI at St. Joseph Medical Center, LLC	Healthcare services	51	51
Advanced/Upper Chesapeake Health Center, LLC	Imaging center	10	10

(a) UMMS sold its 20% ownership interest during August 2015.

The Corporation recorded equity in net income (losses) of $3,856,000 and $(298,000) related to these joint ventures for the years ended June 30, 2017 and 2016, respectively.

The following is a summary of the Corporation's joint ventures' combined unaudited condensed financial information as of and for the years ended June 30 (in thousands):

	2017				
	Mt. Washington	Terrapin	Choice One*	Others	Total
Current assets	$ 26,025	24,240	3,470	21,646	75,381
Noncurrent assets	92,483	221,844	5,525	17,925	337,777
Total assets	$ 118,508	246,084	8,995	39,571	413,158
Current liabilities	$ 13,273	106	420	5,276	19,075
Noncurrent liabilities	8,255	244,028	183	1,033	253,499
Net assets	96,980	1,950	8,392	33,262	140,584
Total liabilities and net assets	$ 118,508	246,084	8,995	39,571	413,158
Total operating revenue	$ 58,271	(5,670)	5,702	47,439	105,742
Total operating expenses	(54,822)	(5,456)	(7,313)	(43,496)	(111,087)
Total nonoperating gains/(losses), net	4,722	11,126	—	11	15,859
Contributions from (to) owners	—	—	7,116	(65)	7,051
Other changes in net assets, net	3,326	—	344	(1,070)	2,600
Increase (decrease) in net assets	$ 11,497	—	5,849	2,819	20,165

* Choice One is the combination of UM SJMC, UM UCHS, and UM SRH Choice One Urgent Care Centers

(Continued)

	2016				
	Mt. Washington	Terrapin	Choice One*	Others	Total
Current assets	$ 24,976	9,513	2,759	19,184	56,432
Noncurrent assets	83,436	199,572	3,620	16,121	302,749
Total assets	$ 108,412	209,085	6,379	35,305	359,181
Current liabilities	$ 14,437	105	448	4,947	19,937
Noncurrent liabilities	8,492	207,030	32	972	216,526
Net assets	85,483	1,950	5,899	29,386	122,718
Total liabilities and net assets	$ 108,412	209,085	6,379	35,305	359,181
Total operating revenue	$ 56,811	34,150	2,659	57,925	151,545
Total operating expenses	(53,853)	(31,515)	(3,137)	(52,071)	(140,576)
Total nonoperating gains (losses), net	455	(2,635)	(6)	(5,560)	(7,746)
Contributions from (to) owners	—	—	1,365	(3,971)	(2,606)
Other changes in net assets, net	(1,516)	—	5,018	(1,552)	1,950
Increase (decrease) in net assets	$ 1,897	—	5,899	(5,229)	2,567

* Choice One is the combination of UM SJMC, UM UCHS, and UM SRH Choice One Urgent Care Centers

(5) Leases

The Corporation rents various equipment and facility space. Rent expense under these operating leases for the years ended June 30, 2017 and 2016 was approximately $25,215,000 and $24,594,000, respectively.

Future noncancelable minimum lease payments under operating leases are as follows for the years ending June 30 (in thousands):

2018	$ 12,080
2019	11,707
2020	8,475
2021	5,427
2022	4,396
Thereafter	12,460
	$ 54,545

(Continued)

The Corporation rents property used for administration under a 99-year lease. The lease was recorded as a capital lease, and the Corporation recorded assets at their respective fair values of $3,770,000 and $29,230,000 for land and buildings, respectively. The lease includes an option for the Corporation to purchase the property during the period from April 20, 2017 to February 28, 2021 for a purchase price of not less than $37,000,000 but not more than $45,000,000, as determined by appraisals. In addition, the lease agreement includes a put option exercisable through February 28, 2021, whereby the lessor may require the Corporation to purchase the building for $37,000,000. As of June 30, 2017 and 2016, amounts of $37,198,000 and $36,744,000, respectively, representing obligations under the lease have been recorded in other current liabilities.

As of June 30, 2017, amounts of $2,434,000 and $14,891,000 representing obligations under all other capital leases are included in other current liabilities and other long-term liabilities, respectively.

The following is a summary of all property and equipment under capital leases at June 30 (in thousands):

	2017	2016
Land	$ 3,770	3,770
Buildings	29,230	29,230
Equipment	25,176	23,899
	58,176	56,899
Less accumulated amortization	(18,129)	(12,338)
	$ 40,047	44,561

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, are as follows as of June 30, 2017 (in thousands):

2018	$ 42,153
2019	2,460
2020	2,318
2021	1,187
2022	860
Thereafter	13,379
Total minimum lease payments	62,357
Less amounts representing interest	(7,834)
Present value of net minimum lease payments	$ 54,523

(Continued)

(6) Lines of Credit

Lines of credit outstanding are as follows as of the years ended June 30 (in thousands):

2017					
Line number	Interest rate calculation	Interest rate as of June 30, 2017	Date of expiration	Total available	Outstanding amount
1	1-month LIBOR + 0.70%	1.78 %	8/30/2017*	$ 250,000	125,000

* Date of expiration has since been extended to 8/31/2018

2016					
Line number	Interest rate calculation	Interest rate as of June 30, 2016	Date of expiration	Total available	Outstanding amount
1	1-month LIBOR + 2.20%	2.30 %	Annually renewing	$ 75,000	75,000
2	1, 2 or 3 month LIBOR + 0.75%	3.50	10/3/2016	20,000	20,000
3	1-month LIBOR + 0.75%	1.24	12/31/2016	60,000	60,000
4	1-month LIBOR + 0.85%	1.27	3/28/2017	25,000	25,000
	Total lines of credit			$ 180,000	180,000

(Continued)

(7) Long-Term Debt and Other Borrowings

Long-term debt consists of the following at June 30 (in thousands):

	Interest rate	Payable in fiscal year(s)	2017	2016
MHHEFA project revenue bonds:				
Corporation issue, payments due annually on July 1:				
Series 2017B/C Bonds	1.20%–5.00%	2018–2040	$ 273,810	—
Series 2017A Bonds	Variable rate	2017–2043[1]	46,220	—
Series 2016A-F Bonds	Variable rate	2017–2042[1]	321,515	—
Series 2015 Bonds	2.00%–5.00%	2016–2042	77,735	79,010
Series 2013 Bonds	2.00%–5.00%	2014–2044	346,850	350,300
Series 2012A-D Bonds	Variable rate	2014–2042	—	213,200
Series 2010 Bonds	2.00%–5.25%	2011–2040	62,835	209,675
Series 2008D/E Bonds	Variable rate	2025–2042	105,000	105,000
Series 2008F Bonds	4.00%–5.25%	2009–2024	40,415	46,360
Series 2007A Bonds	Variable rate	2008–2035	85,095	87,750
Series 2005 Bonds	4.00%–5.50%	2006–2032	—	119,675
Series 1991B Bonds	7.00 %	1992–2023	—	21,840
Upper Chesapeake issue, payments due annually January 1:				
Series 2011B/C Bonds	Variable rate	2013–2040	—	108,929
Series 2011A Bonds	3.67 %	2012–2043	—	47,090
MHHEFA Pooled Loan Program	Variable rate	2017–2035	8,022	—
Other long-term debt:				
UCHS Term Loan	Variable rate	2019	150,000	150,000
Term loans	1.86%–3.95%	2009–2022	56,540	60,018
Other loans, mortgages and notes payable	3.05%–7.00%	Monthly, 1991–2025	21,099	21,519
Total debt			1,595,136	1,620,366
Less current portion of long-term debt			40,937	37,592
Less short-term financing			—	150,000
Less long-term debt subject to short-term remarketing agreements			28,440	32,515
			1,525,759	1,400,259
Plus unamortized premiums and discounts, net			33,033	31,628
Plus unamortized deferred financing costs			(8,302)	(9,283)
			$ 1,550,490	1,422,604

(Continued)

[1] Mandatory purchase options are due in the following (fiscal years), unless the bank and the Obligated Group agree to an extension: Series 2016A (2024), 2016B (2022), 2016C&D (2024), 2016E&F (2027), and 2017A (2022).

Pursuant to an Amended and Restated Master Loan Agreement dated February 1, 2017 (UMMS Master Loan Agreement), the Corporation and several of its subsidiaries have issued debt through MHHEFA. As security for the performance of the bond obligation under the Master Loan Agreement, the Authority maintains a security interest in the revenue of the obligors. The UMMS Master Loan Agreement contains certain restrictive covenants. These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets.

The Obligated Group under the UMMS Master Loan Agreement includes the Medical Center, ROI, UM Midtown, UM Baltimore Washington, Shore Health (UM Memorial and UM Dorchester), UM Chester River, UM Charles Regional, UM St. Joseph, UM Upper Chesapeake, UM Harford Memorial, and the UMMS Foundation. Each member of the Obligated Group is jointly and severally liable for the repayment of the obligations under the UMMS Master Loan Agreement.

Under the terms of the UMMS Master Loan Agreement and other loan agreements, certain funds are required to be maintained on deposit with the Master Trustee to provide for repayment of the obligations of the Obligated Group (note 2).

In September 2016, the Corporation refunded $212,065,000 of the Series 2012A-D Bonds. The refunding was completed using the proceeds of a new $212,785,000 variable-rate MHHEFA bond issue (the Series 2016A-D Bonds).

In October 2016, the Corporation refunded $108,420,000 of the Series 2011B/C (UCHS issue) Bonds. The refunding was completed using the proceeds of a new $108,730,000 variable rate MHHEFA bond issue (the Series 2016E/F Bonds).

In January 2017, the Corporation refunded $46,050,000 of the Series 2011A (UCHS issue) Bonds. The refunding was completed using the proceeds of a new $46,220,000 variable-rate MHHEFA bond issue (the Series 2017A Bonds).

In February 2017, the Corporation refunded $20,225,000 of the Series 1991B Bonds, $116,375,000 of the Series 2005 Bonds, and $140,885,000 of the Series 2010 Bonds. The refunding was completed using the proceeds of a new $273,810,000 fixed-rate MHHEFA bond issue (the Series 2017B/C Bonds).

The unamortized portion of issuance costs on the debt refunded by the Series 2016A-D Bonds, 2016E/F Bonds, 2017A Bonds, and 2017B/C Bonds was expensed as a loss on early extinguishment of debt during the year ended June 30, 2017.

The Corporation has a term loan in the amount of $150,000,000 related to the acquisition of Upper Chesapeake, which expires on March 1, 2019. The Corporation intends to refinance this obligation prior to its maturity date, and has classified this obligation as a long-term debt and short-term financing at June 30, 2017 and 2016, respectively, in the consolidated balance sheets.

(Continued)

In May 2017, the Corporation was authorized to borrow $19,000,000 of the Series 1985A/B Pooled Loan Program Bonds ($175,000,000 original MHHEFA Pooled Loan Program). These proceeds are to be used for the purchase, renovation and furnishing a new administrative building. As a participant in the Pooled Loan Program, the Corporation bears the full interest cost on the $19,000,000 and will draw-down on the funds as they are required to complete the project.

The payment of principal and interest on the Corporation's issue Series 1991B Bonds and its Series 2005 Bonds are each insured under a financial guaranty insurance policy. These policies insure the payment of principal, sinking fund installments, and interest on the corresponding bonds. The insurance policies require the Obligated Group to adhere to the same covenants as those in the UMMS Master Loan Agreement.

The aggregate annual future maturities of long-term debt according to the original terms of the Master Loan Agreement and all other loan agreements are as follows for the years ending June 30 (in thousands):

2018	$	40,937
2019		203,656
2020		43,579
2021		66,230
2022		47,604
Thereafter		1,193,130
	$	1,595,136

The Corporation's Series 2007A and 2008D-E Bonds are variable rate demand bonds requiring remarketing agents to purchase and remarket any bonds tendered before the stated maturity date. The reimbursement obligations with respect to the letters of credit are evidenced and secured by the respective bonds. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into letter of credit agreements with three banking institutions. These agreements have terms that expire in 2020 through 2022. If the bonds are not successfully remarketed, the Corporation is required to pay an interest rate specified in the letter of credit agreement, and the principal repayment of bonds may be accelerated to require repayment in periods ranging from 20 to 60 months from the date of the failed remarketing. The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements as a separate component of current liabilities in its consolidated balance sheets. In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms. All variable rate demand bonds were successfully remarketed as of June 30, 2017.

(Continued)

The following table reflects the mandatory redemptions and required repayment terms for the years ended June 30 (in thousands) of the Corporation's debt obligations in the event that the put options associated with variable rate demand bonds subject to short-term remarketing agreements were exercised, but not successfully remarketed, and mandatory purchase options are not extended:

2018	$	69,377
2019		276,250
2020		79,876
2021		66,230
2022		188,279
Thereafter		915,124
	$	1,595,136

The approximate interest rates on outstanding debt bearing interest at variable rates were as follows at June 30:

	2017	2016
Series 2011B Bonds – UCHS Issue	— %	1.51 %
Series 2011C Bonds – UCHS Issue	—	1.19
Series 2008D Bonds	0.90	0.38
Series 2008E Bonds	0.89	0.41
Series 2007A Bonds	0.91	0.46
Series 2012A Bonds	—	1.37
Series 2012B Bonds	—	1.07
Series 2012C Bonds	—	1.39
Series 2012D Bonds	—	1.31
Series 2016A Bonds	1.41	—
Series 2016B Bonds	1.27	—
Series 2016C Bonds	1.32	—
Series 2016D Bonds	1.52	—
Series 2016E Bonds	1.43	—
Series 2016F Bonds	1.41	—
Series 2017A Bonds	1.23	—
Series 1985 Pooled Loan Program (MHHEFA)	1.69	—
UCHS Term Loan	1.98	1.31

(Continued)

Term loans outstanding are as follows at June 30 (in thousands):

	Interest rate	Interest rate as of June 30, 2017	Payable in fiscal year(s)	2017	2016
Term loan 1:					
Payable monthly beginning March 2012	Fixed rate	3.95 %	2012–2022	$ 7,600	8,400
Term loan 2:					
Payable monthly beginning January 2012	Fixed rate	—	2012–2017	—	142
Term loan 3:					
Payable monthly beginning April 2012	Fixed rate	—	2012–2017	—	196
Term loan 4:					
Payable monthly beginning February 2010	1-month LIBOR + 2.00%	3.22 %	2010–2018	2,831	3,056
Term loan 5:					
Payable monthly beginning October 2012	Fixed rate	2.80 %	2013–2018	61	228
Term loan 6:					
Payable monthly beginning November 2012	Fixed rate	2.80 %	2013–2018	16	52
Term loan 7:					
Payable monthly beginning November 2015	1-month LIBOR + 1.95%	3.17 %	2016–2021	41,667	46,667
Term loan 8:					
Payable monthly beginning May 2016	Fixed rate	1.86 %	2016–2019	834	1,277
Term loan 9:					
Payable monthly beginning February 2017	Fixed rate	2.47 %	2017–2020	1,524	—
Term loan 10:					
Payable monthly beginning July 2017	Fixed rate	2.66 %	2018–2020	2,007	—
Total term loans (included in long-term debt)				$ 56,540	60,018

(8) Interest Rate Risk Management

The Corporation uses a combination of fixed and variable rate debt to finance capital needs. The Corporation maintains an interest rate risk-management strategy that uses interest rate swaps to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates.

(Continued)

At June 30, 2017 and 2016, the Corporation's notional values of outstanding interest rate swaps were $770,919,000 and $782,455,000, respectively, the details of which were as follows (in thousands):

	Notional amount	Pay rate	Receive rate	Maturity date	Mark to market
As of June 30, 2017:					
Swap #1	$ 85,809	3.59 %	70% 1-month LIBOR	7/1/2031	$ (13,430)
Swap #2	84,000	3.93	68% 1-month LIBOR	7/1/2014	(30,029)
Swap #3	21,000	4.24	68% 1-month LIBOR	7/1/2041	(8,573)
Swap #4	35,400	3.99	67% 1-month LIBOR	7/1/2034	(7,729)
Swap #5	26,680	3.54	70% 1-month LIBOR	7/1/2031	(4,066)
Swap #6	196,000	3.93	68% 1-month LIBOR	7/1/2041	(70,082)
Swap #7	49,000	4.24	68% 1-month LIBOR	7/1/2041	(20,006)
Swap #8	82,600	4.00	67% 1-month LIBOR	7/1/2034	(18,097)
Swap #9	3,580	3.63	67% 1-month LIBOR	7/1/2032	(376)
Swap #10	104,000	3.92	67% 1-month LIBOR	1/1/2043	(28,384)
Swap #11	82,850	0.51	67% 1-month LIBOR + 0.5133%	1/1/2038	1,058
					(199,714)
				Valuation adjustments	5,190
Total	$ 770,919				$ (194,524)

(Continued)

	Notional amount	Pay rate	Receive rate	Maturity date	Mark to market
As of June 30, 2016:					
Swap #1	$ 88,090	3.59 %	70% 1-month LIBOR	7/1/2031	$ (20,115)
Swap #2	84,000	3.93	68% 1-month LIBOR	7/1/2014	(41,582)
Swap #3	21,000	4.24	68% 1-month LIBOR	7/1/2041	(11,603)
Swap #4	36,425	3.99	67% 1-month LIBOR	7/1/2034	(10,921)
Swap #5	27,400	3.54	70% 1-month LIBOR	7/1/2031	(6,128)
Swap #6	196,000	3.93	68% 1-month LIBOR	7/1/2041	(97,040)
Swap #7	49,000	4.24	68% 1-month LIBOR	7/1/2041	(27,077)
Swap #8	84,975	4.00	67% 1-month LIBOR	7/1/2034	(25,554)
Swap #9	3,970	3.63	67% 1-month LIBOR	7/1/2032	(590)
Swap #10	106,625	3.92	67% 1-month LIBOR	1/1/2043	(39,754)
Swap #11	84,970	0.51	67% 1-month LIBOR + 0.5133%	1/1/2038	1,803
					(278,561)
				Valuation adjustments	5,524
Total	$ 782,455				$ (273,037)

The mark-to-market values of the Corporation's interest rate swaps include a valuation adjustment representing the creditworthiness of the counterparties to the swaps.

On January 1, 2013, in accordance with ASC 815, *Derivatives and Hedging*, the Corporation elected to discontinue the cash flow hedging relationship for Swap #8. As of that date, the accumulated losses included in unrestricted net assets will be reclassified into earnings over the life of the Series 2007 bonds. For the years ended June 30, 2017 and 2016, $1,716,000 and $1,764,000, respectively, were reclassified from other changes in net assets into change in fair value of undesignated interest rate swaps. The accumulated losses included in unrestricted net assets were $(17,934,000) and $(19,650,000) at June 30, 2017 and 2016, respectively.

The Corporation recorded a net nonoperating gain (loss) on changes in the fair value of nonqualifying interest rate swaps of $76,797,000 and $(78,429,000) for the years ended June 30, 2017 and 2016, respectively.

The swap agreements are included in the consolidated balance sheets at their fair value of $(194,524,000) and $(273,037,000) as of June 30, 2017 and 2016, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy).

(Continued)

The Corporation is subject to a collateral posting requirement with two of its swap counterparties. Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty. The amount of such posted collateral was $115,250,000 and $174,661,000 at June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, the Corporation met its collateral posting requirement through the use of collateralized investments, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty. The amount of posted investments that is required to meet the collateral requirement is computed daily, and is accounted for as a component of the Corporation's assets limited as to use on the accompanying consolidated balance sheets as of that date. Any excess investment value is considered a component of the Corporation's unrestricted investment portfolio, and is included in investments on the accompanying consolidated balance sheets as of that date.

(9) Other Liabilities

Other liabilities consist of the following at June 30 (in thousands):

		2017	2016
Professional and general malpractice liabilities	$	234,569	235,871
Capital lease obligations		54,523	54,881
Accrued pension obligations		26,422	42,761
Contingent consideration		35,700	35,700
Accrued interest payable		18,870	20,659
Deferred tax liability, net		17,356	17,361
Unearned revenue		26,521	11,136
Other miscellaneous		103,001	81,758
Total other liabilities		516,962	500,127
Less current portion		(182,688)	(147,522)
Other long-term liabilities	$	334,274	352,605

Other miscellaneous liabilities primarily consist of medical claims payable and patient credit balance liabilities.

(Continued)

(10) Retirement Plans

Employees of the Corporation are included in various retirement plans established by the Corporation, the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, and Upper Chesapeake. Participation by employees in their specific plan(s) has evolved based upon the organization by which they were first employed and the elections that they made at the times when their original employers became part of the Corporation. The following is a brief description of each of the retirement plans in which employees of the Corporation participate:

(a) Defined Benefit Plans

University of Maryland Medical Center Midtown Campus Retirement Plan for Non-Union Employees (Midtown Plan) – A noncontributory defined benefit plan covering substantially all nonunion employees. The benefits are based on years of service and compensation. Contributions to this plan are made to satisfy the minimum funding requirements of ERISA. In 2006, Midtown froze the defined benefit pension plan.

Baltimore Washington Medical Center Pension Plan (Baltimore Washington Plan) – A noncontributory defined benefit pension plan covering full-time employees who have been employed for at least one year and have reached 21 years of age.

Baltimore Washington Medical Center Supplemental Executive Retirement Plan – A noncontributory defined benefit pension plan for senior management level employees.

Chester River Health System, Inc. Pension Plan and Trust – A noncontributory defined benefit pension plan covering substantially all CRHC employees as well as employees of a subsidiary. The benefits are paid to retirees based upon age at retirement, years of service, and average compensation. Chester River's funding policy is to satisfy the minimum funding requirements of ERISA. Effective June 30, 2008, Chester River froze the defined-benefit pension plan.

Civista Health Inc. Retirement Plan and Trust (Charles Regional Plan) – A noncontributory defined benefit pension plan covering employees that have worked at least one thousand hours per year during three or more plan years. Plan benefits are accumulated based upon a combination of years of service and percent of annual compensation. Charles Regional makes annual contributions to the plan based upon amounts required to be funded under provisions of ERISA.

Upper Chesapeake Health System, Inc. Pension Plan and Trust – A noncontributory defined benefit pension plan covering substantially all employees of the various affiliates of Upper Chesapeake who have completed six months of employment and attained the age of twenty and a half years. Upper Chesapeake makes annual contributions to the plan equal to the minimum funding requirements pursuant to ERISA regulations. On December 31, 2005, Upper Chesapeake froze the defined benefit pension plan. On June 30, 2015, Upper Chesapeake terminated the defined benefit pension plan and liquidation of its remaining benefit obligation using its plan assets were completed by September 30, 2017. The benefit obligations for the year ended June 30, 2016 represented the annuities to be transferred.

(Continued)

On June 30, 2015, the Corporation amended the Baltimore Washington Medical Center Pension Plan to provide for the merger of the Midtown Plan and the Charles Regional Plan into the Baltimore Washington Plan and to change the name of the newly consolidated plan to the University of Maryland Medical System Corporate Pension Plan (the Corporate Plan). All provisions of the respective previous plans shall continue to apply to the respective applicable participants. All of the assets of the three formerly separate plans are now available to pay benefits for all participants under the newly consolidated Corporate Plan.

The Corporation recognizes the funded status (i.e., the difference between the fair value of plan assets and projected benefit obligations) of its defined benefit pension plans as an asset or liability in its consolidated balance sheets. The Corporation recognizes changes in the funded status in the year in which the changes occur as changes in unrestricted net assets. All defined benefit pension plans use a June 30 measurement date.

The following tables set forth the combined benefit obligations and assets of the defined benefit plans at June 30 (in thousands):

		2017	2016
Change in projected benefit obligations:			
Benefit obligations at beginning of year	$	245,686	259,170
Settlements		(55,324)	(29,962)
Service cost		4,502	4,146
Interest cost		7,299	10,698
Actuarial loss		(4,612)	20,072
Benefit payments		(15,527)	(18,438)
Projected benefit obligations at end of year	$	182,024	245,686

		2017	2016
Change in plan assets:			
Fair value of plan assets at beginning of year	$	202,925	233,689
Actual return on plan assets		12,560	5,688
Settlements		(55,324)	(29,962)
Employer contributions		10,968	11,948
Benefit payments		(15,527)	(18,438)
Fair value of plan assets at end of year	$	155,602	202,925

(Continued)

The funded status of the plans and amounts recognized as accrued payroll and benefits and other long-term liabilities in the consolidated balance sheets at June 30 are as follows (in thousands):

		2017	2016
Funded status, end of period:			
Fair value of plan assets	$	155,602	202,925
Projected benefit obligations		182,024	245,686
Net funded status	$	(26,422)	(42,761)
Accumulated benefit obligation at end of year	$	176,660	239,375
Amounts recognized in consolidated balance sheets at June 30:			
Accrued payroll and benefits	$	1,056	(1,250)
Accrued pension obligation		(27,478)	(41,511)
	$	(26,422)	(42,761)
Amounts recognized in unrestricted net assets at June 30:			
Net actuarial loss	$	(62,233)	(96,423)
Prior service cost		(485)	(648)
	$	(62,718)	(97,071)

The estimated amounts that will be amortized from unrestricted net assets into net periodic pension cost in fiscal year 2018 are as follows (in thousands):

Net actuarial loss	$	4,736
Prior service cost		162
	$	4,898

The components of net periodic pension cost for the years ended June 30 are as follows (in thousands):

		2017	2016
Service cost	$	4,502	4,146
Interest cost		7,299	10,698
Expected return on plan assets		(9,976)	(14,169)
Prior service cost recognized		20,814	67
Recognized gains or losses		6,351	17,743
Net periodic pension cost	$	28,990	18,485

(Continued)

The following table presents the weighted average assumptions used to determine benefit obligations for the plans at June 30:

	2017	2016
Discount rate	2.50%–4.11%	2.00%–3.95%
Rate of compensation increase (for nonfrozen plan)	3.00–4.50	2.50–4.50

The following table presents the weighted average assumptions used to determine net periodic benefit cost for the plans for the years ended June 30:

	2017	2016
Discount rate	2.00%–3.95%	3.00%–4.62%
Expected long-term return on plan assets	6.75	4.75–6.75
Rate of compensation increase (for nonfrozen plan)	2.50–4.50	2.50–4.50

The investment policies of the Corporation's pension plans incorporate asset allocation and investment strategies designed to earn superior returns on plan assets consistent with reasonable and prudent levels of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of loss. The Corporation uses investment managers specializing in each asset category, and regularly monitors performance and compliance with investment guidelines. In developing the expected long-term rate of return on assets assumption, the Corporation considers the current level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The Corporation's pension plans' target allocation and weighted average asset allocations at the measurement date of June 30, 2017 and 2016, by asset category, are as follows:

Asset category	Target allocation	Percentage of plan assets as of June 30	
		2017	2016
Cash and cash equivalents	0–10%	5 %	9 %
Fixed income securities	40–60	32	47
Equity securities	10–30	26	20
Global asset allocation	10–20	27	20
Hedge funds	5–15	10	4
		100 %	100 %

(Continued)

Equity and fixed income securities include investments in hedge fund of funds that are categorized in accordance with each fund's respective investment holdings.

The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2017, aggregated by the fair value hierarchy as described in note 1(w) (in thousands):

	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
Cash and cash equivalents	$ 1,694	6,639	—	—	8,333
Corporate bonds	—	—	—	—	—
Gov't and agency bonds	—	—	—	—	—
Fixed income mutual funds	11,495	—	—	—	11,495
Common and preferred stocks	10,993	—	—	—	10,993
Equity mutual funds	22,714	—	—	—	22,714
Other mutual funds	13,056	—	—	—	13,056
Alternative investments	18,240	28,431	—	42,340	89,011
	$ 78,192	35,070	—	42,340	155,602

* Fund investments reported at NAV as practical expedient

The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2016, aggregated by the fair value hierarchy as described in note 1(w) (in thousands):

	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
Cash and cash equivalents	$ 10,919	7,250	—	—	18,169
Corporate bonds	22,419	—	—	—	22,419
Gov't and agency bonds	21,218	—	—	—	21,218
Fixed income mutual funds	11,763	—	—	—	11,763
Common and preferred stocks	11,736	—	—	—	11,736
Equity mutual funds	19,627	—	—	—	19,627
Other mutual funds	11,852	—	—	—	11,852
Alternative investments	22,386	30,375	—	33,380	86,141
	$ 131,920	37,625	—	33,380	202,925

* Fund investments reported at NAV as practical expedient

As noted in note 1(z), the Corporation adopted ASU No. 2015-07 for the year ended June 30, 2017. As a result of this adoption, at June 30, 2016, alternative investments in the amounts of $6,750,000 and $26,630,000 were reclassified from Level 2 and Level 3, respectively, in the fair value hierarchy to Investments reported at NAV.

ASU No. 2015-10, *Technical Corrections and Improvements*, amended the definition of readily determinable fair value to include equity securities in structures similar to mutual funds where the fair value per share is determined and published on a regular basis and is the basis for current transactions. The Corporation has reassessed the basis of fair value for its investments and concluded that certain investments have readily determinable fair values consistent with the amendment. As a result, fair value disclosures have been amended, and certain investments within the defined benefit plans have been reclassified to Level 1 and 2 investments within the fair value hierarchy. As a result of this adoption, at June 30, 2016, alternative investments in the amount of $22,386,000 were reclassified from Level 2 in the fair value hierarchy to Level 1. Alternative investments in the amount of $10,615,000 were reclassified from Level 3 in the fair value hierarchy to Level 2.

Alternative investments include hedge funds and commingled investment funds. The majority of these alternative investments held as of June 30, 2017 are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis. There are funds, totaling $6,500,000, which are subject to notice requirements of 30-60 days and are available to be redeemed on a monthly or quarterly basis. Funds totaling $5,000,000 are subject to notice requirements of 90 days and can be redeemed monthly or quarterly. Of these funds, one fund totaling $1,200,000 is subject to a lock-up restriction of three years. The Corporation had no unfunded commitments as of June 30, 2017.

The alternative investments held as of June 30, 2016 are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis with the exception of one fund, totaling $7,300,000, which is subject to 70-day notice requirements and can be redeemed on a quarterly basis. None of the alternative investments are subject to any lock-up restrictions. The Corporation had no unfunded commitments as of June 30, 2016.

The Corporation expects to contribute $9,260,000 to its defined benefit pension plans for the fiscal year ending June 30, 2017.

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid from plan assets in the following years ending June 30 (in thousands):

2018	$	10,478
2019		10,324
2020		10,543
2021		11,228
2022		17,477
2023–2027		61,273

The expected benefits to be paid are based on the same assumptions used to measure the Corporation’s benefit obligation at June 30, 2017.

(b) Defined Contribution Plans

Corporation Salary Reduction 403(b) Plan – A contributory benefit plan covering substantially all employees not participating in the plans described below. Employees are immediately eligible for elective deferrals of compensation as contributions to the plan. Employees are eligible for matching contributions after one year of service with a five-year gradual vesting schedule. Effective January 1, 2017, this plan was opened for new participants.

Corporation Pension Plan – A noncontributory defined contribution plan for all eligible Corporation employees not participating in the ROI Plan or the Midtown Plan described below. Contributions to this plan by the Corporation are determined as a fixed percentage of total employees' base compensation. Effective January 1, 2017, this plan was frozen to new participants.

Corporation Salary Reduction 403(b) Plan – A contributory benefit plan covering substantially all employees not participating in the plans described below. Employees are immediately eligible for elective deferrals of compensation as contributions to the plan. Effective July 29, 2016, the Baltimore Washington retirement plan was merged into this plan. Effective January 1, 2017, this plan was frozen to new participants.

Midtown 401(k) Profit Sharing Plan for Union Employees – Defined contribution plan for substantially all union employees of Midtown. Employer contributions to this plan are determined based on years of service and hours worked. Employees are immediately eligible for elective deferrals of compensation as contributions to the plan.

Baltimore Washington Retirement Plans – Defined contribution plans covering all employees of Baltimore Washington Medical Center and certain related entities. Effective July 29, 2016, this plan merged into the UMMS Voluntary 403(b) plan.

Shore Health System Retirement Plan – A contributory benefit plan covering substantially all employees of Shore Health. Employees are eligible for matching contributions after one year of service.

Chester River Retirement Plan – A contributory benefit plan covering substantially all employees of Chester River who have met the eligibility requirements. Employees are eligible for matching contributions after one year of service.

Charles Regional Retirement Savings Plan – A contributory benefit plan covering substantially all full-time employees of Charles Regional. Employees are eligible for matching contributions after three years of service as defined in the plan.

Upper Chesapeake Retirement Plan – A contributory benefit plan covering substantially all employees of Upper Chesapeake. Employees are eligible for elective deferrals of compensation as contributions to the plan. Employees are eligible for matching contributions after one year of service with a five-year gradual vesting schedule.

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were $41,900,000 and $40,064,000 for the years ended June 30, 2017 and 2016, respectively. Such amounts are included in salaries, wages and benefits in the accompanying consolidated statements of operations.

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted primarily for the following purposes at June 30 (in thousands):

	2017	2016
Facility construction and renovations, research, education, and other	$ 73,682	58,380
Economic and beneficial interests in the net assets of related organizations	192,343	187,885
	$ 266,025	246,265

Net assets were released from donor restrictions during the years ended June 30, 2017 and 2016 by expending funds satisfying the restricted purposes or by occurrence of other events specified by donors as follows (in thousands):

	2017	2016
Purchases of equipment and construction costs	$ 33,038	10,417
Research, education, uncompensated care, and other	2,868	7,067
	$ 35,906	17,484

Permanently restricted net assets consist primarily of gifts to be held in perpetuity, the income from which may be used to fund the operations of the Corporation.

The Corporation's endowments consist of donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Corporation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The

remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Corporation and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Corporation

(7) The investment policies of the Corporation.

Endowment net assets are as follows (in thousands):

	June 30, 2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	13,335	38,510	51,845

	June 30, 2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	11,232	37,065	48,297

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Corporation to retain as a fund of perpetual duration. The Corporation does not have any donor-restricted endowment funds that are below the level that the donor or MUPMIFA requires.

(c) Investment Strategies

The Corporation has adopted policies for corporate investments, including endowment assets, that seek to maximize risk-adjusted returns with preservation of principal. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s).The endowment assets are invested in a manner that is intended to hold a mix of investment assets designed to meet the objectives of the account. The Corporation expects its endowment funds, over time, to provide an average rate of return that generates earnings to achieve the endowment purpose.

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation employs a diversified asset allocation structure to achieve its long-term return objectives within prudent risk constraints.

The Corporation monitors the endowment funds' returns and appropriates average returns for use. In establishing this practice, the Corporation considered the long-term expected return on its endowment. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

(12) Economic and Beneficial Interests in the Net Assets of Related Organizations

The Corporation is supported by several related organizations that were formed to raise funds on behalf of the Corporation and certain of its subsidiaries. These interests are accounted for as either economic or beneficial interests in the net assets of such organizations.

The following is a summary of economic and beneficial interests in the net assets of financially interrelated organizations as of June 30 (in thousands):

		2017	2016
Economic interests in:			
UCH Legacy Funding Corporation	$	150,000	150,000
The James Lawrence Kernan Hospital Endowment Fund, Incorporated		29,725	26,821
Baltimore Washington Medical Center Foundation, Inc.		9,222	7,960
Total economic interests		188,947	184,781
Beneficial interest in the net assets of Dorchester General Hospital Foundation, Inc.		3,396	3,104
	$	192,343	187,885

The UCH Legacy Funding Corporation was formed in December 2013 to hold funds restricted for the benefit of Upper Chesapeake.

(Continued)

At the discretion of its board of trustees, the Kernan Endowment Fund may pledge securities to satisfy various collateral requirements on behalf of ROI and may provide funding to ROI to support various clinical programs or capital needs.

BWMC Foundation was formed in July 2000 and supports the activities of Baltimore Washington Medical Center by soliciting charitable contributions on its behalf.

Shore Regional maintains a beneficial interest in the net assets of Dorchester Foundation, a nonprofit corporation organized to raise funds on behalf of Dorchester Hospital. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation.

A summary of the combined unaudited condensed financial information of the financially interrelated organizations in which the Corporation holds an economic or beneficial interest as of June 30 is as follows (in thousands):

		2017	2016
Current assets	$	3,073	2,891
Noncurrent assets		189,927	185,672
Total assets	$	193,000	188,563
Current liabilities	$	532	452
Noncurrent liabilities		125	226
Net assets		192,343	187,885
Total liabilities and net assets	$	193,000	188,563
Total operating revenue	$	2,422	2,165
Total operating expense		(210)	(4,344)
Other changes in net assets		2,246	634
Total increase (decrease) in net assets	$	4,458	(1,545)

(13) State Support

The Corporation received $3,200,000 in support for the Shock Trauma Center operations from the State of Maryland, for both years ended June 30, 2017 and 2016. In addition, the Corporation received $15,000,000 in support of Dimensions Health System operations for the year ended June 30, 2017. See note 19 for further discussion over the affiliation with Dimensions Health System.

The State of Maryland appropriates funds for construction costs incurred, equipment purchases made, and other capital support. The Corporation recognizes this support as the funds are expended for the intended projects. The Corporation expended and recorded $23,029,000 and $4,364,000 during the years ended June 30, 2017 and 2016, respectively.

(Continued)

(14) Functional Expenses

The Corporation provides general healthcare services to residents within its geographic location. Expenses related to providing these services, based on management's estimates of expense allocations, are as follows for the years ended June 30 (in thousands):

		2017	2016
Healthcare services	$	3,368,273	3,144,882
General and administrative		467,337	436,820
	$	3,835,610	3,581,702

(15) Insurance

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation. Estimated liabilities have been recorded based on actuarial estimation of reported and incurred but not reported claims. The accrued liabilities for these programs as of June 30, 2017 and 2016 were as follows (in thousands):

		2017	2016
Professional and general malpractice liabilities	$	234,569	235,871
Employee health		33,130	27,656
Employee long-term disability		8,696	12,661
Workers' compensation		18,961	17,610
Total self-insured liabilities		295,356	293,798
Less current portion		(71,832)	(68,500)
	$	223,524	225,298

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss. These accrued malpractice losses are discounted using a discount rate of 2.5%. In management's opinion, these accruals provide an adequate and appropriate loss reserve. The professional and general malpractice liabilities presented above include $144,313,000 and $141,625,000 as of June 30, 2017 and 2016, respectively, for which related insurance receivables have been recorded within other assets on the accompanying consolidated balance sheets.

(Continued)

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of $1.0 million on individual claims and $3.0 million in the aggregate on an annual basis. For amounts in excess of these limits, the risk of loss has been transferred to the Terrapin Insurance Company (Terrapin), an unconsolidated joint venture. Terrapin provides insurance for claims in excess of $1 million individually and $3 million in the aggregate up to $150 million individually and $150 million in the aggregate under claims made policies between the Corporation and Terrapin. For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss.

As discussed in note 4, Terrapin is a joint venture corporation in which a 50% equity interest is owned by the Corporation and a 50% equity interest is owned by Faculty Physicians, Inc.

Total malpractice insurance expense for the Corporation during the years ended June 30, 2017 and 2016 was approximately $36,367,000 and $40,359,000, respectively.

(16) Business and Credit Concentrations

The Corporation provides healthcare services through its inpatient and outpatient care facilities located in the State of Maryland. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, workers' compensation, health maintenance organizations (HMOs), and commercial insurance policies).

The Corporation maintains cash accounts with highly rated financial institutions, which generally exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits, and as such, management does not believe the Corporation is subject to any significant credit risks related to this practice.

The Corporation had gross receivables from patients and third-party payors as follows at June 30:

	2017	2016
Medicare	25 %	25 %
Medicaid	20	25
Commercial insurance and HMOs	21	19
Blue Cross	11	11
Self-pay and others	23	20
	100 %	100 %

(Continued)

The Corporation recorded gross revenues from patients and third-party payors for the years ended June 30 as follows:

	2017	2016
Medicare	39 %	38 %
Medicaid	22	23
Commercial insurance and HMOs	20	19
Blue Cross	14	14
Self-pay and others	5	6
	100 %	100 %

(17) Certain Significant Risks and Uncertainties

The Corporation provides general acute healthcare services in the State of Maryland. The Corporation and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the Federal Medicare and state Medicaid programs;
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission;
- Government regulation, government budgetary constraints, and proposed legislative and regulatory changes; and
- Lawsuits alleging malpractice and related claims.

Such inherent risks require the use of certain management estimates in the preparation of the Corporation's consolidated financial statements and it is reasonably possible that a change in such estimates may occur.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Corporation's revenues, and the Corporation's operations are subject to a variety of other federal, state, and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Corporation.

Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Corporation.

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The Corporation's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, none of which, in the opinion of management, are expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position.

(Continued)

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid antifraud and abuse laws and physician self-referral laws (STARK law and regulation). Recent federal initiatives have prompted a national review of federally funded healthcare programs. In addition, the federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. The Corporation has implemented a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists.

The general healthcare industry environment is increasingly uncertain, especially with respect to the impact of Federal healthcare reform legislation, which was passed in 2010 and largely upheld by the U.S. Supreme Court in June 2012. Potential impacts of ongoing healthcare industry transformation include but are not limited to (1) significant capital investments in healthcare information technology, (2) continuing volatility in the state and federal government reimbursement programs, (3) lack of clarity related to the health benefit exchange framework mandated by reform legislation, including important open questions regarding exchange reimbursement levels, and impact on the healthcare "demand curve" as the previously uninsured enter the insurance system, and (4) effective management of multiple major regulatory mandates, including the transition to ICD-10. This Federal healthcare reform legislation does not affect the consolidated financial statements for the year ended June 30, 2017.

(18) Maryland Health Services Cost Review Commission (HSCRC)

Effective July 1, 2013, the Health System and the Health Services Cost Review Commission (HSCRC) agreed to implement the Global Budget Revenue (GBR) methodology for the following hospitals: Medical Center, ROI, Midtown, Baltimore Washington, Charles Regional, St. Joseph, Shore Emergency Center, and Upper Chesapeake. The agreements will continue each year and on July 1 of each year thereafter; the agreements will renew for a one-year period unless it is canceled by the HSCRC or by the Corporation. The agreements were in place for the years ended June 30, 2017 and 2016. The GBR model is a revenue constraint and quality improvement system designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the Corporation's mission to provide the highest value of care possible to its patients and the communities it serves.

The GBR agreements establish a prospective, fixed revenue base "GBR cap" for the upcoming year. This includes both inpatient and outpatient regulated services. Under GBR, a hospital's revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at year-end. Any overcharge or undercharge versus the GBR cap is prospectively added to the subsequent year's GBR cap. Although the GBR cap does not adjust for changes in volume or service mix, the GBR cap is adjusted annually for inflation, and for changes in payor mix and uncompensated care. The Corporation will receive an annual adjustment to its cap for the change in population in the Corporation's service areas. GBR is designed to encourage hospitals to operate efficiently by reducing utilization and managing patients in the appropriate care delivery setting. The HSCRC also may impose various other revenue adjustments, which could be significant in the future.

(Continued)

For the years ended June 30, 2017 and 2016, Memorial Hospital, Dorchester Hospital, and CRHC continued their participation in Total Patient Revenue (TPR) agreements with the HSCRC. The TPR agreements establish an approved aggregate inpatient and outpatient revenue for regulated services to provide care for the patient population in the geographic region without regard for patient acuity or volumes.

The HSCRC utilizes a bad debt pool into which each of the regulated hospitals in Maryland participates. The funds in the bad debt pool are distributed to the hospitals that exceed the state average based upon the amount of uncompensated care delivered to patients during the year. For the years ended June 30, 2017 and 2016, the Corporation recognized a net distribution from the pool of $8,345,000 and $11,521,000, respectively, which is recorded as net patient service revenue.

(19) Subsequent Events

The Corporation evaluated all events and transactions that occurred after June 30, 2016 and through October 26, 2017, the date the consolidated financial statements were issued. Other than those described below, the Corporation did not have any material recognizable subsequent events during the period.

Effective September 1, 2017, the Corporation entered into an affiliation agreement with Dimensions Healthcare System and Subsidiaries (DHS) whereby the Corporation became the sole corporate member of DHS. DHS has changed its trade name to University of Maryland Capital Region Health (UMCRH) and is located in Prince George's County, Maryland, and includes an acute care hospital as well as several ambulatory and outpatient facilities. The Corporation, Prince George's County, the State of Maryland, and UMCRH began discussions in 2010 regarding the formation of a new regional healthcare system to serve Prince George's County and the surrounding region. The affiliation represents the culmination of this effort and includes plans to build a new state-of-the-art medical center in Largo, Maryland. The Corporation believe the residents of the region served by UMCRH will benefit from the affiliation with the Corporation through accelerated deployment of clinical programs and technologies and improved access to physicians. In accordance with the agreement, the county, the state, and the Corporation have each approved funding of $208,000,000 towards the construction of the new medical facility, as well as ongoing annual operating support.

The transaction will be accounted for under the guidance of ASU No. 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions*, and accordingly, the Corporation will consolidate UMCRH at its fair value as of September 1, 2017. Such amounts are currently being determined. The Corporation does not expect the fair value adjustment recorded during the year ended June 30, 2018 to have a material impact on the Corporation's consolidated financial statements.

Excluding any impact from fair value accounting which is still being evaluated, the following table summarizes the Corporation's pro forma consolidated results as through the acquisition date occurred at June 30, 2017 (in thousands):

Operating revenues:		
The Corporation	$	3,907,690
UM Capital Region Health Combined		392,562
	$	4,300,252
Operating expenses:		
The Corporation	$	3,835,610
UM Capital Region Health Combined		393,481
	$	4,229,091
Net nonoperating revenues:		
The Corporation	$	111,279
UM Capital Region Health Combined		2,146
	$	113,425
Total net assets:		
The Corporation	$	2,016,864
UM Capital Region Health Combined		475,612
	$	2,492,476

Total net assets of UMCRH include $416,000,000 of restricted net assets, representing legislative commitments from Prince George's County and the State of Maryland to fund the construction of the new medical facility.

Schedule 1

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2017

(In thousands)

Assets	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	UM Health Plans	UMMS Foundation	Community Med. Group	ECARE	Eliminations	Consolidated total
Current assets:														
Cash and cash equivalents	$ 332,747	(83)	3,641	18,579	7,997	11,317	5,199	55,906	40,876	—	22	—	—	476,201
Assets limited as to use, current portion	46,797	—	432	1,228	814	342	1,327	—	—	—	—	—	—	50,940
Accounts receivable:														
Patient accounts receivable, less allowance for doubtful accounts of $219,805	173,672	11,530	14,421	49,169	26,499	8,614	43,388	45,634	—	—	5,221	—	—	378,148
Other	275,913	22,384	32,713	19,824	21,823	2,638	23,446	13,320	18,056	—	3,141	120	(348,669)	84,709
Inventories	28,598	1,106	3,071	6,131	4,588	1,391	5,613	10,385	—	—	—	—	—	60,883
Prepaid expenses and other current assets	16,092	116	1,048	1,132	1,854	818	2,040	9,958	331	1,500	571	563	—	36,023
Total current assets	873,819	35,053	55,326	96,063	63,575	25,120	81,013	135,203	59,263	1,500	8,955	683	(348,669)	1,086,904
Investments	232,394	29,013	3	136,194	99,570	33,535	11,539	190,493	10,208	—	—	—	—	742,949
Assets limited as to use, less current portion:														
Investments held for collateral	81,987	—	3,700	8,000	—	—	—	28,959	—	—	—	—	—	122,646
Debt service funds	10,438	—	—	—	—	—	—	—	—	—	—	—	—	10,438
Construction funds	46,264	14,203	8,081	10,051	9,970	10,651	8,270	—	—	—	—	—	—	107,490
Board designated and escrow funds	—	—	—	—	74,632	(107)	—	22,383	—	12,548	10	—	—	109,466
Self-insurance trust funds	72,828	—	16,776	23,028	33,120	6,707	7,891	12,903	—	—	—	—	—	173,253
Funds restricted by donor	—	—	1,116	—	32,756	—	1,525	—	—	25,354	—	—	—	60,751
Economic and beneficial interests in the net assets of related organizations	197,124	31,446	442	9,222	3,396	—	9,503	—	—	—	—	—	(58,790)	192,343
	408,641	45,649	30,115	50,301	153,874	17,251	27,189	64,245	—	37,902	10	—	(58,790)	776,387
Property and equipment, net	915,834	45,924	103,973	263,057	173,371	109,487	211,700	254,177	4,451	—	8,553	1,576	—	2,092,103
Investments in joint ventures and other assets	672,137	—	9,970	18,010	10,395	6,364	32,525	218,709	209,503	10,039	—	—	(776,691)	410,961
Total assets	$ 3,102,825	155,639	199,387	563,625	500,785	191,757	363,966	862,827	283,425	49,441	17,518	2,259	(1,184,150)	5,109,304

(Continued)

Schedule 1

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2017

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	UM Health Plans	UMMS Foundation	Community Med. Group	ECARE	Eliminations	Consolidated total
Current liabilities:														
Trade accounts payable	$ 141,737	9,249	17,285	22,456	21,183	9,160	26,554	18,628	933	154	3,703	560	—	271,602
Accrued payroll and benefits	108,519	5,489	10,144	21,106	19,681	4,206	25,538	26,567	2,378	—	9,916	—	—	233,544
Advances from third-party payors	79,155	3,568	10,706	9,951	6,466	2,593	11,089	8,413	—	—	—	—	—	131,941
Lines of credit	125,000	—	—	—	—	—	—	—	—	—	—	—	—	125,000
Short-term financing	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other current liabilities	149,514	7,236	12,553	37,771	28,522	10,693	105,256	59,194	103,118	—	6,056	11,444	(348,669)	182,688
Long-term debt subject to short-term remarketing arrangements	28,440	—	—	—	—	—	—	—	—	—	—	—	—	28,440
Current portion of long-term debt	13,271	505	1,010	4,187	2,839	3,033	6,260	4,832	5,000	—	—	—	—	40,937
Total current liabilities	645,636	26,047	51,698	95,471	78,691	29,685	174,697	117,634	111,429	154	19,675	12,004	(348,669)	1,014,152
Long-term debt, less current portion	718,215	20,486	31,865	163,722	85,425	59,464	238,172	196,474	36,667	—	—	—	—	1,550,490
Other long-term liabilities	123,123	144	21,226	36,913	18,208	15,398	25,628	40,371	53,263	—	—	—	—	334,274
Interest rate swap liabilities	194,524	—	—	—	—	—	—	—	—	—	—	—	—	194,524
Total liabilities	1,681,498	46,677	104,789	296,106	182,324	104,547	438,497	354,479	201,359	154	19,675	12,004	(348,669)	3,093,440
Net assets:														
Unrestricted	1,200,794	77,383	93,040	258,297	279,315	87,117	(95,139)	350,019	82,066	17,777	(2,157)	(9,745)	(627,438)	1,711,329
Temporarily restricted	218,844	31,579	1,558	9,222	23,429	93	19,610	157,053	—	11,404	—	—	(206,767)	266,025
Permanently restricted	1,689	—	—	—	15,717	—	998	1,276	—	20,106	—	—	(1,276)	38,510
Total net assets	1,421,327	108,962	94,598	267,519	318,461	87,210	(74,531)	508,348	82,066	49,287	(2,157)	(9,745)	(835,481)	2,015,864
Total liabilities and net assets	$ 3,102,825	155,639	199,387	563,625	500,785	191,757	363,966	862,827	283,425	49,441	17,518	2,259	(1,184,150)	5,109,304

See accompanying independent auditors' report.

Schedule 1-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Medical Center & Affiliates (UMMC)

June 30, 2017

(In thousands)

Assets	University of Maryland Medical Center	36 South Paca	University CARE	Eliminations	University of Maryland Medical Center & Affiliates consolidated total
Current assets:					
Cash and cash equivalents	$ 328,162	2,543	2,042	—	332,747
Assets limited as to use, current portion	46,797	—	—	—	46,797
Accounts receivable:					
Patient accounts receivable, less allowance for doubtful accounts of $88,957	173,649	—	23	—	173,672
Other	283,680	42		(7,809)	275,913
Inventories	28,559	—	39	—	28,598
Prepaid expenses and other current assets	16,035	—	57	—	16,092
Total current assets	876,882	2,585	2,161	(7,809)	873,819
Investments	232,394	—	—	—	232,394
Assets limited as to use, less current portion:					
Investment held for collateral	81,987	—	—	—	81,987
Debt service funds	10,438	—	—	—	10,438
Construction funds	46,264	—	—	—	46,264
Board designated and escrow funds	—	—	—	—	—
Self-insurance trust funds	72,828	—	—	—	72,828
Funds restricted by donor	—	—	—	—	—
Economic interests in the net assets of related organizations	197,124	—	—	—	197,124
	408,641	—	—	—	408,641
Property and equipment, net	907,068	8,707	59	—	915,834
Investments in joint ventures and other assets	676,447	3,277	—	(7,587)	672,137
Total assets	$ 3,101,432	14,569	2,220	(15,396)	3,102,825

(Continued)

Schedule 1-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Medical Center & Affiliates (UMMC)

June 30, 2017

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	36 South Paca	University CARE	Eliminations	University of Maryland Medical Center & Affiliates consolidated total
Current liabilities:					
Trade accounts payable	$ 140,720	159	858	—	141,737
Accrued payroll and benefits	108,479	—	40	—	108,519
Advances from third-party payors	79,155	—	—	—	79,155
Lines of credit	125,000	—	—	—	125,000
Short-term financing	—	—	—	—	—
Other current liabilities	149,408	6,902	1,013	(7,809)	149,514
Long-term debt subject to short-term remarketing arrangements	28,440	—	—	—	28,440
Current portion of long-term debt	13,271	—	—	—	13,271
Total current liabilities	644,473	7,061	1,911	(7,809)	645,636
Long-term debt, less current portion	718,215	—	—	—	718,215
Other long-term liabilities	123,107	16	—	—	123,123
Interest rate swaps	194,524	—	—	—	194,524
Total liabilities	1,680,319	7,077	1,911	(7,809)	1,681,498
Net assets:					
Unrestricted	1,200,580	7,492	309	(7,587)	1,200,794
Temporarily restricted	218,844	—	—	—	218,844
Permanently restricted	1,689	—	—	—	1,689
Total net assets	1,421,113	7,492	309	(7,587)	1,421,327
Total liabilities and net assets	$ 3,101,432	14,569	2,220	(15,396)	3,102,825

See accompanying independent auditors' report.

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Midtown Health, Inc. (Midtown)

June 30, 2017

(In thousands)

Assets	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Current assets:					
Cash and cash equivalents	$ 726	2,970	(55)	—	3,641
Assets limited as to use, current portion	—	432	—	—	432
Accounts receivable:					
Patient accounts receivable, less allowance for doubtful accounts of $17,621	287	14,012	122	—	14,421
Other	1,749	30,964	—	—	32,713
Inventories	—	3,071	—	—	3,071
Prepaid expenses and other current assets	549	499	—	—	1,048
Total current assets	3,311	51,948	67	—	55,326
Investments	—	3	—	—	3
Assets limited as to use, less current portion:					
Investment held for collateral	—	3,700	—	—	3,700
Debt service funds	—	—	—	—	—
Construction funds	—	8,081	—	—	8,081
Board designated and escrow funds	—	—	—	—	—
Self-insurance trust funds	—	16,776	—	—	16,776
Funds restricted by donor	—	1,116	—	—	1,116
Economic interests in the net assets of related organizations	—	442	—	—	442
	—	30,115	—	—	30,115
Property and equipment, net	4,630	99,343	—	—	103,973
Investments in joint ventures and other assets	3,403	6,567	—	—	9,970
Total assets	$ 11,344	187,976	67	—	199,387

(Continued)

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Midtown Health, Inc. (Midtown)

June 30, 2017

(In thousands)

Liabilities and Net Assets	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Current liabilities:					
Trade accounts payable	$ 235	17,046	4	—	17,285
Accrued payroll and benefits	—	10,144	—	—	10,144
Advances from third-party payors	—	10,706	—	—	10,706
Lines of credit	—	—	—	—	—
Other current liabilities	5,658	6,839	56	—	12,553
Current portion of long-term debt	228	782	—	—	1,010
Total current liabilities	6,121	45,517	60	—	51,698
Long-term debt, less current portion	140	31,725	—	—	31,865
Other long-term liabilities	—	21,226	—	—	21,226
Total liabilities	6,261	98,468	60	—	104,789
Net assets:					
Unrestricted	5,083	87,950	7	—	93,040
Temporarily restricted	—	1,558	—	—	1,558
Permanently restricted	—	—	—	—	—
Total net assets	5,083	89,508	7	—	94,598
Total liabilities and net assets	$ 11,344	187,976	67	—	199,387

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Baltimore Washington Medical System (BWMS)

June 30, 2017

(In thousands)

Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Shipley's	Eliminations	BWMS consolidated total
Current assets:								
Cash and cash equivalents	$ —	18,724	187	—	(332)	—	—	18,579
Assets limited as to use, current portion	—	1,228	—	—	—	—	—	1,228
Accounts receivable:								
Patient accounts receivable, less allowance for doubtful accounts of $37,330	—	41,501	6,369	1,299	—	—	—	49,169
Other	151	1,408	14,475	2,000	1,790	—	—	19,824
Inventories	—	6,131	—	—	—	—	—	6,131
Prepaid expenses and other current assets	—	1,138	22	(36)	8	—	—	1,132
Total current assets	151	70,130	21,053	3,263	1,466	—	—	96,063
Investments	—	136,194	—	—	—	—	—	136,194
Assets limited as to use, less current portion:								
Investment held for collateral	—	8,000	—	—	—	—	—	8,000
Debt service funds	—		—	—	—	—	—	—
Construction funds	—	10,051	—	—	—	—	—	10,051
Board designated and escrow funds	—		—	—	—	—	—	—
Self-insurance trust funds	—	23,028	—	—	—	—	—	23,028
Funds restricted by donor	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	9,222	—	—	—	—	—	9,222
	—	50,301	—	—	—	—	—	50,301
Property and equipment, net	—	243,492	—	2,597	16,968	—	—	263,057
Investments in joint ventures and other assets	262,322	17,672	—	(310)	248	—	(261,922)	18,010
Total assets	$ 262,473	517,789	21,053	5,550	18,682	—	(261,922)	563,625

(Continued)

Schedule 1-c

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Baltimore Washington Medical System (BWMS)

June 30, 2017

(In thousands)

Liabilities and Net Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Shipley's	Eliminations	BWMS consolidated total
Current liabilities:								
Trade accounts payable	$ (139)	22,259	241	836	(741)	—	—	22,456
Accrued payroll and benefits	1,401	18,847	858	—	—	—	—	21,106
Advances from third-party payors	—	9,951	—	—	—	—	—	9,951
Lines of credit	—	—	—	—	—	—	—	—
Other current liabilities	—	31,343	—	6,377	51	—	—	37,771
Current portion of long-term debt	—	3,962	—	—	225	—	—	4,187
Total current liabilities	1,262	86,362	1,099	7,213	(465)	—	—	95,471
Long-term debt, less current portion	—	161,116	—	—	2,606	—	—	163,722
Other long-term liabilities	—	36,049	—	864	—	—	—	36,913
Total liabilities	1,262	283,527	1,099	8,077	2,141	—	—	296,106
Net assets:								
Unrestricted	261,211	225,040	19,954	(2,527)	16,541	—	(261,922)	258,297
Temporarily restricted	—	9,222	—	—	—	—	—	9,222
Permanently restricted	—	—	—	—	—	—	—	—
Total net assets	261,211	234,262	19,954	(2,527)	16,541	—	(261,922)	267,519
Total liabilities and net assets	$ 262,473	517,789	21,053	5,550	18,682	—	(261,922)	563,625

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Shore Regional Health (Shore Regional)

June 30, 2017

(In thousands)

Assets	Shore Health System, Inc.	Shore Orthopedics	UM Shore Home Care	Queenstown ASC	UM Shore Nursing and Rehab.	Memorial Hospital Foundation, Inc. and Subsidiary	Chester River Consolidated Total	Eliminations	Shore Regional consolidated total
Current assets:									
Cash and cash equivalents	$ 8,955	298	35	—	368	—	(1,659)	—	7,997
Assets limited as to use, current portion	572	—	—	—	—	—	242	—	814
Accounts receivable:									
Patient accounts receivable, less allowance for doubtful accounts of $22,262	22,473	568	344	49	579	—	2,486	—	26,499
Other	2,692	2	1,221	—	20	4,277	13,611	—	21,823
Inventories	3,892	—	—	—	—	—	696	—	4,588
Prepaid expenses and other current assets	1,476	251	26	—	42	27	32	—	1,854
Total current assets	40,060	1,119	1,626	49	1,009	4,304	15,408	—	63,575
Investments	83,553	—	—	—	—	338	15,679	—	99,570
Assets limited as to use, less current portion:									
Debt service funds	—	—	—	—	—	—	—	—	—
Construction funds	5,432	—	—	—	—	—	4,538	—	9,970
Board designated and escrow funds	25,000	—	—	—	—	43,835	5,797	—	74,632
Self-insurance trust funds	25,492	—	—	—	301	—	7,327	—	33,120
Funds restricted by donor	5,029	—	—	—	—	23,644	4,083	—	32,756
Economic and beneficial interests in the net assets of related organizations	78,558	—	—	—	81	—	6,509	(81,752)	3,396
	139,511	—	—	—	382	67,479	28,254	(81,752)	153,874
Property and equipment, net	142,380	480	250	35	1,549	3,206	25,471	—	173,371
Investments in joint ventures and other assets	9,822	—	—	—	—	15	2,183	(1,625)	10,395
Total assets	$ 415,326	1,599	1,876	84	2,940	75,342	86,995	(83,377)	500,785

(Continued)

Schedule 1-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Shore Regional Health (Shore Regional)

June 30, 2017

(In thousands)

Liabilities and Net Assets	Shore Health System, Inc.	Shore Orthopedics	UM Shore Home Care	Queenstown ASC	UM Shore Nursing and Rehab.	Memorial Hospital Foundation, Inc. and Subsidiary	Chester River Consolidated Total	Eliminations	Shore Regional consolidated total
Current liabilities:									
Trade accounts payable	$ 17,471	173	10	18	544	2	2,965	—	21,183
Accrued payroll and benefits	15,175	750	241	—	296	22	3,197	—	19,681
Advances from third-party payors	5,618	—	—	—	111	—	737	—	6,466
Lines of credit	—	—	—	—	—	—	—	—	—
Other current liabilities	23,406	2,810		176	827	155	1,148	—	28,522
Current portion of long-term debt	2,705	—	—	—	30	—	104	—	2,839
Total current liabilities	64,375	3,733	251	194	1,808	179	8,151	—	78,691
Long-term debt, less current portion	81,081	—	—	—	36	—	4,308	—	85,425
Other long-term liabilities	12,374	—	—	—	379	—	5,455	—	18,208
Total liabilities	157,830	3,733	251	194	2,223	179	17,914	—	182,324
Net assets:									
Unrestricted	222,367	(2,134)	1,625	(110)	674	48,572	61,128	(52,807)	279,315
Temporarily restricted	20,708	—	—	—	43	15,225	5,361	(17,908)	23,429
Permanently restricted	14,421	—	—	—	—	11,366	2,592	(12,662)	15,717
Total net assets	257,496	(2,134)	1,625	(110)	717	75,163	69,081	(83,377)	318,461
Total liabilities and net assets	$ 415,326	1,599	1,876	84	2,940	75,342	86,995	(83,377)	500,785

See accompanying independent auditors' report.

Schedule 1-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Chester River Health System, Inc. (CRHS) a subsidiary of Shore Regional Health

June 30, 2017

(In thousands)

Assets	Chester River Hospital Center	Chester River Manor	UM Chester River Home Care	Chester River Health Foundation	Chester River consolidated total
Current assets:					
Cash and cash equivalents	$ (1,901)	—	242	—	(1,659)
Assets limited as to use, current portion	242	—	—	—	242
Accounts receivable:					
Patient accounts receivable, less allowance for doubtful accounts of $3,306	2,208	—	278	—	2,486
Other	13,308	—	300	3	13,611
Inventories	696	—	—	—	696
Prepaid expenses and other current assets	20	—	12	—	32
Total current assets	14,573	—	832	3	15,408
Investments	12,230	—	1,577	1,872	15,679
Assets limited as to use, less current portion:					
Debt service funds	—	—	—	—	—
Construction funds	4,538	—	—	—	4,538
Board designated and escrow funds	5,000	—	—	797	5,797
Self-insurance trust funds	7,327	—	—	—	7,327
Funds restricted by donor	105	—	—	3,978	4,083
Economic interests in the net assets of related organizations	6,270	—	239	—	6,509
	23,240	—	239	4,775	28,254
Property and equipment, net	25,257	—	214	—	25,471
Investments in joint ventures and other assets	2,183	—	—	—	2,183
Total assets	$ 77,483	—	2,862	6,650	86,995

(Continued)

Schedule 1-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Chester River Health System, Inc. (CRHS) a subsidiary of Shore Regional Health

June 30, 2017

(In thousands)

Liabilities and Net Assets	Chester River Hospital Center	Chester River Manor	UM Chester River Home Care	Chester River Health Foundation	Chester River consolidated total
Current liabilities:					
Trade accounts payable	$ 2,893	—	57	15	2,965
Accrued payroll and benefits	3,007	—	190	—	3,197
Advances from third-party payors	737	—	—	—	737
Lines of credit	—	—	—	—	—
Other current liabilities	1,102	—	—	46	1,148
Current portion of long-term debt	104	—	—	—	104
Total current liabilities	7,843	—	247	61	8,151
Long-term debt, less current portion	4,308	—	—	—	4,308
Other long-term liabilities	5,455	—	—	—	5,455
Total liabilities	17,606	—	247	61	17,914
Net assets:					
Unrestricted	55,913	—	2,606	2,609	61,128
Temporarily restricted	2,668	—	9	2,684	5,361
Permanently restricted	1,296	—	—	1,296	2,592
Total net assets	59,877	—	2,615	6,589	69,081
Total liabilities and net assets	$ 77,483	—	2,862	6,650	86,995

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Charles Regional Health System, Inc. (Charles Regional)

June 30, 2017

(In thousands)

Assets	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Urgent Care	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Charles Regional Imaging Center	Eliminations	Charles Regional consolidated total
Current assets:								
Cash and cash equivalents	$ —	8,548	1	431	1,171	1,166	—	11,317
Assets limited as to use, current portion	—	342	—	—	—	—	—	342
Accounts receivable:								
Patient accounts receivable, less allowance for doubtful accounts of $6,689	—	8,396	166	—	—	52	—	8,614
Other	(1,050)	4,586	—	(920)	7	15	—	2,638
Inventories	—	1,391	—	—	—	—	—	1,391
Prepaid expenses and other current assets	1	784	10	—	23	—	—	818
Total current assets	(1,049)	24,047	177	(489)	1,201	1,233	—	25,120
Investments	—	31,145	—	—	2,390	—		33,535
Assets limited as to use, less current portion:								
Debt service funds	—	—	—	—	—	—	—	—
Construction funds	—	10,651	—	—	—	—	—	10,651
Board designated and escrow funds	(107)	—	—	—	—	—	—	(107)
Self-insurance trust funds	—	6,707	—	—	—	—	—	6,707
Funds restricted by donor	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	5,179	—	—	—	—	(5,179)	—
	(107)	22,537	—	—	—	—	(5,179)	17,251
Property and equipment, net	26,468	75,087	638	—	2,489	4,805		109,487
Investments in joint ventures and other assets	903	6,976	—	3,763	—	—	(5,278)	6,364
Total assets	$ 26,215	159,792	815	3,274	6,080	6,038	(10,457)	191,757

(Continued)

Schedule 1-f

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Charles Regional Health System, Inc. (Charles Regional)

June 30, 2017

(In thousands)

Liabilities and Net Assets	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Urgent Care	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Charles Regional Imaging Center	Eliminations	Charles Regional consolidated total
Current liabilities:								
Trade accounts payable	$ 1	8,268	195	1	(13)	708	—	9,160
Accrued payroll and benefits	—	4,206	—	—	—	—	—	4,206
Advances from third-party payors	—	2,593	—	—	—	—	—	2,593
Lines of credit	—	—	—	—	—	—	—	—
Other current liabilities	3,341	1,047	1,904	4,193	156	52	—	10,693
Current portion of long-term debt	670	2,337	—	—	26	—	—	3,033
Total current liabilities	4,012	18,451	2,099	4,194	169	760	—	29,685
Long-term debt, less current portion	6,274	52,457	—	—	733	—	—	59,464
Other long-term liabilities	—	15,398	—	—	—	—	—	15,398
Total liabilities	10,286	86,306	2,099	4,194	902	760	—	104,547
Net assets:								
Unrestricted	15,929	73,393	(1,284)	(920)	5,085	5,278	(10,364)	87,117
Temporarily restricted	—	93	—	—	93	—	(93)	93
Permanently restricted	—	—	—	—	—	—	—	—
Total net assets	15,929	73,486	(1,284)	(920)	5,178	5,278	(10,457)	87,210
Total liabilities and net assets	$ 26,215	159,792	815	3,274	6,080	6,038	(10,457)	191,757

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland St. Joseph Health System (SJHS)

June 30, 2017

(In thousands)

Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	UM Regional Supplier svcs	UM Regional Prof svcs	Eliminations	St. Joseph consolidated total
Current assets:										
Cash and cash equivalents	$ (1,201)	(464)	—	—	1,784	5,079	1	—	—	5,199
Assets limited as to use, current portion	1,327	—	—	—	—	—	—	—	—	1,327
Accounts receivable:										
Patient accounts receivable, less allowance for doubtful accounts of $16,045	37,685	3,572	—	1,328	—	—	500	303	—	43,388
Other	20,341	48	—	—	4	2,726	—	327	—	23,446
Inventories	5,435	—	—	—	—	—	175	3	—	5,613
Prepaid expenses and other current assets	1,026	545	181	115	137	—	—	36	—	2,040
Total current assets	64,613	3,701	181	1,443	1,925	7,805	676	669	—	81,013
Investments	—	—	—	—	—	11,539	—	—	—	11,539
Assets limited as to use, less current portion:										
Debt service funds	—	—	—	—	—		—	—	—	—
Construction funds	8,270	—	—	—	—		—	—	—	8,270
Board designated and escrow funds	—	—	—	—	—		—	—	—	—
Self-insurance trust funds	7,891	—	—	—	—		—	—	—	7,891
Funds restricted by donor	—	—	—	—	—	1,525	—	—	—	1,525
Economic interests in the net assets of related organizations	9,503	—	—	—	—		—	—	—	9,503
	25,664	—	—	—	—	1,525	—	—	—	27,189
Property and equipment, net	198,818	850	219	280	11,242	—	151	140	—	211,700
Investments in joint ventures and other assets	25,627	—	2,322	—	—	4,052	895	1,951	(2,322)	32,525
Total assets	$ 314,722	4,551	2,722	1,723	13,167	24,921	1,722	2,760	(2,322)	363,966

(Continued)

Schedule 1-g

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland St. Joseph Health System (SJHS)

June 30, 2017

(In thousands)

Liabilities and Net Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	UM Regional Supplier svcs	UM Regional Prof svcs	Eliminations	St. Joseph consolidated total
Current liabilities:										
Trade accounts payable	$ 25,140	866	591	(332)	(19)	26	230	52	—	26,554
Accrued payroll and benefits	20,743	2,428	—	2,017	—	—	167	183	—	25,538
Advances from third-party payors	11,089	—	—	—	—	—	—	—	—	11,089
Lines of credit	—	—	—	—	—	—	—	—	—	—
Other current liabilities	2,950	67,831	5,233	25,452	29	109	3,451	201	—	105,256
Current portion of long-term debt	6,260	—	—	—	—	—	—	—	—	6,260
Total current liabilities	66,182	71,125	5,824	27,137	10	135	3,848	436	—	174,697
Long-term debt, less current portion	229,474	—	—	—	8,698	—	—	—	—	238,172
Other long-term liabilities	25,628	—	—	—	—	—	—	—	—	25,628
Total liabilities	321,284	71,125	5,824	27,137	8,708	135	3,848	436	—	438,497
Net assets:										
Unrestricted	(6,563)	(66,574)	(3,102)	(25,414)	4,459	4,179	(2,126)	2,324	(2,322)	(95,139)
Temporarily restricted	1	—	—	—	—	19,609	—	—	—	19,610
Permanently restricted	—	—	—	—	—	998	—	—	—	998
Total net assets	(6,562)	(66,574)	(3,102)	(25,414)	4,459	24,786	(2,126)	2,324	(2,322)	(74,531)
Total liabilities and net assets	$ 314,722	4,551	2,722	1,723	13,167	24,921	1,722	2,760	(2,322)	363,966

See accompanying independent auditors' report.

Schedule 1-h

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Upper Chesapeake Health System (UCHS)

June 30, 2017

(In thousands)

Assets	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Hospice of Harford County	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Current assets:													
Cash and cash equivalents	$ 26,476	27,804	23	—	178	6	1,419	—	—	—	—	—	55,906
Assets limited as to use, current portion	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts receivable:													
Patient accounts receivable, less allowance for doubtful accounts of $21,934	32,509	7,456	—	—	5,659	10	—	—	—	—	—	—	45,634
Other	12,094	—	—	—	—	—	—	—	—	1,226	—	—	13,320
Inventories	6,959	2,743	—	—	683	—	—	—	—	—	—	—	10,385
Prepaid expenses and other current assets	1,915	2,191	16	37	516	5	4,135	29	—	1,114	—	—	9,958
Total current assets	79,953	40,194	39	37	7,036	21	5,554	29	—	2,340	—	—	135,203
Investments	110,900	79,066	—	—	—	527	—	—	—	—	—	—	190,493
Assets limited as to use, less current portion:													
Investments held for swap collateral	28,959	—	—	—	—	—	—	—	—	—	—	—	28,959
Debt service funds	—	—	—	—	—	—	—	—	—	—	—	—	—
Construction funds	—	—	—	—	—	—	—	—	—	—	—	—	—
Board designated and escrow funds	—	—	—	—	—	—	22,383	—	—	—	—	—	22,383
Self-insurance trust funds	—	—	—	—	—	—	—	—	—	12,903	—	—	12,903
Funds restricted by donor	—	—	—	—	—	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—
	28,959	—	—	—	—	—	22,383	—	—	12,903	—	—	64,245
Property and equipment, net	217,332	28,913	—	10	1,987	1,761	59	1,114	—	—	3,001	—	254,177
Investments in joint ventures and other assets	228,151	—	—	3,901	—	—	21	—	—	9,101	—	(22,465)	218,709
Total assets	$ 665,295	148,173	39	3,948	9,023	2,309	28,017	1,143	—	24,344	3,001	(22,465)	862,827

(Continued)

Schedule 1-h

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Upper Chesapeake Health System (UCHS)

June 30, 2017

(In thousands)

Liabilities and Net Assets	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Hospice of Harford County	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Current liabilities:													
Trade accounts payable	$ 8,627	6,834	—	—	2,849	—	—	282	—	36	—	—	18,628
Accrued payroll and benefits	19,737	5,532	—	—	—	—	—	1,298	—	—	—	—	26,567
Advances from third-party payors	6,715	1,698	—	—	—	—	—	—	—	—	—	—	8,413
Other current liabilities	12,958	22,153	23	—	6,136	495	9,789	2,305	—	2,168	3,102	65	59,194
Current portion of long-term debt	4,832	—	—	—	—	—	—	—	—	—	—	—	4,832
Total current liabilities	52,869	36,217	23	—	8,985	495	9,789	3,885	—	2,204	3,102	65	117,634
Long-term debt, less current portion	171,619	24,855	—	—	—	—	—	—	—	—	—	—	196,474
Other long-term liabilities	22,528	1,134	—	—	—	—	—	1	—	20,945	—	(4,237)	40,371
Total liabilities	247,016	62,206	23	—	8,985	495	9,789	3,886	—	23,149	3,102	(4,172)	354,479
Net assets:													
Unrestricted	250,051	85,967	16	3,948	38	1,287	10,426	(2,743)	—	1,195	(101)	(65)	350,019
Temporarily restricted	168,228	—	—	—	—	527	6,526	—	—	—	—	(18,228)	157,053
Permanently restricted	—	—	—	—	—	—	1,276	—	—	—	—	—	1,276
Total net assets	418,279	85,967	16	3,948	38	1,814	18,228	(2,743)	—	1,195	(101)	(18,293)	508,348
Total liabilities and net assets	$ 665,295	148,173	39	3,948	9,023	2,309	28,017	1,143	—	24,344	3,001	(22,465)	862,827

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Health Plans

June 30, 2017

(In thousands)

Assets	UM Health Ventures	UM Health Plans	Eliminations	UM Health Plans consolidated total
Current assets:				
Cash and cash equivalents	$ —	40,876	—	40,876
Assets limited as to use, current portion	—	—	—	—
Accounts receivable:				
Patient accounts receivable, less allowance for doubtful accounts of $0	—	—	—	—
Other	—	18,056	—	18,056
Inventories	—	—	—	—
Prepaid expenses and other current assets	—	331	—	331
Total current assets	—	59,263	—	59,263
Investments	—	10,208	—	10,208
Assets limited as to use, less current portion:				
Investment held for collateral	—	—	—	—
Debt service funds	—	—	—	—
Construction funds	—	—	—	—
Board designated and escrow funds	—	—	—	—
Self-insurance trust funds	—	—	—	—
Funds restricted by donor	—	—	—	—
Economic interests in the net assets of related organizations	—	—	—	—
	—	—	—	—
Property and equipment, net	—	4,451	—	4,451
Investments in joint ventures and other assets	120,880	88,623	—	209,503
Total assets	$ 120,880	162,545	—	283,425

(Continued)

Schedule 1-i

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Health Plans

June 30, 2017

(In thousands)

Liabilities and Net Assets	UM Health Ventures	UM Health Plans	Eliminations	UM Health Plans consolidated total
Current liabilities:				
Trade accounts payable	$ 216	717	—	933
Accrued payroll and benefits	—	2,378	—	2,378
Advances from third-party payors	—	—	—	—
Lines of credit	—	—	—	—
Other current liabilities	53,885	49,233	—	103,118
Current portion of long-term debt	5,000	—	—	5,000
Total current liabilities	59,101	52,328	—	111,429
Long-term debt, less current portion	36,667	—	—	36,667
Other long-term liabilities	35,700	17,563	—	53,263
Total liabilities	131,468	69,891	—	201,359
Net assets:				
Unrestricted	(10,588)	92,654	—	82,066
Temporarily restricted	—	—	—	—
Permanently restricted	—	—	—	—
Total net assets	(10,588)	92,654	—	82,066
Total liabilities and net assets	$ 120,880	162,545	—	283,425

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2016

(In thousands)

Assets	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	UM Health Plans	UMMS Foundation	Community Med. Group	ECARE	Eliminations	Consolidated total
Current assets:														
Cash and cash equivalents	$ 385,209	6,218	11,907	28,231	22,038	13,790	3,910	49,428	1,540	—	898	—	—	523,169
Assets limited as to use, current portion	47,477	—	528	1,183	860	404	960	—	—	—	—	—	—	51,412
Accounts receivable:														
Patient accounts receivable, less allowance for doubtful accounts of $202,183	169,672	9,849	16,255	35,459	17,894	7,721	34,817	35,816	—	—	4,572	—	—	331,055
Other	172,525	9,666	15,991	40,626	14,838	2,786	14,345	9,377	22,770	—	2,147	209	(207,393)	97,887
Inventories	28,226	1,072	2,860	6,150	4,776	1,487	5,560	9,607	—	—	—	—	—	59,738
Prepaid expenses and other current assets	12,806	128	325	1,480	1,550	477	1,833	4,140	776	1,500	324	42	—	25,381
Total current assets	814,915	26,933	47,866	113,129	61,956	26,665	61,425	108,368	25,086	1,500	7,941	251	(207,393)	1,088,642
Investments	195,252	25,304	—	121,768	80,315	30,003	10,341	172,343	10,208	—	—	—	—	645,534
Assets limited as to use, less current portion:														
Investments held for collateral	125,487	—	3,700	8,000	—	—	—	40,811	—	—	—	—	—	177,998
Debt service funds	22,290	—	—	—	—	—	—	—	—	—	—	—	—	22,290
Construction funds	335	10,360	5,259	4,995	4,772	10,449	5,816	—	—	—	—	—	—	41,986
Board designated and escrow funds	—	—	—	—	78,209	3,576	—	17,757	—	17,950	10	—	—	117,502
Self-insurance trust funds	53,064	—	16,337	23,205	28,738	4,820	10,107	11,066	—	—	—	—	—	147,337
Funds restricted by donor	—	—	1,113	—	29,598	—	1,057	—	—	23,413	—	—	—	55,181
Economic and beneficial interests in the net assets of related organizations	197,438	28,355	437	7,960	3,105	—	9,503	—	—	—	—	—	(58,913)	187,885
	398,614	38,715	26,846	44,160	144,422	18,845	26,483	69,634	—	41,363	10	—	(58,913)	750,179
Property and equipment, net	913,959	48,190	99,309	262,303	178,578	97,781	210,395	259,210	5,306	—	9,346	2,169	—	2,086,546
Investments in joint ventures and other assets	676,735	—	12,908	18,733	9,875	7,919	17,579	218,812	86,587	6,561	—	—	(660,528)	395,181
Total assets	$ 2,999,475	139,142	186,929	560,093	475,146	181,213	326,223	828,367	127,187	49,424	17,297	2,420	(926,834)	4,966,082

(Continued)

Schedule 2

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2016

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	UM Health Plans	UMMS Foundation	Community Med. Group	ECARE	Eliminations	Consolidated total
Current liabilities:														
Trade accounts payable	$ 127,944	7,961	14,452	21,089	17,971	9,361	29,367	16,663	109	14	4,461	151	—	249,543
Accrued payroll and benefits	119,204	5,181	12,501	25,273	22,335	3,944	28,124	25,470	1,656	—	9,649	—	—	253,337
Advances from third-party payors	72,546	2,910	9,660	9,667	6,789	3,735	10,633	8,777	—	—	—	—	—	124,717
Lines of credit	180,000	—	—	—	—	—	—	—	—	—	—	—	—	180,000
Short-term financing	150,000	—	—	—	—	—	—	—	—	—	—	—	—	150,000
Other current liabilities	86,581	1,268	7,565	43,706	7,304	7,742	82,502	63,259	40,129	—	5,685	9,174	(207,393)	147,522
Long-term debt subject to short-term remarketing arrangements	32,515	—	—	—	—	—	—	—	—	—	—	—	—	32,515
Current portion of long-term debt	11,846	465	719	3,870	3,213	2,875	5,159	4,445	5,000	—	—	—	—	37,592
Total current liabilities	780,636	17,785	44,897	103,605	57,612	27,657	155,785	118,614	46,894	14	19,795	9,325	(207,393)	1,175,226
Long-term debt, less current portion	566,363	20,991	33,022	168,096	88,243	60,306	242,609	201,307	41,667	—	—	—	—	1,422,604
Other long-term liabilities	124,130	144	29,724	47,978	22,971	16,918	15,652	41,788	53,300	—	—	—	—	352,605
Interest rate swap liabilities	273,037	—	—	—	—	—	—	—	—	—	—	—	—	273,037
Total liabilities	1,744,166	38,920	107,643	319,679	168,826	104,881	414,046	361,709	141,861	14	19,795	9,325	(207,393)	3,223,472
Net assets:														
Unrestricted	1,035,728	71,734	77,736	232,454	267,012	76,239	(97,860)	308,990	(14,674)	22,599	(2,498)	(6,905)	(511,275)	1,459,280
Temporarily restricted	217,892	28,488	1,550	7,960	23,811	93	9,375	156,392	—	7,594	—	—	(206,890)	246,265
Permanently restricted	1,689	—	—	—	15,497	—	662	1,276	—	19,217	—	—	(1,276)	37,065
Total net assets	1,255,309	100,222	79,286	240,414	306,320	76,332	(87,823)	466,658	(14,674)	49,410	(2,498)	(6,905)	(719,441)	1,742,610
Total liabilities and net assets	$ 2,999,475	139,142	186,929	560,093	475,146	181,213	326,223	828,367	127,187	49,424	17,297	2,420	(926,834)	4,966,082

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division

Year ended June 30, 2017

(In thousands)

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	UCHS	UM Health Plans	UMMS Foundation	Community Med. Group	ECARE	Eliminations	Consolidated total
Unrestricted revenues, gains and other support:														
Patient Service Revenue (net of contractual adjustments)	$ 1,482,557	115,107	226,153	423,060	325,782	137,928	434,315	452,276	—	—	73,474	—	(1,033)	3,669,619
Provision for bad debts	(73,931)	(7,266)	(20,133)	(35,205)	(11,498)	(6,462)	(13,646)	(16,455)	—	—	(1)	—	—	(184,597)
Net patient service revenue	1,408,626	107,841	206,020	387,855	314,284	131,466	420,669	435,821	—	—	73,473	—	(1,033)	3,485,022
Other operating revenue:														
State support	18,200	—	—	—	—	—	—	—	—	—	—	—	—	18,200
Premium Revenue	—	—	—	—	—	—	—	—	268,060	—	—	—	—	268,060
Other revenue	105,443	2,602	11,228	5,450	5,547	746	4,750	271	—	—	59,222	2,942	(61,793)	136,408
Total unrestricted revenue, gains and other support	1,532,269	110,443	217,248	393,305	319,831	132,212	425,419	436,092	268,060	—	132,695	2,942	(62,826)	3,907,690
Operating expenses:														
Salaries, wages and benefits	747,544	52,003	93,615	182,165	157,714	57,397	198,026	244,970	13,854	—	89,146	—	—	1,836,434
Expendable supplies	354,148	15,379	29,905	61,498	46,202	19,020	82,507	83,351	—	—	12,651	63	—	704,724
Purchased services	119,167	23,500	46,688	93,658	78,364	30,671	103,220	58,623	16,623	—	26,173	4,837	(62,826)	538,698
Medical Claims Expense	—	—	—	—	—	—	—	—	252,118	—	—	—	—	252,118
Contracted services	134,767	8,867	23,146	9,560	17,049	6,091	8,241	13,253	—	—	5,716	—	—	226,690
Depreciation and amortization	96,054	6,535	12,875	27,565	22,705	7,762	19,716	22,137	2,278	—	1,427	695	—	219,749
Interest expense	24,525	722	1,149	5,811	3,141	2,175	10,034	8,150	1,304	—	—	186	—	57,197
Total operating expenses	1,476,205	107,006	207,378	380,257	325,175	123,116	421,744	430,484	286,177	—	135,113	5,781	(62,826)	3,835,610
Operating income (loss)	56,064	3,437	9,870	13,048	(5,344)	9,096	3,675	5,608	(18,117)	—	(2,418)	(2,839)	—	72,080
Nonoperating income and expenses, net:														
Loss on early extinguishment of debt	(26,427)	—	—	—	—	—	—	—	—	—	—	—	—	(26,427)
Change in fair value of undesignated interest rate swaps	76,797	—	—	—	—	—	—	—	—	—	—	—	—	76,797
Other nonoperating gains and losses:														
Contributions	—	—	—	—	326	200	279	228	—	4,392	—	—	—	5,425
Equity in net income of joint ventures	3,038	—	—	(115)	(166)	48	834	217	—	—	—	—	—	3,856
Investment income	10,454	1,106	102	4,501	9,374	810	360	7,607	182	1,000	—	—	—	35,496
Change in fair value of investments	13,983	2,607	—	10,139	9,161	2,539	962	12,813	—	1,971	—	—	—	54,175
Other nonoperating gains and losses	(10,812)	(363)	(564)	(3,213)	(7,261)	(648)	(5,262)	(2,225)	(2,339)	(5,356)	—	—	—	(38,043)
Total other nonoperating gains and losses	16,663	3,350	(462)	11,312	11,434	2,949	(2,827)	18,640	(2,157)	2,007	—	—	—	60,909
Excess (deficiency) of revenues over expenses	$ 123,097	6,787	9,408	24,360	6,090	12,045	848	24,248	(20,274)	2,007	(2,418)	(2,839)	—	183,359

See accompanying independent auditors' report.

Schedule 3-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Medical Center & Affiliates (UMMC)

Year ended June 30, 2017

(In thousands)

	University of Maryland Medical Center						
	University Hospital	Shock Trauma Center	Subtotal	36 South Paca	University CARE	Eliminations	University of Maryland Medical Center & Affiliates consolidated total
Unrestricted revenues, gains and other support:							
Patient service revenue (net of contractual adjustments)	$ 1,261,576	219,539	1,481,115	—	1,442	—	1,482,557
Provision for bad debts	(60,800)	(13,014)	(73,814)	—	(117)	—	(73,931)
Net patient service revenue	1,200,776	206,525	1,407,301	—	1,325	—	1,408,626
Other operating revenue:							
State support	15,000	3,200	18,200	—	—	—	18,200
Other revenue	102,963	276	103,239	929	1,275	—	105,443
Total unrestricted revenue, gains and other support	1,318,739	210,001	1,528,740	929	2,600	—	1,532,269
Operating expenses:							
Salaries, wages and benefits	678,468	67,458	745,926	130	1,488	—	747,544
Expendable supplies	324,277	29,571	353,848	191	109	—	354,148
Purchased services	74,090	41,633	115,723	746	2,698	—	119,167
Contracted services	122,497	12,270	134,767	—	—	—	134,767
Depreciation and amortization	83,438	12,227	95,665	389	—	—	96,054
Interest expense	24,165	—	24,165	360	—	—	24,525
Total operating expenses	1,306,935	163,159	1,470,094	1,816	4,295	—	1,476,205
Operating income (loss)	11,804	46,842	58,646	(887)	(1,695)	—	56,064
Nonoperating income and expenses, net:							
Loss on early extinguishment of debt	(26,427)	—	(26,427)	—	—	—	(26,427)
Change in fair value of undesignated interest rate swaps	76,797	—	76,797	—	—	—	76,797
Other nonoperating gains and losses:							
Contributions	—	—	—	—	—	—	—
Equity in net income of joint ventures	630	—	630	—	—	2,408	3,038
Investment income	10,454	—	10,454	—	—	—	10,454
Change in fair value of investments	13,983	—	13,983	—	—	—	13,983
Other nonoperating gains and losses	(10,981)	—	(10,981)	—	—	169	(10,812)
Total other nonoperating gains and losses	14,086	—	14,086	—	—	2,577	16,663
Excess (deficiency) of revenues over expenses	$ 76,260	46,842	123,102	(887)	(1,695)	2,577	123,097

See accompanying independent auditors' report.

Schedule 3-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Midtown Health, Inc. (Midtown)

Year ended June 30, 2017

(In thousands)

	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Unrestricted revenues, gains and other support:					
Patient service revenue (net of contractual adjustments)	$ 661	224,909	3,400	(2,817)	226,153
Provision for bad debts	(52)	(19,757)	(324)	—	(20,133)
Net patient service revenue	609	205,152	3,076	(2,817)	206,020
Other operating revenue:					
State support	—	—	—	—	—
Other revenue	963	10,221	44	—	11,228
Total unrestricted revenue, gains and other support	1,572	215,373	3,120	(2,817)	217,248
Operating expenses:					
Salaries, wages and benefits	795	92,820	—	—	93,615
Expendable supplies	52	29,853	—	—	29,905
Purchased services	1,558	44,827	303	—	46,688
Contracted services	—	23,146	2,817	(2,817)	23,146
Depreciation and amortization	411	12,464	—	—	12,875
Interest expense	33	1,116	—	—	1,149
Total operating expenses	2,849	204,226	3,120	(2,817)	207,378
Operating income (loss)	(1,277)	11,147	—	—	9,870
Nonoperating income and expenses, net:					
Loss on early extinguishment of debt	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—
Other nonoperating gains and losses:					
Contributions	—	—	—	—	—
Equity in net income of joint ventures	—	—	—	—	—
Investment income	—	102	—	—	102
Change in fair value of investments	—	—	—	—	—
Other nonoperating gains and losses	—	(564)	—	—	(564)
Total other nonoperating gains and losses	—	(462)	—	—	(462)
Excess (deficiency) of revenues over expenses	$ (1,277)	10,685	—	—	9,408

See accompanying independent auditors' report.

Schedule 3-c

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Baltimore Washington Medical System (BWMS)

Year ended June 30, 2017

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Shipley's	Eliminations	BWMS consolidated total
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	$ —	382,961	35,797	6,388	—	—	(2,086)	423,060
Provision for bad debts	—	(19,775)	(15,193)	(237)	—	—	—	(35,205)
Net patient service revenue	—	363,186	20,604	6,151	—	—	(2,086)	387,855
Other operating revenue:								
State support	—	—	—	—	—	—	—	—
Other revenue	4,150	3,681	—	—	2,592	—	(4,973)	5,450
Total unrestricted revenue, gains and other support	4,150	366,867	20,604	6,151	2,592	—	(7,059)	393,305
Operating expenses:								
Salaries, wages and benefits	4,149	165,110	11,640	1,266	—	—	—	182,165
Expendable supplies	—	60,895	—	461	142	—	—	61,498
Purchased services	24,254	66,602	5,323	3,208	1,330	—	(7,059)	93,658
Contracted services	—	9,560	—	—	—	—	—	9,560
Depreciation and amortization	—	26,386	—	421	758	—	—	27,565
Interest expense	—	5,657	—	67	87	—	—	5,811
Total operating expenses	28,403	334,210	16,963	5,423	2,317	—	(7,059)	380,257
Operating income (loss)	(24,253)	32,657	3,641	728	275	—	—	13,048
Nonoperating income and expenses, net:								
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—
Other nonoperating gains and losses:								
Contributions	—	—	—	—	—	—	—	—
Equity in net income of joint ventures	48,611	(115)	—	—	—	—	(48,611)	(115)
Investment income	—	4,501	—	—	—	—	—	4,501
Change in fair value of investments	—	10,139	—	—	—	—	—	10,139
Other nonoperating gains and losses	—	(2,854)	—	(359)	—	—	—	(3,213)
Total other nonoperating gains and losses	48,611	11,671	—	(359)	—	—	(48,611)	11,312
Excess (deficiency) of revenues over expenses	$ 24,358	44,328	3,641	369	275	—	(48,611)	24,360

See accompanying independent auditors' report.

Schedule 3-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Shore Regional Health (Shore Regional)

Year ended June 30, 2017

(In thousands)

	Shore Health System, Inc.	Shore Orthopedics	UM Shore Home Care	Queenstown ASC	UM Shore Nursing and Rehab.	Shore Med. Group	Memorial Hospital Foundation, Inc. and Subsidiary	Chester River Consolidated Total	Eliminations	SHS consolidated total
Unrestricted revenues, gains and other support:										
Patient service revenue (net of contractual adjustments)	$ 249,692	7,691	3,480	257	8,012	—	—	56,650	—	325,782
Provision for bad debts	(8,531)	—	56	(126)	(100)	—	—	(2,797)	—	(11,498)
Net patient service revenue	241,161	7,691	3,536	131	7,912	—	—	53,853	—	314,284
Other operating revenue:										
State support	—	—	—	—	—	—	—	—	—	—
Other revenue	4,576	68	—	427	71	—	—	405	—	5,547
Total unrestricted revenue, gains and other support	245,737	7,759	3,536	558	7,983	—	—	54,258	—	319,831
Operating expenses:										
Salaries, wages and benefits	120,913	7,635	3,760	383	5,106	—	—	19,917	—	157,714
Expendable supplies	38,148	751	82	152	827	—	—	6,242	—	46,202
Purchased services	42,398	1,462	606	11	2,735	19,302	—	11,850	—	78,364
Contracted services	11,137	—	—	118	12	—	—	5,782	—	17,049
Depreciation and amortization	17,976	43	76	3	255	—	—	4,352	—	22,705
Interest expense	2,983	—	—	—	6	—	—	152	—	3,141
Total operating expenses	233,555	9,891	4,524	667	8,941	19,302	—	48,295	—	325,175
Operating income (loss)	12,182	(2,132)	(988)	(109)	(958)	(19,302)	—	5,963	—	(5,344)
Nonoperating income and expenses, net:										
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses:										
Contributions	25	—	—	—	—	—	151	150	—	326
Equity in net income of joint ventures	(166)	—	—	—	—	—	—	—	—	(166)
Investment income (loss)	5,786	—	—	—	—	—	3,002	586	—	9,374
Change in fair value of investments	5,237	—	—	—	—	—	2,440	1,484	—	9,161
Other nonoperating gains and losses	(3,407)	—	—	—	—	—	(3,302)	(552)	—	(7,261)
Total other nonoperating gains and losses	7,475	—	—	—	—	—	2,291	1,668	—	11,434
Excess (deficiency) of revenues over expenses	$ 19,657	(2,132)	(988)	(109)	(958)	(19,302)	2,291	7,631	—	6,090

See accompanying independent auditors' report.

Schedule 3-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Chester River Health System, Inc. (CRHS) a subsidiary of Shore Regional Health

Year ended June 30, 2017

(In thousands)

	Chester River Hospital Center	Chester River Manor	UM Chester River Home Care	Chester River Health Foundation	Chester River consolidated total
Unrestricted revenues, gains and other support:					
Patient service revenue (net of contractual allowances)	$ 54,588	—	2,062	—	56,650
Provision for bad debts	(2,777)	—	(18)	(2)	(2,797)
Net patient service revenue	51,811	—	2,044	(2)	53,853
Other operating revenue:					
State support	—	—	—	—	—
Other revenue	403	—	—	2	405
Total unrestricted revenue, gains and other support	52,214	—	2,044	—	54,258
Operating expenses:					
Salaries, wages and benefits	18,097	—	1,820	—	19,917
Expendable supplies	6,191	—	47	4	6,242
Purchased services	11,488	—	366	(4)	11,850
Contracted services	5,782	—	—	—	5,782
Depreciation and amortization	4,338	—	14	—	4,352
Interest expense	152	—	—	—	152
Total operating expenses	46,048	—	2,247	—	48,295
Operating income	6,166	—	(203)	—	5,963
Nonoperating income and expenses, net:					
Loss on early extinguishment of debt	—	—	—	—	—
Other nonoperating gains and losses:					
Contributions	—	—	—	150	150
Equity in net income of joint ventures	—	—	—	—	—
Investment income	516	—	48	22	586
Change in fair value of investments	1,240	—	116	128	1,484
Other nonoperating gains and losses	(72)	—	—	(480)	(552)
Total other nonoperating gains and losses	1,684	—	164	(180)	1,668
Excess (deficiency) of revenues over expenses	$ 7,850	—	(39)	(180)	7,631

See accompanying independent auditors' report.

Schedule 3-f

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Charles Regional Health (Charles Regional)

Year ended June 30, 2017

(In thousands)

	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Urgent Care	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Charles Regional Imaging Center	Eliminations	Charles Regional consolidated total
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	$ —	136,289	1,584	—	—	55	—	137,928
Provision for bad debts	—	(6,428)	(32)	—	—	(2)	—	(6,462)
Net patient service revenue	—	129,861	1,552	—	—	53	—	131,466
Other operating revenue:								
State support	—	—	—	—	—	—	—	—
Other revenue	239	507	—	—	—	—	—	746
Total unrestricted revenue, gains and other support	239	130,368	1,552	—	—	53	—	132,212
Operating expenses:								
Salaries, wages and benefits	—	57,397	—	—	—	—	—	57,397
Expendable supplies	—	18,879	90	—	—	51	—	19,020
Purchased services	1,544	27,006	1,941	(1)	—	181	—	30,671
Contracted services	—	6,067	1	—	—	23	—	6,091
Depreciation and amortization	1,767	5,543	123	192	—	137	—	7,762
Interest expense	288	1,887	—	—	—	—	—	2,175
Total operating expenses	3,599	116,779	2,155	191	—	392	—	123,116
Operating income	(3,360)	13,589	(603)	(191)	—	(339)	—	9,096
Nonoperating income and expenses, net:								
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—
Other nonoperating gains and losses:								
Contributions	—	200	—	—	—	—	—	200
Equity in net income of joint ventures	—	48	—	(238)	—	—	238	48
Investment income	63	702	—	—	45	—	—	810
Change in fair value of investments	—	2,268	—	—	271	—	—	2,539
Other nonoperating gains and losses	—	(434)	—	—	(34)	—	(180)	(648)
Total other nonoperating gains and losses	63	2,784	—	(238)	282	—	58	2,949
Excess (deficiency) of revenues over expenses	$ (3,297)	16,373	(603)	(429)	282	(339)	58	12,045

See accompanying independent auditors' report.

Schedule 3-g

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland St. Joseph Health System (SJHS)

Year ended June 30, 2017

(In thousands)

	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	UM Regional Supplier Svcs	UM Regional Prof SVCS	Eliminations	St. Joseph consolidated total
Unrestricted revenues, gains and other support:										
Patient service revenue (net of contractual adjustments)	$ 370,211	34,177	—	24,281	—	—	2,004	3,642	—	434,315
Provision for bad debts	(10,577)	(1,562)	—	(1,464)	—	—	(43)	—	—	(13,646)
Net patient service revenue	359,634	32,615	—	22,817	—	—	1,961	3,642	—	420,669
Other operating revenue:										
State support	—	—	—	—	—	—	—	—	—	—
Other revenue	3,231	9,052	1,600	—	2,666	—	—	115	(11,914)	4,750
Total unrestricted revenue, gains and other support	362,865	41,667	1,600	22,817	2,666	—	1,961	3,757	(11,914)	425,419
Operating expenses:										
Salaries, wages and benefits	135,718	43,306	—	15,174	—	—	1,179	2,649	—	198,026
Expendable supplies	80,461	1,147	—	9	—	—	820	70	—	82,507
Purchased services	77,393	12,747	2,420	11,427	1,336	—	575	461	(3,139)	103,220
Contracted services	16,946	70	—	—	—	—	—	—	(8,775)	8,241
Depreciation and amortization	18,955	146	32	40	475	—	47	21	—	19,716
Interest expense	9,620	—	—	—	414	—	—	—	—	10,034
Total operating expenses	339,093	57,416	2,452	26,650	2,225	—	2,621	3,201	(11,914)	421,744
Operating income (loss)	23,772	(15,749)	(852)	(3,833)	441	—	(660)	556	—	3,675
Nonoperating income and expenses, net:										
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses:										
Contributions	—	—	—	—	—	279	—	—	—	279
Equity in net income of joint ventures	834	—	—	—	—	—	—	—	—	834
Investment income	—	—	—	—	—	360	—	—	—	360
Change in fair value of investments	—	—	—	—	—	962	—	—	—	962
Other nonoperating gains and losses	(4,040)	5	—	—	—	(1,227)	—	—	—	(5,262)
Total other nonoperating gains and losses	(3,206)	5	—	—	—	374	—	—	—	(2,827)
Excess (deficiency) of revenues over expenses	$ 20,566	(15,744)	(852)	(3,833)	441	374	(660)	556	—	848

See accompanying independent auditors' report.

Schedule 3-h

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Upper Chesapeake Health System (UCHS)

Year ended June 30, 2017

(In thousands)

	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Hospice of Harford County	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Unrestricted revenues, gains and other support:													
Patient service revenue (net of contractual adjustments)	$ 306,683	94,328	—	—	50,918	347	—	—	—	—	—	—	452,276
Provision for bad debts	(9,849)	(5,207)	—	—	(1,361)	(38)	—	—	—	—	—	—	(16,455)
Net patient service revenue	296,834	89,121	—	—	49,557	309	—	—	—	—	—	—	435,821
Other operating revenue:													
State support	—	—	—	—	—	—	—	—	—	—	—	—	—
Other revenue	3,937	1,162	—	(321)	6,342	400	—	16,067	—	671	—	(27,987)	271
Total unrestricted revenue, gains and other support	300,771	90,283	—	(321)	55,899	709	—	16,067	—	671	—	(27,987)	436,092
Operating expenses:													
Salaries, wages and benefits	140,964	48,855	—	—	43,151	798	—	11,202	—	—	—	—	244,970
Expendable supplies	67,028	8,246	—	—	7,803	49	—	225	—	—	—	—	83,351
Purchased services	42,999	18,156	305	105	12,695	132	—	3,994	—	682	13	(20,458)	58,623
Contracted services	10,016	3,902	—	—	5,774	—	—	81	—	—	—	(6,520)	13,253
Depreciation and amortization	16,311	4,518	—	—	506	271	—	531	—	—	—	—	22,137
Interest expense	6,901	1,249	—	—	—	—	—	—	—	—	—	—	8,150
Total operating expenses	284,219	84,926	305	105	69,929	1,250	—	16,033	—	682	13	(26,978)	430,484
Operating income (loss)	16,552	5,357	(305)	(426)	(14,030)	(541)	—	34	—	(11)	(13)	(1,009)	5,608
Nonoperating income and expenses, net:													
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses:													
Contributions	—	—	—	—	—	—	228	—	—	—	—	—	228
Equity in net income of joint ventures	—	—	—	217	—	—	—	—	—	—	—	—	217
Investment income	2,889	2,409	—	—	—	53	2,245	—	—	11	—	—	7,607
Change in fair value of investments	6,995	5,733	—	—	—	(4)	89	—	—	—	—	—	12,813
Other nonoperating gains and losses	(2,225)	—	—	—	—	—	—	—	—	—	—	—	(2,225)
Total other nonoperating gains and losses	7,659	8,142	—	217	—	49	2,562	—	—	11	—	—	18,640
Excess (deficiency) of revenues over expenses	$ 24,211	13,499	(305)	(209)	(14,030)	(492)	2,562	34	—	—	(13)	(1,009)	24,248

See accompanying independent auditors' report.

Schedule 3-i

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Health Plans

Year ended June 30, 2017

(In thousands)

	UM Health Ventures	UM Health Plans	Eliminations	UM Health Plans consolidated total
Unrestricted revenues, gains and other support:				
Patient service revenue (net of contractual adjustments)	$ —	—	—	—
Provision for bad debts	—	—	—	—
Net patient service revenue	—	—	—	—
Other operating revenue:				
State support	—	—	—	—
Premium revenue	(4,411)	272,471	—	268,060
Other revenue	—	—	—	—
Total unrestricted revenue, gains and other support	(4,411)	272,471	—	268,060
Operating expenses:				
Salaries, wages and benefits	220	13,634	—	13,854
Expendable supplies	—	—	—	—
Purchased services	37	16,586	—	16,623
Medical Claims Expense	—	252,118	—	252,118
Contracted services	—	—	—	—
Depreciation and amortization	—	2,278	—	2,278
Interest expense	1,304	—	—	1,304
Total operating expenses	1,561	284,616	—	286,177
Operating income (loss)	(5,972)	(12,145)	—	(18,117)
Nonoperating income and expenses, net:				
Loss on early extinguishment of debt	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—
Other nonoperating gains and losses:				
Contributions	—	—	—	—
Equity in net income of joint ventures	—	—	—	—
Investment income	—	182	—	182
Change in fair value of investments	—	—	—	—
Other nonoperating gains and losses	—	(2,339)	—	(2,339)
Total other nonoperating gains and losses	—	(2,157)	—	(2,157)
Excess (deficiency) of revenues over expenses	$ (5,972)	(14,302)	—	(20,274)

See accompanying independent auditors' report.

Schedule 4

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division

Year ended June 30, 2016

(In thousands)

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	UCHS	UM Health Plans	UMMS Foundation	Community Med. Group	ECARE	Eliminations	Consolidated total
Unrestricted revenues, gains and other support:														
Patient Service Revenue (net of contractual adjustments)	$ 1,429,329	108,435	209,573	419,168	318,917	133,783	425,406	436,284	—	—	64,007	—	(852)	3,544,050
Provision for bad debts	(64,664)	(7,015)	(18,354)	(36,972)	(13,070)	(5,146)	(16,131)	(14,846)	—	—	—	—	—	(176,198)
Net patient service revenue	1,364,665	101,420	191,219	382,196	305,847	128,637	409,275	421,438	—	—	64,007	—	(852)	3,367,852
Other operating revenue:														
State support	3,200	—	—	—	—	—	—	—	—	—	—	—	—	3,200
Premium Revenue	—	—	—	—	—	—	—	—	140,958	—	—	—	—	140,958
Other revenue	121,601	5,719	2,970	5,507	3,240	666	6,839	3,364	3	—	49,525	2,975	(45,470)	156,939
Total unrestricted revenue, gains and other support	1,489,466	107,139	194,189	387,703	309,087	129,303	416,114	424,802	140,961	—	113,532	2,975	(46,322)	3,668,949
Operating expenses:														
Salaries, wages and benefits	725,096	50,763	89,088	179,444	139,771	58,728	195,905	221,243	14,358	—	77,460	—	—	1,751,856
Expendable supplies	343,261	14,096	23,206	61,958	40,614	17,075	81,820	81,781	—	—	11,087	96	—	674,994
Purchased services	138,443	23,430	45,671	91,785	77,612	29,432	97,257	56,262	137,240	—	24,901	4,351	(46,322)	680,062
Contracted services	130,634	9,126	20,881	9,469	13,941	5,086	7,437	15,309	—	—	4,679	—	—	216,562
Depreciation and amortization	91,131	5,675	12,515	24,616	19,979	6,056	17,598	19,893	1,663	—	984	654	—	200,764
Interest expense	23,923	766	1,232	6,156	3,320	2,143	10,110	8,580	1,047	—		187	—	57,464
Total operating expenses	1,452,488	103,856	192,593	373,428	295,237	118,520	410,127	403,068	154,308	—	119,111	5,288	(46,322)	3,581,702
Operating income (loss)	36,978	3,283	1,596	14,275	13,850	10,783	5,987	21,734	(13,347)	—	(5,579)	(2,313)	—	87,247
Nonoperating income and expenses, net:														
Loss on early extinguishment of debt	—		—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	(78,429)		—	—	—	—	—	—	—	—	—	—	—	(78,429)
Other nonoperating gains and losses:														
Contributions	—		—	—	787	—	456	—	—	2,526	—	—	—	3,769
St. Joseph escrow settlement	34,275		—	—	—	—	—	—	—	—	—	—	—	34,275
Equity in net income of joint ventures	(1,629)		—	—	(178)	470	664	375	—	—	—	—	—	(298)
Investment income	10,642	636	38	2,343	6,153	316	145	409	148	281	—	—	—	21,111
Change in fair value of investments	(21,918)	(1,303)	23	(4,770)	(10,540)	(964)	(429)	4,446	—	(988)	—	—	—	(36,443)
Other nonoperating gains and losses	(10,392)	(390)	(605)	(3,297)	(3,077)	(675)	(5,246)	(3,384)	(1,614)	(2,353)	—	—	—	(31,033)
Total other nonoperating gains and losses	10,978	(1,057)	(544)	(5,724)	(6,855)	(853)	(4,410)	1,846	(1,466)	(534)	—	—	—	(8,619)
Excess (deficiency) of revenues over expenses	$ (30,473)	2,226	1,052	8,551	6,995	9,930	1,577	23,580	(14,813)	(534)	(5,579)	(2,313)	—	199

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2017

(In thousands)

Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals*	UMMS Foundation	Eliminations	Obligated group total
Current assets:												
Cash and cash equivalents	$ 328,162	(83)	2,970	18,724	8,955	(1,901)	8,548	(1,201)	54,280	—	—	418,454
Assets limited as to use, current portion	46,797	—	432	1,228	572	242	342	1,327	—	—	—	50,940
Accounts receivable:												
Patient accounts receivable, less allowance for doubtful accounts of $188,977	173,649	11,530	14,012	41,501	22,473	2,208	8,396	37,685	39,965	—	—	351,419
Other	283,680	576	30,964	1,408	2,692	13,308	4,586	20,341	12,094	—	(125,283)	244,366
Inventories	28,559	1,106	3,071	6,131	3,892	696	1,391	5,435	9,702	—	—	59,983
Prepaid expenses and other current assets	16,035	21,924	499	1,138	1,476	20	784	1,026	4,106	1,500	—	48,508
Total current assets	876,882	35,053	51,948	70,130	40,060	14,573	24,047	64,613	120,147	1,500	(125,283)	1,173,670
Investments	232,394	29,013	3	136,194	83,553	12,230	31,145	—	189,966	—	—	714,498
Assets limited as to use, less current portion:												
Investments held for collateral	81,987	—	3,700	8,000	—	—	—	—	28,959	—	—	122,646
Debt service funds	10,438	—	—	—	—	—	—	—	—	—	—	10,438
Construction funds	46,264	14,203	8,081	10,051	5,432	4,538	10,651	8,270	—	—	—	107,490
Board designated and escrow funds	—	—	—	—	25,000	5,000	—	—	—	12,548	—	42,548
Self-insurance trust funds	72,828	—	16,776	23,028	25,492	7,327	6,707	7,891	—	—	—	160,049
Funds restricted by donor	—	—	1,116	—	5,029	105	—	—	—	25,354	—	31,604
Economic interests in the net assets of related organizations	197,124	31,446	442	9,222	78,558	6,270	5,179	9,503	—	—	(59,790)	277,954
	408,641	45,649	30,115	50,301	139,511	23,240	22,537	25,664	28,959	37,902	(59,790)	752,729
Property and equipment, net	907,068	45,924	99,343	243,492	142,380	25,257	75,087	198,818	246,245	—	—	1,983,614
Investments in joint ventures and other assets	676,447	—	6,567	17,672	9,822	2,183	6,976	25,627	228,151	10,039	(660,528)	322,956
Total assets	$ 3,101,432	155,639	187,976	517,789	415,326	77,483	159,792	314,722	813,468	49,441	(845,601)	4,947,467

* Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

(Continued)

Schedule 5

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2017

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals*	UMMS Foundation	Eliminations	Obligated group total
Current liabilities:												
Trade accounts payable	$ 140,720	9,220	17,046	22,259	17,471	2,893	8,268	25,140	15,461	154	—	258,632
Accrued payroll and benefits	108,479	5,384	10,144	18,847	15,175	3,007	4,206	20,743	25,269	—	—	211,254
Advances from third-party payors	79,155	3,568	10,706	9,951	5,618	737	2,593	11,089	8,413	—	—	131,830
Short-term financing	—	—	—	—	—	—	—	—	—	—	—	—
Lines of credit	125,000	—	—	—	—	—	—	—	—	—	—	125,000
Other current liabilities	149,408	1,040	6,839	31,343	23,406	1,102	1,047	2,950	35,111	—	(125,283)	126,963
Long-term debt subject to short-term remarketing arrangements	28,440	—	—	—	—	—	—	—	—	—	—	28,440
Current portion of long-term debt	13,271	505	782	3,962	2,705	104	2,337	6,260	4,832	—	—	34,758
Total current liabilities	644,473	19,717	45,517	86,362	64,375	7,843	18,451	66,182	89,086	154	(125,283)	916,877
Long-term debt, less current portion	718,215	20,486	31,725	161,116	81,081	4,308	52,457	229,474	196,474	—	—	1,495,336
Other long-term liabilities	123,107	144	21,226	36,049	12,374	5,455	15,398	25,628	23,662	—	—	263,043
Interest rate swap liabilities	194,524	—	—	—	—	—	—	—	—	—	—	194,524
Total liabilities	1,680,319	40,347	98,468	283,527	157,830	17,606	86,306	321,284	309,222	154	(125,283)	2,869,780
Net assets:												
Unrestricted	1,200,580	83,846	87,950	225,040	222,367	55,913	73,393	(6,563)	336,018	17,777	(511,275)	1,785,046
Temporarily restricted	218,844	31,446	1,558	9,222	20,708	2,668	93	1	168,228	11,404	(207,767)	256,405
Permanently restricted	1,689	—	—	—	14,421	1,296	—	—	—	20,106	(1,276)	36,236
Total net assets	1,421,113	115,292	89,508	234,262	257,496	59,877	73,486	(6,562)	504,246	49,287	(720,318)	2,077,687
Total liabilities and net assets	$ 3,101,432	155,639	187,976	517,789	415,326	77,483	159,792	314,722	813,468	49,441	(845,601)	4,947,467

* Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2016

(In thousands)

Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals*	UMMS Foundation	Eliminations	Obligated group total
Current assets:												
Cash and cash equivalents	$ 383,678	6,218	11,362	27,186	14,619	5,214	11,285	1,443	49,052	—	—	510,057
Assets limited as to use, current portion	44,007	—	528	1,183	627	233	404	960	—	—	—	47,942
Accounts receivable:												
Patient accounts receivable, less allowance for doubtful accounts of $174,267	168,652	9,849	15,268	29,646	12,830	3,928	7,390	30,765	30,778	—	—	309,106
Other	178,002	333	14,293	1,926	6,296	2,964	976	12,345	—	—	(84,596)	132,539
Inventories	28,187	1,072	2,860	6,150	4,077	699	1,487	5,537	8,985	—	—	59,054
Prepaid expenses and other current assets	12,789	128	319	1,261	1,429	63	478	968	3,265	1,500	—	22,200
Total current assets	815,315	17,600	44,630	67,352	39,878	13,101	22,020	52,018	92,080	1,500	(84,596)	1,080,898
Investments	195,252	25,304	—	121,768	67,312	10,461	27,923	—	171,865	—	—	619,885
Assets limited as to use, less current portion:												
Investments held for collateral	125,487	—	3,700	8,000	—	—	—	—	40,811	—	—	177,998
Debt service funds	22,290	—	—	—	—	—	—	—	—	—	—	22,290
Construction funds	335	10,360	5,259	4,995	234	4,538	10,449	5,816	—	—	—	41,986
Board designated and escrow funds	—	—	—	—	25,000	5,000	—	—	—	17,950	—	47,950
Self-insurance trust funds	53,064	—	16,337	23,205	22,603	6,051	4,820	10,107	—	—	—	136,187
Funds restricted by donor	—	—	1,113	—	4,683	105	—	—	—	23,413	—	29,314
Economic interests in the net assets of related organizations	197,438	30,838	437	7,960	78,090	5,196	4,898	9,503	—	—	(58,913)	275,447
	398,614	41,198	26,846	44,160	130,610	20,890	20,167	25,426	40,811	41,363	(58,913)	731,172
Property and equipment, net	905,247	48,190	97,302	241,592	145,237	27,736	74,373	197,090	250,348	—	—	1,987,115
Investments in joint ventures and other assets	683,709	—	7,805	18,703	10,395	2,077	6,985	14,207	225,127	6,561	(660,528)	315,041
Total assets	$ 2,998,137	132,292	176,583	493,575	393,432	74,265	151,468	288,741	780,231	49,424	(804,037)	4,734,111

* Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

(Continued)

Schedule 6

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2016

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals*	UMMS Foundation	Eliminations	Obligated group total
Current liabilities:												
Trade accounts payable	$ 126,770	7,949	14,432	21,886	13,688	3,546	8,996	27,488	13,987	14	—	238,756
Accrued payroll and benefits	119,166	5,076	12,501	23,101	18,990	2,694	3,944	23,338	23,995	—	—	232,805
Advances from third-party payors	72,546	2,910	9,660	9,667	5,946	778	3,735	10,633	8,777	—	—	124,652
Short-term financing	180,000	—	—	—	—	—	—	—	—	—	—	180,000
Lines of credit	150,000	—	—	—	—	—	—	—	—	—	—	150,000
Other current liabilities	86,475	(13,954)	5,676	37,506	2,147	3,873	3,338	2,984	41,360	—	(84,596)	84,809
Long-term debt subject to short-term remarketing arrangements	32,515	—	—	—	—	—	—	—	—	—	—	32,515
Current portion of long-term debt	11,846	465	719	3,645	3,087	96	2,207	5,159	4,445	—	—	31,669
Total current liabilities	779,318	2,446	42,988	95,805	43,858	10,987	22,220	69,602	92,564	14	(84,596)	1,075,206
Long-term debt, less current portion	566,363	20,991	32,654	165,078	83,786	4,412	54,797	233,727	201,307	—	—	1,363,115
Other long-term liabilities	124,114	144	29,724	46,874	12,696	10,009	16,918	15,652	25,648	—	—	281,779
Interest rate swap liabilities	273,037	—	—	—	—	—	—	—	—	—	—	273,037
Total liabilities	1,742,832	23,581	105,366	307,757	140,340	25,408	93,935	318,981	319,519	14	(84,596)	2,993,137
Net assets:												
Unrestricted	1,035,724	77,873	69,667	177,858	216,600	46,082	57,440	(30,241)	293,810	22,599	(511,275)	1,456,137
Temporarily restricted	217,892	30,838	1,550	7,960	22,283	1,487	93	1	166,902	7,594	(206,890)	249,710
Permanently restricted	1,689	—	—	—	14,209	1,288	—	—	—	19,217	(1,276)	35,127
Total net assets	1,255,305	108,711	71,217	185,818	253,092	48,857	57,533	(30,240)	460,712	49,410	(719,441)	1,740,974
Total liabilities and net assets	$ 2,998,137	132,292	176,583	493,575	393,432	74,265	151,468	288,741	780,231	49,424	(804,037)	4,734,111

* Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

See accompanying independent auditors' report.

Unrestricted

Schedule 7

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Operations and Changes in Net Assets Information – Obligated Group

Year ended June 30, 2017

(In thousands)

	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center	Shore Health System				Chester River Hospital Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals*	UMMS Foundation	Eliminations	Obligated group total
					Memorial Hospital	Dorchester General	QAEC	Subtotal							
Unrestricted revenues, gains and other support:															
Patient service revenue (net of contractual adjustments)	$ 1,481,115	114,438	224,909	382,961	198,566	45,354	5,772	249,692	54,588	136,289	370,211	401,011	—	(1,033)	3,414,181
Provision for bad debts	(73,814)	(7,188)	(19,757)	(19,775)	(5,861)	(2,044)	(626)	(8,531)	(2,777)	(6,428)	(10,577)	(15,056)	—	—	(163,903)
Net patient service revenue	1,407,301	107,250	205,152	363,186	192,705	43,310	5,146	241,161	51,811	129,861	359,634	385,955	—	(1,033)	3,250,278
Other operating revenue:															
State support	18,200	—	—	—	—	—	—	—	—	—	—	—	—	—	18,200
Other revenue	103,239	2,583	10,221	3,681	4,230	335	11	4,576	403	507	3,231	5,099	—	—	133,540
Total unrestricted revenue, gains and other support	1,528,740	109,833	215,373	366,867	196,935	43,645	5,157	245,737	52,214	130,368	362,865	391,054	—	(1,033)	3,402,018
Operating expenses:															
Salaries, wages, and benefits	745,926	51,275	92,820	165,110	91,466	25,767	3,680	120,913	18,097	57,397	135,718	189,819	—	—	1,577,075
Expendable supplies	353,848	15,357	29,853	60,895	34,202	3,441	505	38,148	6,191	18,879	80,461	75,274	—	—	678,906
Purchased services	115,723	23,315	44,827	66,602	33,965	7,372	1,061	42,398	11,488	27,006	77,393	61,155	—	(1,033)	468,874
Contracted services	134,767	8,867	23,146	9,560	7,254	2,977	906	11,137	5,782	6,067	16,946	13,918	—	—	230,190
Depreciation and amortization	95,665	6,535	12,464	26,386	14,137	3,192	647	17,976	4,338	5,543	18,955	20,829	—	—	208,691
Interest expense	24,165	722	1,116	5,657	2,480	160	343	2,983	152	1,887	9,620	8,150	—	—	54,452
Total operating expenses	1,470,094	106,071	204,226	334,210	183,504	42,909	7,142	233,555	46,048	116,779	339,093	369,145	—	(1,033)	3,218,188
Operating income (loss)	58,646	3,762	11,147	32,657	13,431	736	(1,985)	12,182	6,166	13,589	23,772	21,909	—	—	183,830
Nonoperating income and expenses, net:															
Loss on early extinguishment of debt	(26,427)	—	—	—	—	—	—	—	—	—	—	—	—	—	(26,427)
Change in fair value of undesignated interest rate swaps	76,797	—	—	—	—	—	—	—	—	—	—	—	—	—	76,797
Other nonoperating gains and losses:															
Contributions	—	—	—		25	—	—	25	—	200	—	—	4,392	—	4,617
Equity in net income of joint ventures	630	—	—	(115)	(126)	(35)	(5)	(166)	—	48	834	—	—	—	1,231
Investment income	10,454	1,106	102	4,501	5,786	—	—	5,786	516	702	—	5,298	1,000	—	29,465
Change in fair value of investments	13,983	2,607	—	10,139	5,237	—	—	5,237	1,240	2,268	—	12,728	1,971	—	50,173
Other nonoperating gains and losses	(10,981)	(363)	(564)	(2,854)	(2,589)	(716)	(102)	(3,407)	(72)	(434)	(4,040)	(2,225)	(5,356)	—	(30,296)
Total other nonoperating gains and losses	14,086	3,350	(462)	11,671	8,333	(751)	(107)	7,475	1,684	2,784	(3,206)	15,801	2,007	—	55,190
Excess (deficiency) of revenues over expenses	123,102	7,112	10,685	44,328	21,764	(15)	(2,092)	19,657	7,850	16,373	20,566	37,710	2,007	—	289,390
Net assets released from restrictions used for purchase of property and equipment	21,500	—	1,529	—	7,692	—	—	7,692	423	—	2,063	—	—	—	33,207
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interest in the net assets of related organizations	—	—	—	—	1,304	—	—	1,304	—	—	—	—	—	—	1,304
Change in ownership interest of joint ventures	397	—	—	—	—	—	—	—	—	—	—	—	—	—	397
Capital transfers (to) from affiliate	18,280	(1,137)	(249)	(3,454)	(22,886)	—	—	(22,886)	(180)	(1,121)	1,269	(15,330)	(6,833)	—	(31,641)
Amortization of accumulated loss of discontinued designated interest rate swap	1,794	—	—	—	—	—	—	—	—	—	—	—	—	—	1,794
Change in funded status of defined benefit pension plans	—	—	4,570	6,308	—	—	—	—	1,738	705	—	21,032	—	—	34,353
Asset reclassifications at request of donor	—	—	—	—	—	—	—	—	—	—	—	(1,326)	—	—	(1,326)
Other	(217)	(2)	1,748	—	—	—	—	—	—	(4)	(220)	(58)	4	—	1,251
Increase (decrease) in unrestricted net assets	$ 164,856	5,973	18,283	47,182	7,874	(15)	(2,092)	5,767	9,831	15,953	23,678	42,028	(4,822)	—	328,729

* Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Operations and Changes in Net Assets Information – Obligated Group

Year ended June 30, 2016

(In thousands)

	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center	Shore Health System				Chester River Hospital Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals*	UMMS Foundation	Eliminations	Obligated group total
					Memorial Hospital	Dorchester General	QAEC	Subtotal							
Unrestricted revenues, gains and other support:															
Patient service revenue (net of contractual adjustments)	$ 1,427,659	107,692	208,590	375,219	196,846	46,056	5,646	248,548	56,080	132,762	361,730	387,529	—	(852)	3,304,957
Provision for bad debts	(64,713)	(6,948)	(17,596)	(17,584)	(7,230)	(2,101)	(695)	(10,026)	(2,774)	(4,903)	(13,109)	(12,593)	—	—	(150,246)
Net patient service revenue	1,362,946	100,744	190,994	357,635	189,616	43,955	4,951	238,522	53,306	127,859	348,621	374,936	—	(852)	3,154,711
Other operating revenue:															
State support	3,200	—	—	—	—	—	—	—	—	—	—	—	—	—	3,200
Other revenue	119,197	5,719	1,990	3,596	2,425	327	6	2,758	255	451	5,196	5,720	—	(441)	144,441
Total unrestricted revenue, gains and other support	1,485,343	106,463	192,984	361,231	192,041	44,282	4,957	241,280	53,561	128,310	353,817	380,656	—	(1,293)	3,302,352
Operating expenses:															
Salaries, wages, and benefits	723,438	50,054	89,088	162,722	86,401	22,826	3,207	112,434	18,011	58,728	134,867	172,601	—	—	1,521,943
Expendable supplies	342,951	14,078	23,206	61,531	30,320	3,255	609	34,184	5,464	16,976	80,224	74,195	—	—	652,809
Purchased services	134,423	23,244	44,630	67,989	32,420	8,074	731	41,225	15,571	26,247	70,455	56,981	—	(1,293)	479,472
Contracted services	130,634	9,126	20,881	9,469	5,388	2,285	896	8,569	5,435	5,086	15,382	13,010	—	—	217,592
Depreciation and amortization	90,697	5,674	12,273	23,109	11,965	2,784	913	15,662	3,971	4,652	16,877	18,432	—	—	191,347
Interest expense	23,559	766	1,185	6,003	2,484	155	515	3,154	160	1,874	9,685	8,580	—	—	54,966
Total operating expenses	1,445,702	102,942	191,263	330,823	168,978	39,379	6,871	215,228	48,612	113,563	327,490	343,799	—	(1,293)	3,118,129
Operating income (loss)	39,641	3,521	1,721	30,408	23,063	4,903	(1,914)	26,052	4,949	14,747	26,327	36,857	—	—	184,223
Nonoperating income and expenses, net:															
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	(78,429)	—	—	—	—	—	—	—	—	—	—	—	—	—	(78,429)
Other nonoperating gains and losses:															
Contributions	—	—	—	—	71	—	—	71	333	—	—	—	2,526	—	2,930
St. Joseph escrow settlement	34,275	—	—	—	—	—	—	—	—	—	—	—	—	—	34,275
Equity in net income of joint ventures	(4,305)	—	—	—	(136)	(37)	(5)	(178)	—	202	664	—	—	—	(3,617)
Investment income	10,642	636	38	2,343	3,716	—	—	3,716	57	206	—	628	281	—	18,547
Change in fair value of investments	(21,918)	(1,303)	23	(4,770)	(6,261)	—	—	(6,261)	(382)	(855)	—	4,388	(988)	—	(32,066)
Other nonoperating gains and losses	(10,582)	(390)	(605)	(3,064)	(1,111)	(287)	(39)	(1,437)	(411)	(740)	(4,166)	(3,736)	(2,353)	—	(27,484)
Total other nonoperating gains and losses	8,112	(1,057)	(544)	(5,491)	(3,721)	(324)	(44)	(4,089)	(403)	(1,187)	(3,502)	1,280	(534)	—	(7,415)
Excess (deficiency) of revenues over expenses	(30,676)	2,464	1,177	24,917	19,342	4,579	(1,958)	21,963	4,546	13,560	22,825	38,137	(534)	—	98,379
Net assets released from restrictions used for purchase of property and equipment	4,364	—	87	—	1,466	—	—	1,466	564	1,150	1,768	—	—	—	9,399
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interest in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	(1,843)	—	—	(1,843)	(561)	133	—	—	—	—	(2,271)
Capital transfers (to) from affiliate	498	—	—	—	—	—	—	—	—	—	—	—	—	—	498
Amortization of accumulated loss of discontinued designated interest rate swap	(16,212)	1,100	400	(3,200)	(11,285)	—	—	(11,285)	—	—	(2,800)	12,331	(2,250)	(2,500)	(24,416)
Change in funded status of defined benefit pension plans	1,716	—	—	—	—	—	—	—	—	—	—	—	—	—	1,716
Asset reclassifications at request of donor	—	—	(8,419)	(6,225)	—	—	—	—	(413)	(3,697)	—	8,111	—	—	(10,643)
Other	—	—	—	—	—	—	—	—	—	—	—	—	(947)	—	(947)
	(233)	8	(14)	500	(1)	—	—	(1)	(1)	2	225	(505)	(6)	—	(25)
Increase (decrease) in unrestricted net assets	$ (40,543)	3,572	(6,769)	15,992	7,679	4,579	(1,958)	10,300	4,135	11,148	22,018	58,074	(3,737)	(2,500)	71,690

* Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements and Schedules

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Table of Contents

KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Directors
University of Maryland Medical System Corporation:

We have audited the accompanying consolidated financial statements of the University of Maryland Medical System Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Maryland Medical System Corporation and Subsidiaries as of June 30, 2018 and 2017, and the results of their operations, changes in net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in Schedules 1-8 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Baltimore, Maryland
October 26, 2018

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2018 and 2017

(In thousands)

Assets	2018	2017
Current assets:		
Cash and cash equivalents	$ 446,024	476,201
Assets limited as to use, current portion	56,484	50,940
Accounts receivable:		
Patient accounts receivable, less allowance for doubtful accounts of $219,769 and $219,806 as of June 30, 2018 and 2017, respectively	431,665	378,148
Other	115,193	84,709
Inventories	70,776	60,883
Prepaid expenses and other current assets	46,857	36,023
Total current assets	1,166,999	1,086,904
Investments	872,145	742,949
Assets limited as to use, less current portion	1,142,707	776,387
Property and equipment, net	2,168,519	2,092,103
Investments in joint ventures	88,063	82,094
Other assets	591,030	328,867
Total assets	$ 6,029,463	5,109,304
Liabilities and Net Assets		
Current liabilities:		
Trade accounts payable	$ 268,619	271,602
Accrued payroll and benefits	264,281	233,544
Advances from third-party payors	153,867	131,941
Lines of credit	99,300	125,000
Short-term financing	150,000	—
Other current liabilities	231,453	182,688
Long-term debt subject to short-term remarketing arrangements	58,054	28,440
Current portion of long-term debt	51,989	40,937
Total current liabilities	1,277,563	1,014,152
Long-term debt, less current portion and amount subject to short-term remarketing arrangements	1,508,334	1,550,490
Other long-term liabilities	398,688	334,274
Interest rate swap liabilities	149,789	194,524
Total liabilities	3,334,374	3,093,440
Net assets:		
Unrestricted	1,952,422	1,711,329
Temporarily restricted	698,458	266,025
Permanently restricted	44,209	38,510
Total net assets	2,695,089	2,015,864
Total liabilities and net assets	$ 6,029,463	5,109,304

See accompanying notes to consolidated financial statements.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2018 and 2017

(In thousands)

	2018	2017
Unrestricted revenues, gains and other support:		
Patient service revenue (net of contractual adjustments)	$ 4,051,478	3,669,619
Provision for bad debts	(174,137)	(184,597)
Net patient service revenue	3,877,341	3,485,022
Other operating revenue:		
State and county support	40,374	18,200
Premium revenue	357,099	268,060
Other revenue	150,856	136,408
Total unrestricted revenues, gains and other support	4,425,670	3,907,690
Operating expenses:		
Salaries, wages and benefits	2,034,755	1,811,946
Expendable supplies	758,252	704,724
Purchased services	645,194	538,698
Medical claims expense	342,721	252,118
Contracted services	275,376	226,690
Depreciation and amortization	238,166	219,749
Interest expense	55,627	57,197
Total operating expenses before nonrecurring items	4,350,091	3,811,122
Income from operations before nonrecurring items	75,579	96,568
Nonrecurring items:		
Change in fair value of contingent consideration	35,700	—
Loss on impairment	(45,794)	—
Loss from nonrecurring items	(10,094)	—
Income from operations	65,485	96,568
Nonoperating income and expenses, net:		
Unrestricted contributions	12,377	5,425
Inherent contribution – Capital Region	41,772	—
Equity in net income of joint ventures	5,489	3,856
Investment income, net	37,376	35,496
Change in fair value of investments	23,976	54,175
Change in fair value of undesignated interest rate swaps	43,071	76,797
Loss on early extinguishment of debt	—	(26,427)
Other nonoperating losses, net	(12,709)	(62,531)
Excess of revenues over expenses	$ 216,837	183,359

See accompanying notes to consolidated financial statements.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2018 and 2017

(In thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Balance at June 30, 2016	$ 1,459,280	246,265	37,065	1,742,610
Excess of revenues over expenses	183,359	—	—	183,359
Investment gains, net	—	4,519	489	5,008
State support for capital	—	23,029	—	23,029
Contributions, net	—	20,632	893	21,525
Net assets released from restrictions used for operations and nonoperating activities	—	(2,868)	—	(2,868)
Net assets released from restrictions used for purchase of property and equipment	33,038	(33,038)	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	4,395	63	4,458
Change in ownership interest of joint ventures	397	1,266	—	1,663
Amortization of accumulated loss of discontinued designated interest rate swap	1,716	—	—	1,716
Change in funded status of defined benefit pension plans	34,353	—	—	34,353
Asset reclassifications at request of donor	(1,853)	1,853	—	—
Other	1,039	(28)	—	1,011
Increase in net assets	252,049	19,760	1,445	273,254
Balance at June 30, 2017	1,711,329	266,025	38,510	2,015,864
Excess of revenues over expenses	216,837	—	—	216,837
Inherent contribution – Capital Region	—	418,243	—	418,243
Investment gains, net	—	2,859	108	2,967
State support for capital	—	3,209	—	3,209
Contributions, net	—	16,875	211	17,086
Net assets released from restrictions used for operations and nonoperating activities	—	(3,956)	—	(3,956)
Net assets released from restrictions used for purchase of property and equipment	3,484	(3,484)	—	—
Change in economic and beneficial interests in the net assets of related organizations	—	2,680	51	2,731
Change in ownership interest of joint ventures	—	1,301	—	1,301
Amortization of accumulated loss of discontinued designated interest rate swap	1,668	—	—	1,668
Change in funded status of defined benefit pension plans	16,287	—	—	16,287
Asset reclassifications at request of donor	1,145	(6,474)	5,329	—
Other	1,672	1,180	—	2,852
Increase in net assets	241,093	432,433	5,699	679,225
Balance at June 30, 2018	$ 1,952,422	698,458	44,209	2,695,089

See accompanying notes to consolidated financial statements.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

(In thousands)

	2018	2017
Cash flows from operating activities:		
Increase in net assets	$ 679,225	273,254
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	238,166	219,749
Provision for bad debts	174,137	184,597
Amortization of bond premium and deferred financing costs	1,477	919
Net realized gains and change in fair value of investments	(53,029)	(83,907)
Loss on early extinguishment of debt	—	26,427
Loss on impairment	45,794	—
Equity in net income of joint ventures	(5,489)	(3,856)
Change in economic and beneficial interests in net assets of related organizations	(3,776)	(4,458)
Change in fair value of interest rate swaps	(44,735)	(78,513)
Change in funded status of defined benefit pension plans	(16,287)	(34,353)
Inherent contribution – Capital Region	(460,015)	—
Restricted contributions, grants and other support	(17,086)	(21,525)
Change in operating assets and liabilities:		
Patient accounts receivable	(184,607)	(231,690)
Other receivables, prepaid expenses, other current assets and other assets	55,719	(8,700)
Inventories	(4,778)	(1,145)
Trade accounts payable, accrued payroll and benefits, other current liabilities and other long-term liabilities	(12,970)	57,976
Change in contingent consideration	(35,700)	—
Advances from third-party payors	21,926	7,224
Net cash provided by operating activities	377,972	301,999
Cash flows from investing activities:		
Purchases and sales of investments and assets limited as to use, net	(349,192)	8,691
Purchases of alternative investments	(64,375)	(175,688)
Sales of alternative investments	38,938	132,211
Cash acquired in contribution from Capital Region	46,626	—
Purchases of property and equipment	(219,155)	(231,257)
Distributions from/(contributions to) joint ventures, net	3,527	(688)
Net cash used in investing activities	(543,631)	(266,731)

(Continued)

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

(In thousands)

		2018	2017
Cash flows from financing activities:			
Proceeds from long-term debt	$	190,928	653,396
Repayment of long-term debt and capital leases		(44,577)	(698,460)
Draws on lines of credit, net		(25,700)	(55,000)
Payment of debt issuance costs		(2,255)	(3,697)
Restricted contributions, grants and other support		17,086	21,525
Net cash provided by (used in) financing activities		135,482	(82,236)
Net decrease in cash and cash equivalents		(30,177)	(46,968)
Cash and cash equivalents, beginning of year		476,201	523,169
Cash and cash equivalents, end of year	$	446,024	476,201
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest, net of amounts capitalized	$	59,716	56,330
Amount included in accounts payable for construction in progress		28,502	29,164
Supplemental disclosures of noncash information:			
Capital leases	$	1,077	1,276
Contributed from Capital Region		*	—

* See footnote 1(a)(x) for detail of noncash contributions from Capital Region.

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The University of Maryland Medical System Corporation (the Corporation or UMMS) is a private, not-for-profit corporation providing comprehensive healthcare services through an integrated regional network of hospitals and related clinical enterprises. UMMS was created in 1984 when its founding hospital was privatized by the State of Maryland. Over its 30-year history, UMMS evolved into a multi-hospital system with academic, community and specialty service missions reaching primarily across Maryland. In continuing partnership with the University of Maryland School of Medicine, UMMS operates healthcare programs that improve the physical and mental health of thousands of people each day.

The accompanying consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, and entities controlled by the Corporation. In addition, the Corporation maintains equity interests in various unconsolidated joint ventures, which are described in note 4. The significant operating divisions of the Corporation are described in further detail below.

All material intercompany balances and transactions have been eliminated in consolidation.

(i) Recent Acquisitions and Divestitures

Effective September 1, 2017, the Corporation entered into an affiliation agreement with Dimensions Healthcare System and Subsidiaries (DHS) whereby the Corporation became the sole corporate member of DHS. DHS has changed its trade name to University of Maryland Capital Region Health (Capital Region) located in Prince George's County, Maryland, and includes two acute care hospitals, ambulatory and outpatient facilities, and other subsidiaries.

The transaction is described in more detail below.

(ii) University of Maryland Medical Center (Medical Center)

The Medical Center, which is a major component of UMMS, is a 767-bed academic medical center located in Baltimore. The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823. While the Corporation is not affiliated with the University System of Maryland, clinical faculty members of the School of Medicine serve as medical staff of the Medical Center.

The Medical Center is comprised of two operating divisions: University Hospital, which includes the Greenebaum Cancer Center, and Shock Trauma Center. University Hospital, which generates approximately 80% of the Medical Center's admissions and patient days, is a tertiary teaching hospital providing over 70 clinical services and programs. The Greenebaum Cancer Center specializes in the treatment of cancer patients and is a site for clinical cancer research. The Shock Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 20% of admissions and patient days.

The Medical Center's operations include UniversityCARE, LLC (UCARE), a physician hospital organization of which the Corporation owns a majority ownership interest and therefore consolidates, and 36 South Paca Street, LLC, a wholly owned subsidiary of the Corporation that operates a residential apartment building.

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine, an unrelated third-party, concerning the provision of professional and administrative services to the Corporation and its patients. Total expense under these agreements in the years ended June 30, 2018 and 2017 was approximately $163,321,000 and $158,649,000, respectively.

(iii) University of Maryland Rehabilitation and Orthopaedic Institute (ROI)

ROI is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 137 licensed beds, which includes rehabilitation beds, chronic care beds, medical/surgical beds, and off-site physical therapy facilities.

A related corporation, The James Lawrence Kernan Endowment Fund, Inc. (Kernan Endowment), is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of ROI. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the Kernan Endowment.

(iv) University of Maryland Medical Center Midtown Campus (Midtown)

Midtown is located in Baltimore city and is comprised of University of Maryland Midtown Hospital (UM Midtown), with 170 licensed beds, including 90 acute care beds and 80 chronic care beds and a wholly owned subsidiary providing primary care.

(v) University of Maryland Baltimore Washington Medical System, Inc. (Baltimore Washington)

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of University of Maryland Baltimore Washington Medical Center (UM Baltimore Washington), a 288-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services.

Baltimore Washington Medical Center Foundation, Inc. (BWMC Foundation) is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of UM Baltimore Washington. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the BWMC Foundation.

(vi) University of Maryland Shore Regional Health System (Shore Regional)

Shore Regional is a health system located on the Eastern Shore of Maryland. Shore Regional owns and operates University of Maryland Memorial Hospital (UM Memorial), a 140-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland; University of Maryland Dorchester Hospital (UM Dorchester), a 48-bed acute care hospital providing inpatient and

outpatient services in Cambridge, Maryland; University of Maryland Chester River Hospital Center (UM Chester River), a 26-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne's counties; Shore Emergency Center at Queenstown (Shore Emergency Center), a free-standing emergency center; Memorial Hospital Foundation (Memorial Foundation), a nonprofit corporation established to solicit donations for the benefit of UM Memorial; Chester River Health Foundation (Chester River Foundation), a nonprofit corporation established to solicit donations for the benefit of UM Chester River; and several other subsidiaries providing various outpatient and home care services.

Dorchester General Hospital Foundation, Inc. (Dorchester Foundation) is governed by a separate, independent board of directors to raise funds on behalf of UM Dorchester. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation, and accordingly, the accompanying consolidated financial statements reflect a beneficial interest in the net assets of the Dorchester Foundation.

(vii) University of Maryland Charles Regional Health System, Inc. (Charles Regional)

Charles Regional owns and operates University of Maryland Charles Regional Medical Center (UM Charles Regional), which is comprised of a 109-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland.

(viii) University of Maryland St. Joseph Health System, LLC (St. Joseph)

St. Joseph owns and operates University of Maryland St. Joseph Medical Center (UM St. Joseph), a 224-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County.

(ix) University of Maryland Upper Chesapeake Health System (Upper Chesapeake)

Upper Chesapeake is a health system located in Harford County, Maryland. Upper Chesapeake's healthcare delivery system includes two acute care hospitals, University of Maryland Upper Chesapeake Medical Center (UM Upper Chesapeake), a 171-bed acute care hospital and University of Maryland Harford Memorial Hospital (UM Harford Memorial), an 86-bed acute care hospital; a physician practice; a captive insurance company; a land holding company; and Upper Chesapeake Health Foundation.

(x) University of Maryland Capital Region Health (Capital Region)

Capital Region is a health system located in Prince George's County. Capital Region owns and operates UM Prince George's Hospital Center (UM Prince George's), a 230-bed acute care teaching hospital providing an array of services including emergency medicine, behavioral health, cardiac surgery and a Level II Trauma Center; and UM Laurel Regional Health (UM Laurel), a 61-bed acute care hospital providing cardiopulmonary care, critical care, infusion and inpatient and outpatient surgery among other services.

Effective September 1, 2017, UMMS became the sole corporate member of Capital Region after several years of collaboration with Prince George's County and the state of Maryland. This affiliation represents the culmination of those discussions and includes plans to build a new state-of-the-art medical center in Largo, Maryland. In accordance with the agreement, Prince George's County and the state of Maryland have each approved funding through legislation of $208.0 million towards the construction of the new medical facility. The combined $416.0 million of county and state capital funding commitments was recorded as a receivable within other assets of the accompanying consolidated balance sheets, and restricted net assets as of the affiliation date.

The affiliation was accounted for under the guidance of Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, and the financial position and results of operations of Capital Region were consolidated by the Corporation beginning on September 1, 2017.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at September 1, 2017 (in thousands):

Assets:		
Cash	$	46,626
Current assets		63,472
Investments		15,256
Limited use funds		54,370
Property and equipment		96,089
Other long-term assets		393,747
Total assets	$	669,560
Liabilities:		
Current liabilities	$	87,002
Long-term liabilities		122,543
Total liabilities		209,545
Net assets:		
Unrestricted		41,772
Temporarily restricted		418,243
Total net assets		460,015
Total liabilities and net assets	$	669,560

(Continued)

The following table summarizes the Corporation's unaudited pro forma consolidated results as though the acquisition date occurred at the beginning of fiscal years (in thousands):

		2018	2017
Operating revenues:			
The Corporation	$	4,118,985	3,907,690
Capital Region		413,142	389,779
	$	4,532,127	4,297,469
Net nonoperating income:			
The Corporation	$	148,107	86,791
Capital Region		3,315	(7,327)
	$	151,422	79,464
Excess (deficit) of revenues over expenses:			
The Corporation	$	207,117	183,359
Capital Region		10,520	(16,791)
	$	217,637	166,568
Changes in net assets:			
Unrestricted:			
The Corporation	$	228,935	252,049
Capital Region		12,158	20,751
	$	241,093	272,800
Temporarily restricted:			
The Corporation	$	410,526	19,760
Capital Region		21,907	4,013
	$	432,433	23,773
Permanently restricted:			
The Corporation	$	5,699	1,445
Capital Region		—	—
	$	5,699	1,445
Total changes in net assets:			
The Corporation	$	645,160	273,254
Capital Region		34,065	24,764
	$	679,225	298,018

(Continued)

(xi) University of Maryland Medical System Foundation, Inc. (UMMS Foundation)

The UMMS Foundation, a not-for-profit foundation, was established for the purpose of soliciting contributions on behalf of the Corporation.

(xii) University of Maryland Community Medical Group, LLC (CMG)

CMG is a physician network that employs more than 300 primary care physicians, specialists and advanced practice providers. CMG is a wholly owned subsidiary of UMMS and has over 75 locations across the state of Maryland.

(xiii) University of Maryland Quality Care Network (QCN)

QCN, a wholly owned subsidiary of UMMS, is a network comprised of UMMS employed physicians and independent physician practices in the UMMS service area. The participants bear shared responsibility for the care of a defined population of patients and can contract as one entity with payors.

(xiv) University of Maryland Health Ventures, LLC. (UM Health Ventures)

UM Health Ventures, a wholly owned subsidiary of UMMS, is the parent company of University of Maryland Medical System Health Plans, Inc. (UM Health Plans), a managed care healthcare company based in Baltimore, Maryland. UM Health Plans is the parent company of University of Maryland Health Partners (UMHP), which provides managed care health coverage to approximately 45,000 Medicaid recipients throughout Maryland; University of Maryland Health Advantage, Inc. (UMHA), which provides Medicare Advantage Plans to approximately 10,000 members; Riverside Health of Delaware Inc. (RHDE) and Riverside Health DC, Inc.

(b) Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(c) Cash and Cash Equivalents

Cash and cash equivalents, excluding amounts shown within investments and assets limited as to use, consist of cash and interest-bearing deposits with maturities of three months or less from the date of purchase. Cash and cash equivalent balances may exceed amounts insured by federal agencies and, therefore, bear a risk of loss. The Corporation has not experienced such losses on these funds.

(d) Investments and Assets Limited as to Use

The Corporation’s investment portfolios are classified as trading and are reported in the consolidated balance sheets at their fair value, based on quoted market prices, at June 30, 2018 and 2017. Unrealized holding gains and losses on trading securities with readily determinable market values are included in nonoperating income. Investment income, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations.

Assets limited as to use include investments set aside at the discretion of the board of directors for the replacement or acquisition of property and equipment, investments held by trustees under bond indenture agreements and self-insurance trust arrangements, and assets whose use is restricted by donors. Such investments are stated at fair value. Amounts required to meet current liabilities have been included in current assets in the consolidated balance sheets. Changes in fair values of donor-restricted investments are recorded in temporarily restricted net assets unless otherwise required by the donor or state law.

Assets limited as to use also include the Corporation's economic interests in financially interrelated organizations (note 12).

Alternative investments, which the Corporation defines to include multi-strategy commingled funds, hedge funds, hedge fund-of-funds, and private equity investments, are recorded under the equity method of accounting. Underlying securities of these alternative investments may include certain debt and equity securities that are not readily marketable. Because certain investments are not readily marketable, their fair value is subject to additional uncertainty, and therefore, values realized upon disposition may vary significantly from current reported values.

Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially differ from the amounts reported in the accompanying consolidated financial statements.

(e) Inventories

Inventories, consisting primarily of drugs and medical/surgical supplies, are carried at the lower of cost or market, on a first-in, first-out basis.

(f) Economic Interests in Financially Interrelated Organizations

The Corporation recognizes its rights to assets held by recipient organizations, which accept cash or other financial assets from a donor and agree to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to the Corporation. Changes in the Corporation's economic interests in these financially interrelated organizations are recognized in the consolidated statements of changes in net assets.

(g) Property and Equipment

Property and equipment are stated at cost or estimated fair value at date of contribution, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets using the half-year convention. The estimated useful lives of the assets are as follows:

Buildings	20 to 40 years
Building and leasehold improvements	5 to 15 years
Equipment	3 to 15 years

(Continued)

Interest costs incurred on borrowed funds less interest income earned on the unexpended bond proceeds during the period of construction are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(h) Deferred Financing Costs

Costs incurred related to the issuance of long-term debt, which are included in long-term debt, are deferred and are amortized over the life of the related debt agreements or the related letter of credit agreements using the effective-interest method.

(i) Goodwill and Intangible Assets

Intangible assets include amounts recognized in connection with acquisitions. Intangible assets are initially valued at fair market value using generally accepted valuation methods. Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. Intangible assets with definite and indefinite lives are reviewed for impairment if indicators of impairment arise.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Corporation has adopted Accounting Standards Update (ASU) No. 2017-04, *Simplifying the Test for Goodwill Impairment*, for the year ended June 30, 2018. Goodwill is evaluated for impairment at least annually on June 30, in accordance with ASC Topic 350, *Intangibles – Goodwill and Other*, using a qualitative assessment (Step 0) to determine whether there are events or circumstances that indicate it is more likely than not that the fair value of the reporting unit is less than its carrying value, which determines whether a quantitative (Step 1) goodwill impairment test is necessary. Under the quantitative assessment, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, goodwill impairment exists for the reporting unit and the entity must record an impairment loss.

The Corporation has two reporting units; one of which includes all Health Care Delivery assets and the other that includes Health Plan assets. Based on the Corporation's qualitative assessment, it was determined that it was more likely than not that the fair values of each reporting unit exceeded their respective carrying value for the year ended June 30, 2017. Based on the Corporation's qualitative assessment, it was determined that the fair value of the Health Care Delivery reporting unit was more likely than not greater than its carrying value for the year ended June 30, 2018. The Health Plans reporting unit has experienced increasing losses in the fiscal year ended June 30, 2018 primarily related to medical claims expenses in excess of premium revenues for its Medicare Advantage Plan, and as a result the Corporation engaged a third party to perform the Step 1 impairment test using the income approach. The income approach provides an estimation of the fair value of an asset based on market participant expectations about the cash flows that asset would generate over its remaining

useful life. The cash flow models were developed using projected revenues and expenses based on historical data, industry projections as well as management expectations.

Based on the results of the impairment test, the Corporation recognized a loss on impairment of $12,794,000 related to goodwill and $33,000,000 related to an intangible asset (Medicaid Contract).

The changes in the carrying amount of goodwill are as follows (in thousands):

		Health Care Delivery	Health Plans
Goodwill at June 30, 2016	$	48,810	42,019
Acquisitions		—	—
Write-downs		—	—
Goodwill at June 30, 2017		48,810	42,019
Acquisitions		—	—
Write-downs		—	(12,794)
Goodwill at June 30, 2018	$	48,810	29,225

(j) Contingent Consideration for Business Acquisitions

Acquisitions may include contingent consideration payments based on future financial measures of an acquired company. Contingent consideration is required to be recognized at fair value as of the acquisition date. The fair value of these liabilities is estimated based on financial projections of the acquired companies and estimated probabilities of achievement and discount the liabilities to present value using a weighted average cost of capital. Contingent consideration is valued using significant inputs that are not observable in the market, which are defined as Level 3 inputs pursuant to fair value measurement accounting. At each reporting date, the contingent consideration obligation is revalued to estimated fair value and changes in fair value subsequent to the acquisition are reflected in operating income in the consolidated statements of operations. Changes in the fair value of contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of revenue and/or earnings estimates, and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria. The Corporation recorded a contingent liability of $35,700,000 related to an earn-out clause in connection with the August 15, 2015 acquisition of UM Health Plans. This earn-out could result in an undiscounted payment ranging from $0 to $106,500,000 depending on the performance and membership of both plans. The final computation of the earn-out is not to be determined until March 31, 2020. Based on the earn-out calculation, the Corporation determined that the fair value of the contingent liability was $0 and $35,700,000 at June 30, 2018 and 2017, respectively. As such, the Corporation recognized a gain of $35,700,000 related to the change in fair value of the contingent consideration during the fiscal year ended June 30, 2018.

(Continued)

(k) Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

No impairment losses were recorded for the years ended June 30, 2018 or 2017.

(l) Investments in Joint Ventures

When the Corporation does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Corporation applies the equity method of accounting.

(m) Self-Insurance

Under the Corporation's self-insurance programs (general and professional liability, workers' compensation, and employee health and long-term disability benefits), claims are reflected as a present-value liability based upon actuarial estimates and reported and incurred but not reported claims analysis, taking into consideration the severity of incidents and the expected timing of claim payments.

(n) Net Assets

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions. Unrestricted net assets represent contributions, gifts, and grants, which have no donor-imposed restrictions or which arise as a result of operations. Temporarily restricted net assets are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Permanently restricted net assets are subject to donor-imposed restrictions that must be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes. The restrictions associated with these net assets generally pertain to patient care, specific capital projects, and funding of specific hospital operations and community outreach programs.

(o) Net Patient Service Revenue and Provision for Uncollectible Accounts

Patient service revenue for the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region reflects actual charges to patients based on rates established by the state of Maryland Health Services Cost Review Commission (HSCRC) in effect during the period in which the services are rendered, net of contractual adjustments. Contractual adjustments represent the difference between amounts billed as patient service revenue and amounts allowed by third-party payors. Such adjustments include discounts on charges as permitted by the HSCRC. See note 18 for further discussion on the HSCRC and regulated rates.

The Corporation records revenues and accounts receivable from patients and third-party payors at their estimated net realizable value. Revenue is reduced for anticipated discounts under contractual arrangements and for charity care. An estimated provision for bad debts is recorded in the period the related services are provided based upon anticipated uncompensated care, and is adjusted as additional information becomes available.

The provision for bad debts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in healthcare coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for bad debts and to establish an allowance for uncollectible receivables. After collection of amounts due from insurers, the Corporation follows internal guidelines for placing certain past due balances with collection agencies.

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for bad debts, allowance for contractual adjustments, provision for bad debts, and contractual adjustments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients or with balances remaining after the third-party coverage has already paid, the Corporation records a significant provision for bad debts in the period of service on the basis of its historical collections, which indicates that many patients ultimately do not pay the portion of their bill for which they are financially responsible. The difference between the discounted rates and the amounts collected after all reasonable collection efforts have been exhausted is charged against the allowance for doubtful accounts. The change in the allowance for doubtful accounts was as follows during the years ended June 30 (in thousands):

		2018	2017
Beginning allowance for doubtful accounts	$	219,806	202,298
Plus provision for bad debt		174,137	184,597
Less bad debt write-offs		(174,174)	(167,089)
Ending allowance for doubtful accounts	$	219,769	219,806

As of June 30, 2018 and 2017, the Corporation's allowance for doubtful accounts was approximately 33.7% and 36.7%, respectively, as a percentage of patient accounts receivable, net of contractual allowances. The Corporation's provision for bad debts represents 4.5% and 5.3% of net patient service revenue for the years ended June 30, 2018 and 2017, respectively

(p) Premium Revenue and Medical Claims Expense

Premium revenue consists of amounts received from the state of Maryland and the Centers for Medicare and Medicaid Services (CMS) by the Corporation's managed care organization for providing medical services to subscribing participants, regardless of services actually performed. The managed

care organization provides services primarily to enrolled Medicaid and Medicare beneficiaries. This revenue is recognized ratably over the contractual period for the provision of services. Medical expenses of the managed care organization include actuarially determined estimates of the ultimate costs for both reported claims and claims incurred but unreported and are included in medical claims expense on the consolidated statements of operations.

(q) Charity Care

The Corporation is committed to providing quality healthcare to all, regardless of one's ability to pay. Patients who meet the criteria of its charity care policy receive services without charge or at amounts less than its established rates. The criteria for charity care consider the household income in relation to the federal poverty guidelines. The Corporation provides services at no charge for patients with adjusted gross income equal to or less than 200% of the federal poverty guidelines. For uninsured patients with adjusted gross income greater than 200% of the federal poverty guidelines, a sliding scale discount is applied. Income and asset information obtained from patient credit reporting data are used to determine patients' ability to pay. The Corporation maintains records to identify and monitor the level of charity care it furnished under its charity care policy. The charity care policies of the new affiliates are generally consistent with that of the Corporation's policy.

Due to the complexity of the eligibility process, the Corporation provides eligibility services to patients free of charge to assist in the qualification process. These eligibility services include, but are not limited to, the following:

- Financial assistance brochures and other information are posted at each point of service. When patients have questions or concerns, they are encouraged to call a toll-free number to reach customer service representatives during the business day. Financial assistance programs are published on the Corporation's Web site and included on the statements provided to patients.
- The Corporation offers assistance to patients in completing the applications for Medicaid or other government payment assistance programs, or applying for care under the Corporation's charity care policy, if applicable. The Corporation also employs an external firm to assist in the eligibility process.
- Any patient, whether covered by insurance or not, may meet with a UMMS representative and receive financial counseling from UMMS' dedicated financial assistance unit.

The Corporation recognizes that a large number of uninsured and insured patients meet the charity care guidelines but do not respond to the Corporation's attempts to obtain necessary financial information. In these instances, the Corporation uses credit reporting data to properly classify these unpaid balances as charity care as opposed to bad debt expense. Utilization of income and asset information and credit reporting data indicate the vast majority of amounts reported as provision for bad debts represent amounts due from patients that would otherwise qualify for charity benefits but do not respond to the Corporation's attempts to obtain the necessary financial information. In these cases, reasonable collection efforts are pursued, but yield few collections. Amounts determined to meet the criteria under the charity care policy are not reported as net patient service revenue.

The amounts reported as charity care represent the cost of rendering such services. Costs incurred are estimated based on the cost-to-charge ratio for each hospital and applied to charity care charges. The

Corporation estimates the total direct and indirect costs to provide charity care were $48,479,000 and $36,195,000 for the years ended June 30, 2018 and 2017, respectively.

(r) Nonoperating Income and Expenses, Net

Other activities that are only indirectly related to the Corporation's primary business of delivering healthcare services are recorded as nonoperating income and expenses, and include investment income, equity in the net income of joint ventures, general donations and fund-raising activities, inherent contributions, changes in fair value of investments, changes in fair value of undesignated interest rate swaps, settlement payments on interest rate swaps that do not qualify for hedge accounting treatment, and loss on early extinguishment of debt. Settlement payments on interest rate swaps were approximately $19,227,000 and $23,469,000 for the years ended June 30, 2018 and 2017, respectively, and are reported within other nonoperating losses, net.

(s) Derivative Financial Instruments

The Corporation records derivative and hedging activities on the consolidated balance sheets at their respective fair values.

The Corporation utilizes derivative financial instruments to manage its interest rate risks associated with long-term tax-exempt debt. The Corporation does not hold or issue derivative financial instruments for trading purposes.

The Corporation's specific goals are to (a) manage interest rate sensitivity by modifying the reprising or maturity characteristics of some of its tax-exempt debt, and (b) lower unrealized appreciation or depreciation in the market value of the Corporation's fixed-rate tax-exempt debt when that market value is compared with the cost of the borrowed funds. The effect of this unrealized appreciation or depreciation in market value, however, will generally be offset by the income or loss on the derivative instruments that are linked to the debt.

The Corporation formally documents all hedge relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. On the date the derivative contract is entered into, the Corporation may designate the derivative as either a hedge of the fair value of a recognized or forecasted liability (fair value hedge) or a hedge of the variability of cash flows to be received or paid related to a recognized liability (cash flow hedge), provided the derivative instrument meets certain criteria related to its effectiveness. This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific liabilities on the consolidated balance sheets. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

All derivative instruments are reported as other assets or interest rate swap liabilities in the consolidated balance sheets and measured at fair value. Derivatives not designated as hedges or not meeting effectiveness criteria are carried at fair value with changes in the fair value recognized in other nonoperating income and expenses. For the years ended June 30, 2018 and 2017, none of the Corporation's derivatives qualify for hedge accounting.

Changes in the fair value of derivative instruments are included in or excluded from the excess of revenues over expenses depending on the use of the derivative and whether it qualifies for hedge accounting treatment. Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with the changes in the fair value of the hedged item related to the risk being hedged, are included in the excess of revenues over expenses. Changes in the fair value of a derivative that is designated as a cash flow hedge are excluded from the excess of revenues over expenses to the extent that the hedge is effective until the excess of revenues over expenses is affected by the variability of cash flows in the hedged transaction. Changes in the fair value that relate to ineffectiveness are included in the excess of revenues over expenses as interest expense.

(t) Excess of Revenue over Expenses

The consolidated statements of operations includes a performance indicator, excess of revenue over expenses. Changes in unrestricted net assets that are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets), changes in the funded status of defined benefit pension plans, amortization of accumulated loss of discontinued designated interest rate swaps, and other items that are required by generally accepted accounting principles to be reported separately.

(u) Income Taxes

The Corporation and most of its subsidiaries are not-for-profit corporations formed under the laws of the State of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code) pursuant to Section 501(a) of the Code. The effect of the taxable status of its for-profit subsidiaries is not material to the consolidated financial statements.

The Corporation had net operating loss carryforwards on for-profit and unrelated business activities of approximately $89,890,000 and $75,518,000 as of June 30, 2018 and June 30, 2017, respectively, which expire at various dates through 2031. The Corporation's deferred tax assets, which consist primarily of the net operating loss carryforwards, are approximately $22,345,000 at June 30, 2018 and $31,028,000 at June 30, 2017 were fully reserved as they are not expected to be utilized. The Corporation had a deferred tax liability in the amount of $3,027,000 and $17,356,000 related to indefinite-lived intangibles at June 30, 2018 and June 30, 2017, respectively, which is included in other long-term liabilities on the accompanying consolidated balance sheets.

The Corporation follows a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management does not believe that there are any unrecognized tax liabilities or benefits that should be recognized.

On December 22, 2017, the President signed into law H.R.1, originally known as the Tax Cuts and Jobs Act, as such the Corporation's effective tax rate was reduced from 35% to 21% during the fiscal year 2018. The new law includes several provisions that result in substantial changes to the tax treatment of tax-exempt organizations and their donors. The Company has reviewed these provisions and the potential impact and has concluded the enactment of H.R.1 will not have a material effect on the operations of the organization.

(Continued)

(v) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the promise becomes unconditional. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Such amounts are classified as other revenue or transfers and additions to property and equipment.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contributions, and nature of fund-raising activity.

The Corporation follows accounting guidance for classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management Institutional Funds Act of 2006 (UPMIFA).

(w) Fair Value Measurements

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

Cash and cash equivalents, accounts receivable, assets limited as to use, investments, trade accounts payable, accrued payroll and benefits, other accrued expenses, and advances from third-party payors **–** The carrying amounts reported in the consolidated balance sheets approximate the related fair values.

Pension plan assets **–** The Corporation applies Accounting Standards Update (ASU) No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan assets. The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value (NAV) or its equivalent. The alternative investments classified within the fair value hierarchy have been recorded using the NAV.

The Corporation discloses its financial assets, financial liabilities, and fair value measurements of nonfinancial items according to the fair value hierarchy required by Generally Accepted Accounting Principles that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs are unobservable inputs for the asset or liability.

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. The Corporation uses techniques consistent with the market approach and the income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

As of June 30, 2018 and 2017, the Level 2 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

(i) Cash Equivalents

The fair value of investments in cash equivalent securities, with maturities within three months of the date of purchase, is determined using techniques that are consistent with the market approach. Significant observable inputs include reported trades and observable broker-dealer quotes.

(ii) U.S. Government and Agency Securities

The fair value of investments in U.S. government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

(iii) Corporate Bonds

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds and foreign government bonds, is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

(iv) Collateralized Corporate Obligations

The fair value of collateralized corporate obligations is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

(v) Derivative Liabilities

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, treasury yields, volatilities, credit spreads, maturity, and recovery rates.

(x) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(y) Going Concern

Management evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date the financial statements are issued. As of the date of this report, there are no conditions or events that raise substantial doubt about the Corporation's ability to continue as a going concern.

(z) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(aa) New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The ASU requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 is effective for fiscal year 2019. The Corporation expects to record a decrease in net patient service revenue related to self-pay patients and a corresponding decrease in bad debt expense upon the adoption of the standard. The Corporation will adopt ASU No. 2014-09 on July 1, 2018 and as a result, substantially all amounts that were previously presented as provision for bad debts in the Corporation's consolidated statements of operations will now be considered an implicit price concession resulting in a reduction in patient service revenue net of contractual adjustments. Other than described above, the Corporation is currently finalizing its assessment of the impact on the Corporation's consolidated balance sheets, results of operations or cash flows. However, expanded disclosures will be required.

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require lessees to recognize most leases on the balance sheet, increasing their reported assets and liabilities – sometimes very

significantly. This update was developed to provide financial statement users with more information about an entity's leasing activities, and will require changes in processes and internal controls. The adoption of ASU No. 2016-02 is effective fiscal year 2020, and will require application of the new guidance at the beginning of the earliest comparable period presented. Early adoption is permitted. The Corporation is in the process of assessing the impact the adoption of this standard will have on the consolidated financial statements.

The FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, to improve the current net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. This update requires not-for-profit entities to present two classes of net assets (net assets with donor restrictions and net assets without donor restrictions), rather than the three classes of net assets currently required, and other qualitative information regarding the entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Corporation is in the process of assessing the impact the adoption of this standard will have on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This guidance amends ASC Topic 715, *Compensation – Retirement Benefits*, to require employers that present a measure of operating income in their statements of operations to include only the service cost component of net periodic pension cost and net periodic postretirement benefit cost in operating expenses (together with other employee compensation costs). The other components of net benefit cost, including amortization of prior service cost/credit and settlement and curtailment effects, are to be included in nonoperating expenses. Employers are required to include all other components of net benefit cost in a separate line item(s). The line item(s) in which the components of net benefit cost other than the service cost are included need to be identified as such on the income statement or in the disclosures. The standard also stipulates that only the service cost component of net benefit cost is eligible for capitalization. This guidance is effective for the Corporation as of July 1, 2019, with early adoption permitted. Early adoption was elected and the impact of the early adoption is presented in note 10.

From time to time, new accounting guidance is issued by the FASB or other standard setting bodies that is adopted by the Corporation as of the effective date or, in some cases where early adoption is permitted, in advance of the effective date. The Corporation has assessed the recently issued guidance that is not yet effective and, unless otherwise indicated above, believes the new guidance will not have a material impact on the Corporation's consolidated financial position, results of operations, or cash flows.

(2) Investments and Assets Limited as to Use

The carrying values of Assets Limited as to Use were as follows at June 30 (in thousands):

	2018	2017
Investments held for collateral	$ 84,590	122,646
Debt service and reserve funds	82,820	54,411
Construction funds – held by trustee	266,822	—
Construction funds – held by the Corporation	145,052	107,490
Board designated funds	123,729	109,466
Self-insurance trust funds	230,589	180,220
Funds restricted by donors	69,470	60,751
Economic and beneficial interests in the net assets of related organizations (note 12)	196,119	192,343
Total assets limited as to use	1,199,191	827,327
Less amounts available for current liabilities	(56,484)	(50,940)
Total assets limited as to use, less current portion	$ 1,142,707	776,387

The carrying values of Assets Limited as to Use were as follows at June 30, 2018 (in thousands):

	Investments held for collateral	Debt service and reserve funds	Construction funds	Board designated funds	Self-insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents	$ 2,466	32,819	250,784	5,992	16,619	10,058	—	318,738
Corporate bonds	—	—	—	19,579	19,603	8,595	—	47,777
Collateralized corporate obligations	—	—	—	155	—	390	—	545
U.S. government and agency securities	82,124	50,001	161,090	170	13,016	427	—	306,828
Common stocks, including mutual funds	—	—	—	50,886	6,840	22,529	—	80,255
Alternative investments	—	—	—	46,947	—	27,471	—	74,418
Assets held by other organizations	—	—	—	—	174,511	—	196,119	370,630
Total assets limited as to use	$ 84,590	82,820	411,874	123,729	230,589	69,470	196,119	1,199,191

(Continued)

The carrying values of Assets Limited as to Use were as follows at June 30, 2017 (in thousands):

	Investments held for collateral	Debt service and reserve funds	Construction funds	Board designated funds	Self-insurance trust funds	Funds restricted by donors	Economic and beneficial interests	Total
Cash and cash equivalents	$ 4,958	31,624	97,562	10,154	12,991	7,850	—	165,139
Corporate bonds	—	—	633	13,334	2,883	6,483	—	23,333
Collateralized corporate obligations	—	—	220	109	—	258	—	587
U.S. government and agency securities	117,688	22,787	283	140	283	331	—	141,512
Common stocks, including mutual funds	—	—	2,479	49,225	—	23,409	—	75,113
Alternative investments	—	—	6,313	36,504	—	22,420	—	65,237
Assets held by other organizations	—	—	—	—	164,063	—	192,343	356,406
Total assets limited as to use	$ 122,646	54,411	107,490	109,466	180,220	60,751	192,343	827,327

Self-insurance trust funds include amounts held by the Maryland Medicine Comprehensive Insurance Program (MMCIP) for payment of malpractice claims. These assets consist primarily of stocks, fixed-income corporate obligations, and alternative investments. MMCIP is a funding mechanism for the Corporation's malpractice insurance program. As MMCIP is not an insurance provider, transactions with MMCIP are recorded under the deposit method of accounting. Accordingly, the Corporation accounts for its participation in MMCIP by carrying limited-use assets representing the amount of funds contributed to MMCIP and recording a liability for claims, which is included in other current and other long-term liabilities in the accompanying consolidated balance sheets.

The carrying values of investments were as follows at June 30 (in thousands):

	2018	2017
Cash and cash equivalents	$ 86,172	37,160
Corporate bonds	62,227	52,440
Collateralized corporate obligations	28,614	14,573
U.S. government and agency securities	25,662	22,195
Common stocks	191,994	181,117
Alternative investments:		
Hedge funds/private equity	139,388	110,830
Commingled funds	338,088	324,634
	$ 872,145	742,949

Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2018, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. Approximately $56,300,000 of the alternative investments were subject to 31–60 day

(Continued)

notice requirements and can only be redeemed monthly, quarterly, or annually. Other funds, totaling approximately $72,400,000, are subject to over 60-day notice requirements and can only be redeemed monthly, quarterly, or annually. Of the funds with over 60-day notice requirements, approximately $14,600,000 are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. In addition, there are approximately $6,900,000 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. The Corporation had $8,170,000 of unfunded commitments in alternative investments as of June 30, 2018.

As of June 30, 2017, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. Approximately $52,500,000 of the alternative investment were subject to 31-60 day notice requirements and can only be redeemed monthly, quarterly, or annually. Other funds, totaling approximately $62,000,000, are subject to over 60-day notice requirements and can only be redeemed monthly, quarterly, or annually. Of the funds with over 60-day notice requirements, approximately $13,500,000 are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. In addition, there are approximately $6,200,000 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. The Corporation had $2,990,000 of unfunded commitments in alternative investments as of June 30, 2017.

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis excluding alternative investments in the amount of $477,476,000 and $74,418,000, respectively, which are accounted for under the equity method at June 30, 2018 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Cash and cash equivalents	$ 86,172	—	—	86,172
Corporate bonds	35,843	26,384	—	62,227
Collateralized corporate obligations	—	28,614	—	28,614
U.S. government and agency securities	15,576	10,086	—	25,662
Common and preferred stocks, including mutual funds	191,994	—	—	191,994
	329,585	65,084	—	394,669
Assets limited as to use:				
Cash and cash equivalents	191,914	126,824	—	318,738
Corporate bonds	44,415	3,362	—	47,777
Collateralized corporate obligations	—	545	—	545
U.S. government and agency securities	95,240	211,588	—	306,828
Common and preferred stocks, including mutual funds	80,255	—	—	80,255
Investments held by other organizations	—	370,630	—	370,630
	411,824	712,949	—	1,124,773
	$ 741,409	778,033	—	1,519,442

(Continued)

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis excluding alternative investments in the amount of $435,464,000 and $65,237,000, respectively, which are accounted for under the equity method at June 30, 2017 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Cash and cash equivalents	$ 37,160	—	—	37,160
Corporate bonds	31,421	21,019	—	52,440
Collateralized corporate obligations	—	14,573	—	14,573
U.S. government and agency securities	10,610	11,585	—	22,195
Common and preferred stocks, including mutual funds	180,999	118	—	181,117
	260,190	47,295	—	307,485
Assets limited as to use:				
Cash and cash equivalents	133,678	31,461	—	165,139
Corporate bonds	19,786	3,547	—	23,333
Collateralized corporate obligations	—	587	—	587
U.S. government and agency securities	118,127	23,385	—	141,512
Common and preferred stocks, including mutual funds	75,113	—	—	75,113
Investments held by other organizations	—	356,406	—	356,406
	346,704	415,386	—	762,090
	$ 606,894	462,681	—	1,069,575

Changes to Level 1 and Level 2 securities between June 30, 2018 and 2017 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments.

(Continued)

The Corporation's total return on its investments and assets limited as to use was as follows for the years ended June 30 (in thousands):

		2018	2017
Dividends and interest, net of fees	$	11,290	10,772
Net realized gains		27,002	26,827
Change in fair value of trading securities		26,027	57,080
Total investment return	$	64,319	94,679

Total investment return is classified in the consolidated statements of operations as follows for the years ended June 30 (in thousands):

		2018	2017
Nonoperating investment income, net	$	37,376	35,496
Change in fair value of unrestricted investments		23,976	54,175
Investment gains on restricted net assets		2,967	5,008
Total investment return	$	64,319	94,679

Investment return does not include the returns on the economic interests in the net assets of related organizations, the returns on the self-insurance trust funds, returns on undesignated interest rates swaps, or the returns on certain construction funds where amounts have been capitalized.

(3) Property and Equipment

The following is a summary of property and equipment at June 30 (in thousands):

		2018	2017
Land	$	188,071	148,905
Buildings		1,488,714	1,480,610
Building and leasehold improvements		973,282	808,738
Equipment		1,688,343	1,485,195
Construction in progress		164,674	132,740
		4,503,084	4,056,188
Less accumulated depreciation and amortization		(2,334,565)	(1,964,085)
	$	2,168,519	2,092,103

Interest cost capitalized was $1,152,000 and $0 for years ended June 30, 2018 and 2017, respectively.

(Continued)

Remaining commitments on construction projects were approximately $361,649,000 at June 30, 2018, of which approximately $309,569,000 relates to Capital Region.

Construction in progress includes building and renovation costs for assets that have not yet been placed into service. These costs relate to major construction projects as well as routine renovations under way at the Corporation's facilities.

(4) Investments in Joint Ventures

The Corporation has investments of $88,063,000 and $82,094,000 at June 30, 2018 and 2017, respectively, in the following unconsolidated joint ventures:

Joint venture	Business purpose	Ownership percentage FY 2018	Ownership percentage FY 2017
Shipley's Imaging Center, LLC	Freestanding imaging center	50 %	50 %
Innovative Health Services, LLC	Third-party insurance claims processor	50	50
Terrapin Insurance Company (Terrapin)	Healthcare professional liability insurance company	50	50
Mt. Washington Pediatric Hospital, Inc. (Mt. Washington)	Healthcare services	50	50
Central Maryland Radiation Oncology Center LLC	Healthcare services	50	50
University of Maryland Medicine ASC, LLC	Ambulatory surgical services	50	50
Chesapeake-Potomac Healthcare Alliance	Healthcare services	33	33
Civista Ambulatory Surgery Center, Inc.	Ambulatory surgical services	50	50
NRH/CPT/St. Mary's/Civista Regional Rehab, LLC	Medical rehabilitative and therapy services	15	15
UM SJMC Choice One Urgent Care Centers	Urgent care centers	25/49 *	25
UM UCHS Choice One Urgent Care Centers	Urgent care centers	49	49
UM SRH Choice One Urgent Care Centers	Urgent care centers	49	49
UM BWMC Choice One Urgent Care Centers	Urgent care centers	49	49
Maryland eCare, LLC	Remote monitoring technology	14	14

(Continued)

Joint venture	Business purpose	Ownership percentage FY 2018	Ownership percentage FY 2017
MRI at St. Joseph Medical Center, LLC	Healthcare services	51	51
Advanced/Upper Chesapeake Health Center, LLC	Imaging center	10	10
Madison Manor	Nursing Home	25 **	—

* In fiscal year 2018, a new UM SJMC Choice One Urgent Care Center was started at an ownership percentage of 49%. The remaining centers have an ownership percentage of 25%.

** New in fiscal year 2018, due to inherent contribution – Capital Region.

The Corporation recorded equity in net income of $5,489,000 and $3,856,000 related to these joint ventures for the years ended June 30, 2018 and 2017, respectively.

The following is a summary of the Corporation's joint ventures' combined unaudited condensed financial information as of and for the years ended June 30 (in thousands):

	2018				
	Mt. Washington	Terrapin	Choice One*	Others	Total
Current assets	$ 30,302	22,272	5,321	25,620	83,515
Noncurrent assets	97,468	229,838	6,369	23,902	357,577
Total assets	$ 127,770	252,110	11,690	49,522	441,092
Current liabilities	$ 13,718	3,631	2,016	7,836	27,201
Noncurrent liabilities	7,082	246,529	436	865	254,912
Net assets	106,970	1,950	9,238	40,821	158,979
Total liabilities and net assets	$ 127,770	252,110	11,690	49,522	441,092
Total operating revenue	$ 62,491	29,728	8,643	83,616	184,478
Total operating expenses	(58,384)	(34,535)	(9,961)	(72,188)	(175,068)
Total nonoperating gains/(losses), net	3,281	4,806	—	(360)	7,727
Contributions from (to) owners	—	—	1,313	(11,710)	(10,397)
Other changes in net assets, net	2,602	1	(238)	8	2,373
Increase (decrease) in net assets	$ 9,990	—	(243)	(634)	9,113

* Choice One is the combination of UM SJMC, UM UCHS, UM SRH, and UM BWMC Choice One Urgent Care Centers.

(Continued)

	2017				
	Mt. Washington	Terrapin	Choice One*	Others	Total
Current assets	$ 26,025	24,240	3,470	21,646	75,381
Noncurrent assets	92,483	221,844	5,525	17,925	337,777
Total assets	$ 118,508	246,084	8,995	39,571	413,158
Current liabilities	$ 13,273	106	420	5,276	19,075
Noncurrent liabilities	8,255	244,028	183	1,033	253,499
Net assets	96,980	1,950	8,392	33,262	140,584
Total liabilities and net assets	$ 118,508	246,084	8,995	39,571	413,158
Total operating revenue	$ 58,271	(5,670)	5,702	47,439	105,742
Total operating expenses	(54,822)	(5,456)	(7,313)	(43,496)	(111,087)
Total nonoperating gains/(losses), net	4,722	11,126	—	11	15,859
Contributions from (to) owners	—	—	7,116	(65)	7,051
Other changes in net assets, net	3,326	—	344	(1,070)	2,600
Increase (decrease) in net assets	$ 11,497	—	5,849	2,819	20,165

* Choice One is the combination of UM SJMC, UM UCHS, UM SRH, and UM BWMC Choice One Urgent Care Centers.

(5) Leases

The Corporation rents various equipment and facility space. Rent expense under these operating leases for the years ended June 30, 2018 and 2017 was approximately $31,731,000 and $25,215,000, respectively.

Future noncancelable minimum lease payments under operating leases are as follows for the years ending June 30 (in thousands):

2019	$ 11,529
2020	9,458
2021	7,069
2022	6,761
2023	6,515
Thereafter	18,187
	$ 59,519

The Corporation rents property used for administration under a 99-year lease. The lease was recorded as a capital lease, and the Corporation recorded assets at their respective fair values of $3,770,000 and $29,230,000 for land and buildings, respectively. The lease includes an option for the Corporation to purchase the property during the period from April 20, 2017 to February 28, 2021 for a purchase price of

(Continued)

not less than $37,000,000 but not more than $45,000,000, as determined by appraisals. In addition, the lease agreement includes a put option exercisable through February 28, 2021, whereby the lessor may require the Corporation to purchase the building for $37,000,000. As of June 30, 2018 and 2017, amounts of $37,649,000 and $37,198,000, respectively, representing obligations under the lease have been recorded in other current liabilities.

As of June 30, 2018, amounts of $2,238,000 and $13,898,000, representing obligations under all other capital leases are included in other current liabilities and other long-term liabilities, respectively.

The following is a summary of all property and equipment under capital leases at June 30 (in thousands):

		2018	2017
Land	$	3,770	3,770
Buildings		29,230	29,230
Equipment		28,843	25,176
		61,843	58,176
Less accumulated amortization		(23,941)	(18,129)
	$	37,902	40,047

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, are as follows as of June 30, 2018 (in thousands):

2019	$	42,388
2020		2,670
2021		1,680
2022		1,115
2023		891
Thereafter		12,364
Total minimum lease payments		61,108
Less amounts representing interest		(7,324)
Present value of net minimum lease payments	$	53,784

(6) Line of Credit

For the fiscal years ended June 30, 2018 and 2017, the Corporation had a $250,000,000 revolving line of credit outstanding with a syndicate of banking partners. The line of credit is annually renewing and the current expiration date is August 29, 2019. Interest is calculated based on an optional base rate or percentage of 1-month LIBOR plus a credit spread. As of June 30, 2018 and 2017, the amount outstanding

(Continued)

on the line of credit was $99,300,000 and $125,000,000, respectively. The calculated interest rates as of June 30, 2018 and 2017 were 5% and 1.78%, respectively.

(7) Long-Term Debt and Other Borrowings

Long-term debt consists of the following at June 30 (in thousands):

	Interest rate	Payable in fiscal year(s)	2018	2017
MHHEFA project revenue bonds:				
Corporation issue, payments due annually on July 1:				
Series 2017D/E Bonds	4.00%–4.17%	2045–2049	$ 189,965	—
Series 2017B/C Bonds	1.98%–5.00%	2018–2040	267,055	273,810
Series 2017A Bonds	Variable rate	2017–2043[1]	45,135	46,220
Series 2016A-F Bonds	Variable rate	2017–2042[1]	318,475	321,515
Series 2015 Bonds	3.63%–5.00%	2016–2042	76,420	77,735
Series 2013 Bonds	3.00%–5.00%	2014–2044	343,250	346,850
Series 2010 Bonds	4.75%–5.25%	2011–2040	56,635	62,835
Series 2008D/E Bonds	Variable rate	2025–2042	105,000	105,000
Series 2008F Bonds	4.50%–5.25%	2009–2024	34,125	40,415
Series 2007A Bonds	Variable rate	2008–2035	82,330	85,095
MHHEFA Pooled Loan Program	Variable rate	2017–2035	8,034	8,022
Other long-term debt:				
UCHS Term Loan	Variable rate	2019	150,000	150,000
Term loans	1.86%–3.98%	2009–2022	48,736	56,540
Other loans, mortgages and notes payable	3.25%–6.73%	Monthly, 1991–2025	20,468	21,099
Total debt			1,745,628	1,595,136
Less current portion of long-term debt			51,989	40,937
Less short-term financing			150,000	—
Less long-term debt subject to short-term remarketing agreements			58,054	28,440
			1,485,585	1,525,759
Plus unamortized premiums and discounts, net			32,853	33,033
Plus unamortized deferred financing costs			(10,104)	(8,302)
			$ 1,508,334	1,550,490

[1] Mandatory purchase options are due in the following (fiscal years), unless the bondholding bank and the Obligated Group agree to an extension: Series 2016A (2024), 2016B (2022), 2016C&D (2024), 2016E&F (2027), and 2017A (2022).

(Continued)

Pursuant to an Amended and Restated Master Loan Agreement dated December 1, 2017 (UMMS Master Loan Agreement), the Corporation and several of its subsidiaries have issued debt through Maryland Health and Higher Educational Facilities Authority (MHHEFA or the Authority). As security for the performance of the bond obligation under the Master Loan Agreement, the Authority maintains a security interest in the revenue of the obligors. The UMMS Master Loan Agreement contains certain restrictive covenants. These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets.

The Obligated Group under the UMMS Master Loan Agreement includes the Medical Center, ROI, UM Midtown, UM Baltimore Washington, Shore Health (UM Memorial and UM Dorchester), UM Chester River, UM Charles Regional, UM St. Joseph, UM Upper Chesapeake, UM Harford Memorial, UM Laurel, UM Prince George's, Bowie Health Center (Bowie), and the UMMS Foundation. Each member of the Obligated Group is jointly and severally liable for the repayment of the obligations under the UMMS Master Loan Agreement.

Under the terms of the UMMS Master Loan Agreement and other loan agreements, certain funds are required to be maintained on deposit with the Master Trustee to provide for repayment of the obligations of the Obligated Group (note 2).

In September 2016, the Corporation refunded $212,065,000 of the Series 2012A-D Bonds. The refunding was completed using the proceeds of a new $212,785,000 variable-rate MHHEFA bond issue (the Series 2016A-D Bonds).

In October 2016, the Corporation refunded $108,420,000 of the Series 2011B/C (UCHS issue) Bonds. The refunding was completed using the proceeds of a new $108,730,000 variable rate MHHEFA bond issue (the Series 2016E/F Bonds).

In January 2017, the Corporation refunded $46,050,000 of the Series 2011A (UCHS issue) Bonds. The refunding was completed using the proceeds of a new $46,220,000 variable-rate MHHEFA bond issue (the Series 2017A Bonds).

In February 2017, the Corporation refunded $20,225,000 of the Series 1991B Bonds, $116,375,000 of the Series 2005 Bonds, and $140,885,000 of the Series 2010 Bonds. The refunding was completed using the proceeds of a new $273,810,000 fixed-rate MHHEFA bond issue (the Series 2017B/C Bonds).

The unamortized portion of issuance costs on the debt refunded by the Series 2016A-D Bonds, 2016E/F Bonds, 2017A Bonds, and 2017B/C Bonds was expensed as a loss on early extinguishment of debt during the year ended June 30, 2017.

The Corporation has a term loan in the amount of $150,000,000 related to the acquisition of Upper Chesapeake, which expires on March 1, 2019. The Corporation intends to refinance this obligation prior to its maturity date, and has classified this obligation as a short-term financing and long-term debt at June 30, 2018 and 2017, respectively, in the consolidated balance sheets.

(Continued)

In May 2017, the Corporation was authorized to borrow $19,000,000 of the Series 1985A/B Pooled Loan Program Bonds ($175,000,000 original MHHEFA Pooled Loan Program). These proceeds are to be used for the purchase, renovation and furnishing a new administrative building. As a participant in the Pooled Loan Program, the Corporation bears the full interest cost on the $19,000,000 and will draw-down on the funds as they are required to complete the project.

In December 2018, MHHEFA issued $145,265,000 of tax-exempt Revenue Bonds, Series 2017D, and $44,700,000 taxable Revenue Bonds, Series 2017E. These proceeds are to be used for the purpose of financing a portion of the costs of acquisition, construction and equipping of certain capital projects related to Capital Region, including (a) construction of a new regional medical center and an adjacent new ambulatory care center and (b) construction of a new freestanding medical facility.

The aggregate annual future maturities of long-term debt according to the original terms of the Master Loan Agreement and all other loan agreements are as follows for the years ending June 30 (in thousands):

2019	$	201,989
2020		44,420
2021		66,984
2022		48,468
2023		45,261
Thereafter		1,338,506
	$	1,745,628

The Corporation's Series 2007A and 2008D-E Bonds are variable rate demand bonds requiring remarketing agents to purchase and remarket any bonds tendered before the stated maturity date. The reimbursement obligations with respect to the letters of credit are evidenced and secured by the respective bonds. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into letter-of-credit agreements with three banking institutions. These agreements have terms that expire in 2020 through 2022. If the bonds are not successfully remarketed, the Corporation is required to pay an interest rate specified in the letter-of-credit agreement, and the principal repayment of bonds may be accelerated to require repayment in periods ranging from 20 to 60 months from the date of the failed remarketing. The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements as a separate component of current liabilities in its consolidated balance sheets. In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms. All variable rate demand bonds were successfully remarketed as of June 30, 2018.

The following table reflects the mandatory redemptions and required repayment terms for the years ended June 30 of the Corporation's debt obligations in the event that the put options associated with variable rate

demand bonds subject to short-term remarketing agreements were exercised, but not successfully remarketed, and mandatory purchase options are not extended (in thousands):

2019	$	260,043
2020		120,806
2021		66,984
2022		187,838
2022		45,261
Thereafter		1,064,696
	$	1,745,628

The approximate interest rates on outstanding debt bearing interest at variable rates were as follows at June 30:

	2018	2017
Series 2008D Bonds	1.54 %	0.90 %
Series 2008E Bonds	1.49	0.89
Series 2007A Bonds	1.55	0.91
Series 2016A Bonds	2.51	1.41
Series 2016B Bonds	2.34	1.27
Series 2016C Bonds	2.36	1.32
Series 2016D Bonds	2.66	1.52
Series 2016E Bonds	2.50	1.43
Series 2016F Bonds	2.47	1.41
Series 2017A Bonds	2.26	1.23
Series 1985 Pooled Loan Program (MHHEFA)	2.25	1.69
UCHS Term Loan	2.84	1.98

(Continued)

Term loans outstanding are as follows at June 30 (in thousands):

	Interest rate	Interest rate as of June 30, 2018	Payable in fiscal year(s)	2018	2017
Term loan 1: Payable monthly beginning March 2012	Fixed rate	3.95 %	2012–2022	$ 6,800	7,600
Term loan 2: Payable monthly beginning February 2010	1-month LIBOR + 2.00%	3.98	2010–2023	2,609	2,831
Term loan 3: Payable monthly beginning October 2012	Fixed rate	2.80	2013–2018	—	61
Term loan 4: Payable monthly beginning November 2012	Fixed rate	2.80	2013–2018	—	16
Term loan 5: Payable monthly beginning November 2015	1-month LIBOR + 1.95%	3.95	2016–2021	36,667	41,667
Term loan 6: Payable monthly beginning May 2016	Fixed rate	1.86	2016–2019	383	834
Term loan 7: Payable monthly beginning February 2017	Fixed rate	2.47	2017–2020	976	1,524
Term loan 8: Payable monthly beginning July 2017	Fixed rate	2.66	2018–2020	1,301	2,007
Total term loans (included in long-term debt)				$ 48,736	56,540

(8) Interest Rate Risk Management

The Corporation uses a combination of fixed and variable rate debt to finance capital needs. The Corporation maintains an interest rate risk-management strategy that uses interest rate swaps to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates.

(Continued)

At June 30, 2018 and 2017, the Corporation's notional values of outstanding interest rate swaps were $758,901,000 and $770,919,000, respectively, the details of which were as follows (in thousands):

	Notional amount	Pay rate	Receive rate	Maturity date	Mark to market
As of June 30, 2018:					
Swap #1	$ 83,446	3.59 %	70% 1-month LIBOR	7/1/2031	$ (8,996)
Swap #2	84,000	3.93	68% 1-month LIBOR	7/1/2041	(23,745)
Swap #3	21,000	4.24	68% 1-month LIBOR	7/1/2041	(6,905)
Swap #4	34,325	3.99	67% 1-month LIBOR	7/1/2034	(5,685)
Swap #5	25,930	3.54	70% 1-month LIBOR	7/1/2031	(2,704)
Swap #6	196,000	3.93	68% 1-month LIBOR	7/1/2041	(55,421)
Swap #7	49,000	4.24	68% 1-month LIBOR	7/1/2041	(16,117)
Swap #8	80,075	4.00	67% 1-month LIBOR	7/1/2034	(13,321)
Swap #9	3,230	3.63	67% 1-month LIBOR	7/1/2032	(233)
Swap #10	101,275	3.92	67% 1-month LIBOR	1/1/2043	(21,731)
Swap #11	80,620	0.51	67% 1-month LIBOR + 0.5133%	1/1/2038	1,086
					(153,772)
				Valuation adjustments	3,983
Total	$ 758,901				$ (149,789)

	Notional amount	Pay rate	Receive rate	Maturity date	Mark to market
As of June 30, 2017:					
Swap #1	$ 85,809	3.59 %	70% 1-month LIBOR	7/1/2031	$ (13,430)
Swap #2	84,000	3.93	68% 1-month LIBOR	7/1/2041	(30,029)
Swap #3	21,000	4.24	68% 1-month LIBOR	7/1/2041	(8,573)
Swap #4	35,400	3.99	67% 1-month LIBOR	7/1/2034	(7,729)
Swap #5	26,680	3.54	70% 1-month LIBOR	7/1/2031	(4,066)
Swap #6	196,000	3.93	68% 1-month LIBOR	7/1/2041	(70,082)
Swap #7	49,000	4.24	68% 1-month LIBOR	7/1/2041	(20,006)
Swap #8	82,600	4.00	67% 1-month LIBOR	7/1/2034	(18,097)
Swap #9	3,580	3.63	67% 1-month LIBOR	7/1/2032	(376)
Swap #10	104,000	3.92	67% 1-month LIBOR	1/1/2043	(28,384)
Swap #11	82,850	0.51	67% 1-month LIBOR + 0.5133%	1/1/2038	1,058
					(199,714)
				Valuation adjustments	5,190
Total	$ 770,919				$ (194,524)

(Continued)

The mark-to-market values of the Corporation's interest rate swaps include a valuation adjustment representing the creditworthiness of the counterparties to the swaps.

On January 1, 2013, in accordance with ASC Topic 815, *Derivatives and Hedging*, the Corporation elected to discontinue the cash flow hedging relationship for Swap #8. As of that date, the accumulated losses included in unrestricted net assets will be reclassified into earnings over the life of the Series 2007 bonds. For the years ended June 30, 2018 and 2017, $1,668,000 and $1,716,000, respectively, was reclassified from other changes in net assets into change in fair value of undesignated interest rate swaps. The accumulated losses included in unrestricted net assets were $16,266,000 and $17,934,000 at June 30, 2018 and 2017, respectively.

The Corporation recorded a net nonoperating gain on changes in the fair value of nonqualifying interest rate swaps of $43,071,000 and $76,797,000 for the years ended June 30, 2018 and 2017, respectively.

The swap agreements are included in the consolidated balance sheets at their fair value of $149,789,000 and $194,524,000 as of June 30, 2018 and 2017, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy).

The Corporation is subject to a collateral posting requirement with two of its swap counterparties. Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty. The amount of such posted collateral was $80,480,000 and $115,250,000 at June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, the Corporation met its collateral posting requirement through the use of collateralized investments, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty. The amount of posted investments that is required to meet the collateral requirement is computed daily, and is accounted for as a component of the Corporation's assets limited as to use on the accompanying consolidated balance sheets as of that date. Any excess investment value is considered a component of the Corporation's unrestricted investment portfolio, and is included in investments on the accompanying consolidated balance sheets as of that date.

(9) Other Liabilities

Other liabilities consist of the following at June 30 (in thousands):

	2018	2017
Professional and general malpractice liabilities	$ 290,306	234,569
Capital lease obligations	53,784	54,523
Accrued pension obligations	91,210	26,422
Contingent consideration	—	35,700
Accrued interest payable	23,809	18,870
Deferred tax liability, net	3,027	17,356
Unearned revenue	35,293	26,521
Medical claims payable	29,234	21,024
Other miscellaneous	103,478	81,977
Total other liabilities	630,141	516,962
Less current portion	(231,453)	(182,688)
Other long-term liabilities	$ 398,688	334,274

Other miscellaneous liabilities consists of patient credit balances and other current and long-term liabilities.

(10) Retirement Plans

Employees of the Corporation are included in various retirement plans established by the Corporation, the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region. Participation by employees in their specific plan(s) has evolved based upon the organization by which they were first employed and the elections that they made at the times when their original employers became part of the Corporation. The following is a brief description of each of the retirement plans in which employees of the Corporation participate:

(a) Defined Benefit Plans

University of Maryland Medical Center Midtown Campus Retirement Plan for Non-Union Employees (Midtown Plan) – A noncontributory defined benefit plan covering substantially all nonunion employees. The benefits are based on years of service and compensation. Contributions to this plan are made to satisfy the minimum funding requirements of ERISA. In 2006, Midtown froze the defined benefit pension plan.

Baltimore Washington Medical Center Pension Plan (Baltimore Washington Plan) – A noncontributory defined benefit pension plan covering full-time employees who have been employed for at least one year and have reached 21 years of age. In 2018, Baltimore Washington closed the defined benefit pension plan to new hires.

(Continued)

Baltimore Washington Medical Center Supplemental Executive Retirement Plan – A noncontributory defined benefit pension plan for senior management level employees. In 2018, Baltimore Washington terminated the defined benefit pension plan and liquidation of its remaining benefit obligation using its plan assets was completed on December 29, 2017.

On June 30, 2015, the Corporation amended the Baltimore Washington Medical Center Pension Plan to provide for the merger of the Midtown Plan and the Charles Regional Plan into the Baltimore Washington Plan and to change the name of the newly consolidated plan to the University of Maryland Medical System Corporate Pension Plan (the Corporate Plan). All provisions of the respective previous plans shall continue to apply to the respective applicable participants. All of the assets of the three formerly separate plans are now available to pay benefits for all participants under the newly consolidated Corporate Plan.

Chester River Health System, Inc. Pension Plan and Trust – A noncontributory defined benefit pension plan covering substantially all CRHC employees as well as employees of a subsidiary. The benefits are paid to retirees based upon age at retirement, years of service, and average compensation. Chester River's funding policy is to satisfy the minimum funding requirements of ERISA. Effective June 30, 2008, Chester River froze the defined-benefit pension plan. On March 31, 2018, Chester River terminated the defined benefit pension plan and liquidation of its remaining benefit obligation using its plan assets is anticipated to be completed by June 30, 2019.

Civista Health Inc. Retirement Plan and Trust (Charles Regional Plan) – A noncontributory defined benefit pension plan covering employees that have worked at least one thousand hours per year during three or more plan years. Plan benefits are accumulated based upon a combination of years of service and percent of annual compensation. Charles Regional makes annual contributions to the plan based upon amounts required to be funded under provisions of ERISA.

Upper Chesapeake Health System, Inc. Pension Plan and Trust – A noncontributory defined benefit pension plan covering substantially all employees of the various affiliates of Upper Chesapeake who have completed six months of employment and attained the age of twenty and a half years. Upper Chesapeake makes annual contributions to the plan equal to the minimum funding requirements pursuant to ERISA regulations. On December 31, 2005, Upper Chesapeake froze the defined benefit pension plan. On June 30, 2015, Upper Chesapeake terminated the defined benefit pension plan and liquidation of its remaining benefit obligation using its plan assets was completed by September 30, 2017.

Dimensions Health Corporation Pension Plan (Capital Region Pension Plan) – A noncontributory defined benefit pension plan covering substantially all employees. For employees not covered under collective-bargaining agreements and employees who are represented by the 1199 SEIU Health Care Workers East – Health Care Workers union (formerly District 1199E-DC, SEIU union and formerly Local No. 63 union), the Plan operates as a cash balance plan. The annual contribution by the Corporation is allocated to individual employee accounts based on years of service and the individual's retirement account. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union (formerly Professional Staff Nurses Association union), benefits are based on years of service and average final compensation. On December 31, 2007, the Capital Region Pension Plan was frozen. No further benefit accruals will be made to the Plan. The Plan

freeze substantially reduces annual funding obligations beginning with Plan year 2008. The Corporation's funding policy is to contribute such actuarially determined amounts as necessary to provide assets sufficient to meet the benefits to be paid to the Plan participants and to meet the funding requirements of the Employees Retirement Income Security Act of 1974 (ERISA).

Dimensions Health Corporation Post Retirement Benefit Plans (Capital Region Post Retirement Benefit Plans) – A postretirement health care plan is provided to both salaried and nonsalaried employees who have retired and certain other employees who were eligible to retire prior to July 1, 1995. The plan is contributory for those who retired prior to July 1, 1995, with retiree contributions adjusted annually. Employees who retired on July 1, 1995 and later are eligible to participate in the plan by paying 100% of the premiums without corporate contributions. The Corporation's policy has been to fund this plan on an as needed basis.

A defined postretirement life insurance plan is a noncontributory plan for all eligible retirees prior to July 1, 2001. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union, the plan was no longer offered to new retirees as of July 1, 1999. Effective July 1, 2001, the plan was modified to become contributory for the nonunion employees and employees represented by the 1199 SEIU Health Care Workers East – Health Care Workers union who retired prior to July 1, 2001 and for the employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union who retired prior to July 1, 1999. The Corporation's policy has been to fund its share of these benefits as they are incurred.

The Corporation recognizes the funded status (i.e., the difference between the fair value of plan assets and projected benefit obligations) of its defined benefit pension plans as an asset or liability in its consolidated balance sheets. The Corporation recognizes changes in the funded status in the year in which the changes occur as changes in unrestricted net assets. All defined benefit pension plans use a June 30 measurement date.

The following tables set forth the combined benefit obligations and assets of the defined benefit plans at June 30 (in thousands):

		2018	2017
Change in projected benefit obligations:			
Benefit obligations at beginning of year	$	182,024	245,686
Benefit obligations, Capital Region		278,165	—
Settlements		(11,747)	(55,324)
Curtailments and plan amendments		(2,206)	—
Service cost		3,093	4,502
Interest cost		17,120	7,299
Actuarial loss		(13,064)	(4,612)
Benefit payments		(22,045)	(15,527)
Projected benefit obligations at end of year	$	431,340	182,024

(Continued)

		2018	2017
Change in plan assets:			
Fair value of plan assets at beginning of year	$	155,602	202,925
Fair value of plan assets, Capital Region		187,164	—
Actual return on plan assets		16,182	12,560
Settlements		(11,747)	(55,324)
Employer contributions		14,974	10,968
Benefit payments		(22,045)	(15,527)
Fair value of plan assets at end of year	$	340,130	155,602

The funded status of the plans and amounts recognized as accrued payroll and benefits and other long-term liabilities in the consolidated balance sheets at June 30 are as follows (in thousands):

		2018	2017
Funded status, end of period:			
Fair value of plan assets	$	340,130	155,602
Projected benefit obligations		431,340	182,024
Net funded status	$	(91,210)	(26,422)
Accumulated benefit obligation at end of year	$	428,509	176,660
Amounts recognized in consolidated balance sheets at June 30:			
Accrued payroll and benefits	$	—	1,056
Accrued pension obligation		(91,210)	(27,478)
	$	(91,210)	(26,422)
Amounts recognized in unrestricted net assets at June 30:			
Net actuarial gain (loss)	$	44,165	(62,233)
Prior service cost		284	(485)
	$	44,449	(62,718)

The estimated amounts that will be amortized from unrestricted net assets into net periodic pension cost in fiscal year 2019 are as follows (in thousands):

Net actuarial loss	$	3,721
Prior service cost		76
	$	3,797

(Continued)

The components of net periodic pension cost for the years ended June 30 are as follows (in thousands):

		2018	2017
Service cost	$	3,093	4,502
Interest cost		17,120	7,299
Expected return on plan assets		(22,636)	(9,976)
Prior service cost recognized		464	20,814
Recognized gains or losses		8,990	6,351
Net periodic pension cost	$	7,031	28,990

As described in note 1(aa) the Corporation adopted ASU No. 2017-07 as of July 1, 2017. As a result of the adoption of this ASU, the components of net benefit cost other than the service cost of $3,093,000 were recorded in other nonoperating losses, net in the consolidated statement of operations for the year ended June 30, 2018. Service cost is included as a component of fringe benefits, which is recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations. The Corporation elected to use the practical expedient as of July 1, 2016. This election resulted in a decrease in operating expenses and increase in other nonoperating losses, net of $24,488,000 in the consolidated statement of operations for the year ended June 30, 2017.

The following table presents the weighted average assumptions used to determine benefit obligations for the plans at June 30:

	2018	2017
Discount rate	4.22%–4.44%	2.50%–4.11%
Rate of compensation increase (for nonfrozen plan)	3.00	3.00–4.50

The following table presents the weighted average assumptions used to determine net periodic benefit cost for the plans for the years ended June 30:

	2018	2017
Discount rate	3.20%–4.10%	2.00%–3.95%
Expected long-term return on plan assets	6.50	6.75
Rate of compensation increase (for nonfrozen plan)	3.00	2.50–4.50

The investment policies of the Corporation's pension plans incorporate asset allocation and investment strategies designed to earn superior returns on plan assets consistent with reasonable and prudent levels of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of loss. The Corporation uses investment managers specializing in each asset category, and regularly monitors performance and compliance with investment guidelines. In developing the expected

(Continued)

long-term rate of return on assets assumption, the Corporation considers the current level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The Corporation's pension plans' target allocation and weighted average asset allocations at the measurement date of June 30, 2018 and 2017, by asset category, are as follows:

Asset category	Target allocation	Percentage of plan assets as of June 30 2018	2017
Cash and cash equivalents	0–10%	2 %	5 %
Fixed income securities	20–40	30	32
Equity securities	30–50	39	26
Global asset allocation	10–20	17	27
Hedge funds	5–15	12	10
		100 %	100 %

Equity and fixed income securities include investments in hedge fund of funds that are categorized in accordance with each fund's respective investment holdings.

The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2018, aggregated by the fair value hierarchy as described in note 1(w) (in thousands):

	Level 1	Level 2	Level 3	Investments reported at NAV*	Total
Cash and cash equivalents	$ 5,107	3,010	—	—	8,117
Corporate bonds	25,285	—	—	—	25,285
Government and agency bonds	10,315	—	—	—	10,315
Fixed income mutual funds	21,556	—	—	—	21,556
Common and preferred stocks	10,084	—	—	—	10,084
Equity mutual funds	100,309	12,091	—	—	112,400
Other mutual funds	30,968	—	—	—	30,968
Alternative investments	26,961	27,153	—	67,291	121,405
	$ 230,585	42,254	—	67,291	340,130

* Fund investments reported at NAV as practical expedient.

(Continued)

The table below presents the Corporation's combined investable assets of the defined benefit pension plans as of June 30, 2017, aggregated by the fair value hierarchy as described in note 1(w) (in thousands):

	Level 1	Level 2	Level 3	Investments reported at NAV*	Total
Cash and cash equivalents	$ 1,694	6,639	—	—	8,333
Fixed income mutual funds	11,495	—	—	—	11,495
Common and preferred stocks	10,993	—	—	—	10,993
Equity mutual funds	22,714	—	—	—	22,714
Other mutual funds	13,056	—	—	—	13,056
Alternative investments	18,240	28,431	—	42,340	89,011
	$ 78,192	35,070	—	42,340	155,602

* Fund investments reported at NAV as practical expedient.

Alternative investments include hedge funds and commingled investment funds. The majority of these alternative investments held as of June 30, 2018 are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis. There are funds, totaling $14,400,000, which are subject to notice requirements of 30-60 days and are available to be redeemed on a monthly or quarterly basis. Funds totaling $13,400,000 are subject to notice requirements of 90 days and can be redeemed monthly or quarterly. Of these funds, one fund totaling $1,200,000 is subject to a lock-up restriction of three years. In addition, one fund totaling $800,000 is subject to lockup restrictions and is not available to be redeemed until certain time restrictions are met, which range from one to three years. The Corporation had no unfunded commitments as of June 30, 2018.

The majority of these alternative investments held as of June 30, 2017 are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis. There are funds, totaling $6,500,000, which are subject to notice requirements of 30-60 days and are available to be redeemed on a monthly or quarterly basis. Funds totaling $5,000,000 are subject to notice requirements of 90 days and can be redeemed monthly or quarterly. Of these funds, one fund totaling $1,200,000 is subject to a lock-up restriction of three years. The Corporation had no unfunded commitments as of June 30, 2017.

The Corporation expects to contribute $13,117,000 to its defined benefit pension plans for the fiscal year ended June 30, 2019.

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid from plan assets in the following years ending June 30 (in thousands):

2019	$	36,612
2020		24,526
2021		25,432
2022		26,010
2023		26,728
2024–2028		134,978

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2018.

(b) Defined Contribution Plans

Corporation Salary Reduction 403(b) Plan – A contributory benefit plan covering substantially all employees not participating in the plans described below. Employees are immediately eligible for elective deferrals of compensation as contributions to the plan. Employees are eligible for matching contributions after one year of service with a five-year gradual vesting schedule. Effective January 1, 2017, this plan was opened for new participants.

Corporation Pension Plan – A noncontributory defined contribution plan for all eligible Corporation employees not participating in the ROI Plan or the Midtown Plan described below. Contributions to this plan by the Corporation are determined as a fixed percentage of total employees' base compensation. Effective January 1, 2017, this plan was frozen to new participants.

Corporation Salary Reduction 403(b) Plan – A contributory benefit plan covering substantially all employees not participating in the plans described below. Employees are immediately eligible for elective deferrals of compensation as contributions to the plan. Effective July 29, 2016, the Baltimore Washington retirement plan was merged into this plan. Effective January 1, 2017, this plan was frozen to new participants.

Midtown 401(k) Profit Sharing Plan for Union Employees – Defined contribution plan for substantially all union employees of Midtown. Employer contributions to this plan are determined based on years of service and hours worked. Employees are immediately eligible for elective deferrals of compensation as contributions to the plan.

Baltimore Washington Retirement Plans – Defined contribution plans covering all employees of Baltimore Washington Medical Center and certain related entities. Effective July 29, 2016, this plan merged into the UMMS Voluntary 403(b) plan.

Shore Health System Retirement Plan – A contributory benefit plan covering substantially all employees of Shore Health. Employees are eligible for matching contributions after one year of service.

Chester River Retirement Plan – A contributory benefit plan covering substantially all employees of Chester River who have met the eligibility requirements. Employees are eligible for matching contributions after one year of service.

Charles Regional Retirement Savings Plan – A contributory benefit plan covering substantially all full-time employees of Charles Regional. Employees are eligible for matching contributions after three years of service as defined in the plan.

Upper Chesapeake Retirement Plan – A contributory benefit plan covering substantially all employees of Upper Chesapeake. Employees are eligible for elective deferrals of compensation as contributions to the plan. Employees are eligible for matching contributions after one year of service with a five-year gradual vesting schedule.

Dimensions Health Retirement Plan (Capital Region Retirement Plan) – A contributory benefit plan covering substantially all employees of Capital Region. This plan replaced the frozen defined benefit plan effective January 1, 2008. Employees are eligible for elective deferrals of compensation as contributions to the plan. Employees are eligible for matching contributions after one year of service with a three year "cliff" vesting schedule. Nonrepresented employees, who, as of January 1, 2008, are both fifty-five years or older, who have at least one year of vesting service, and work in positions budged for at least forty hours per pay period, receive an additional contribution.

In accordance with the collective bargaining agreement with 1199 SEIU Health Care Workers East – Registered Nurses Chapter, represented employees with fifteen years of service also receive a matching $25 for each pay period in which they defer $25 or more paid quarterly. These employees who are both fifty-five years or older, and who have fifteen years of vesting service, and work in positions budged for at least forty hours per pay period receive an additional contribution.

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were $45,918,000 and $41,900,000 for the years ended June 30, 2018 and 2017, respectively. Such amounts are included in salaries, wages and benefits in the accompanying consolidated statements of operations.

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are restricted primarily for the following purposes at June 30 (in thousands):

	2018	2017
Facility construction and renovations, research, education, and other		
Capital Region	$ 424,034	—
All others	78,305	73,682
Economic and beneficial interests in the net assets of related organizations	196,119	192,343
	$ 698,458	266,025

(Continued)

Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017 by expending funds satisfying the restricted purposes or by occurrence of other events specified by donors as follows (in thousands):

	2018	2017
Purchases of equipment and construction costs	$ 3,484	33,038
Research, education, uncompensated care, and other	3,956	2,868
	$ 7,440	35,906

Permanently restricted net assets consist primarily of gifts to be held in perpetuity, the income from which may be used to fund the operations of the Corporation.

The Corporation's endowments consist of donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The Corporation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Corporation and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Corporation

(7) The investment policies of the Corporation.

(Continued)

Endowment net assets are as follows (in thousands):

	June 30, 2018			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ 38	16,124	44,209	60,371

	June 30, 2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	13,335	38,510	51,845

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Corporation to retain as a fund of perpetual duration. The Corporation does not have any donor-restricted endowment funds that are below the level that the donor or MUPMIFA requires.

(c) Investment Strategies

The Corporation has adopted policies for corporate investments, including endowment assets that seek to maximize risk-adjusted returns with preservation of principal. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s).The endowment assets are invested in a manner that is intended to hold a mix of investment assets designed to meet the objectives of the account. The Corporation expects its endowment funds, over time, to provide an average rate of return that generates earnings to achieve the endowment purpose.

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation employs a diversified asset allocation structure to achieve its long-term return objectives within prudent risk constraints.

The Corporation monitors the endowment funds' returns and appropriates average returns for use. In establishing this practice, the Corporation considered the long-term expected return on its endowment. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

(12) Economic and Beneficial Interests in the Net Assets of Related Organizations

The Corporation is supported by several related organizations that were formed to raise funds on behalf of the Corporation and certain of its subsidiaries. These interests are accounted for as either economic or beneficial interests in the net assets of such organizations.

The following is a summary of economic and beneficial interests in the net assets of financially interrelated organizations as of June 30 (in thousands):

	2018	2017
Economic interests in:		
UCH Legacy Funding Corporation	$ 150,000	150,000
The James Lawrence Kernan Hospital Endowment Fund, Incorporated	31,804	29,725
Baltimore Washington Medical Center Foundation, Inc.	9,862	9,222
Total economic interests	191,666	188,947
Beneficial interest in the net assets of:		
Dorchester General Hospital Foundation, Inc.	3,711	3,396
Prince George's Hospital Center Foundation, Inc.	496	—
Laurel Regional Hospital Auxiliary, Inc.	170	—
Laurel Regional Hospital Foundation, Inc.	76	—
	$ 196,119	192,343

The UCH Legacy Funding Corporation was formed in December 2013 to hold funds restricted for the benefit of Upper Chesapeake.

At the discretion of its board of trustees, the Kernan Endowment Fund may pledge securities to satisfy various collateral requirements on behalf of ROI and may provide funding to ROI to support various clinical programs or capital needs.

BWMC Foundation was formed in July 2000 and supports the activities of UM Baltimore Washington by soliciting charitable contributions on its behalf.

Shore Regional maintains a beneficial interest in the net assets of Dorchester Foundation, a nonprofit corporation organized to raise funds on behalf of Dorchester Hospital. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation.

The Prince George's Hospital Center Foundation, Inc.; the Laurel Regional Hospital Auxiliary, Inc.; and the Laurel Regional Hospital Foundation, Inc. were established to solicit contributions from the general public solely for the funding of capital acquisitions and operations of the associated Capital Region hospitals. Capital Region does not have control over the policies or decisions of these entities.

(Continued)

A summary of the combined unaudited condensed financial information of the financially interrelated organizations in which the Corporation holds an economic or beneficial interest as of June 30 is as follows (in thousands):

		2018	2017
Current assets	$	3,355	3,073
Noncurrent assets		192,857	189,927
Total assets	$	196,212	193,000
Current liabilities	$	109	532
Noncurrent liabilities		(16)	125
Net assets		196,119	192,343
Total liabilities and net assets	$	196,212	193,000
Total operating revenue	$	3,897	2,422
Total operating expense		(1,474)	(210)
Other changes in net assets		1,353	2,246
Total increase in net assets	$	3,776	4,458

(13) State and County Support

The Corporation received $3,200,000 in support for the Shock Trauma Center operations from the state of Maryland for both years ended June 30, 2018 and 2017.

In support of Capital Region operations, the Corporation received the following for the years ended June 30 (in thousands):

		2018	2017
State of Maryland	$	28,000	15,000
Prince George's County government		8,305	—
Magruder Memorial Hospital Trust		869	—
	$	37,174	15,000

The State of Maryland appropriates funds for construction costs incurred, equipment purchases made, and other capital support. The Corporation recognizes this support as the funds are expended for the intended projects. The Corporation expended and recorded $3,209,000 and $23,029,000 during the years ended June 30, 2018 and 2017, respectively.

As described in note 1(a)(x), Prince George's County and the State of Maryland have each approved funding through legislation of $208.0 million towards the construction of the new medical facility.

(Continued)

(14) Functional Expenses

The Corporation provides healthcare services to residents within its geographic location. Expenses related to providing these services, based on management's estimates of expense allocations, are as follows for the years ended June 30 (in thousands):

		2018	2017
Healthcare services	$	3,866,282	3,347,703
General and administrative		529,603	463,419
	$	4,395,885	3,811,122

(15) Insurance

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation. Estimated liabilities have been recorded based on actuarial estimation of reported and incurred but not reported claims. The accrued liabilities for these programs as of June 30, 2018 and 2017 were as follows (in thousands):

		2018	2017
Professional and general malpractice liabilities	$	290,306	234,569
Employee health		35,799	33,130
Employee long-term disability		6,369	8,696
Workers' compensation		19,869	18,961
Total self-insured liabilities		352,343	295,356
Less current portion		(73,226)	(71,832)
	$	279,117	223,524

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss. These accrued malpractice losses are discounted using a discount rate of 2.5%. In management's opinion, these accruals provide an adequate and appropriate loss reserve. The professional and general malpractice liabilities presented above include $168,452,000 and $144,313,000 as of June 30, 2018 and 2017, respectively, for which related insurance receivables have been recorded within other assets on the accompanying consolidated balance sheets.

(Continued)

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of $1.0 million on individual claims and $3.0 million in the aggregate on an annual basis. For amounts in excess of these limits, the risk of loss has been transferred to Terrapin, an unconsolidated joint venture. Terrapin provides insurance for claims in excess of $1 million individually and $3 million in the aggregate up to $150 million individually and $150 million in the aggregate under claims made policies between the Corporation and Terrapin. For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss.

As discussed in note 4, Terrapin is a joint venture corporation in which a 50% equity interest is owned by the Corporation and a 50% equity interest is owned by Faculty Physicians, Inc.

Total malpractice insurance expense for the Corporation during the years ended June 30, 2018 and 2017 was approximately $52,652,000 and $36,367,000, respectively.

(16) Business and Credit Concentrations

The Corporation provides healthcare services through its inpatient and outpatient care facilities located in the State of Maryland. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, workers' compensation, health maintenance organizations (HMOs), and commercial insurance policies).

The Corporation maintains cash accounts with highly rated financial institutions, which generally exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits, and as such, management does not believe the Corporation is subject to any significant credit risks related to this practice.

The Corporation had gross receivables from patients and third-party payors as follows at June 30:

	2018	2017
Medicare	23 %	25 %
Medicaid	23	20
Commercial insurance and HMOs	18	21
Blue Cross	10	11
Self-pay and others	26	23
	100 %	100 %

(Continued)

The Corporation recorded gross revenues from patients and third-party payors for the years ended June 30 as follows:

	2018	2017
Medicare	38 %	39 %
Medicaid	24	22
Commercial insurance and HMOs	22	20
Blue Cross	11	14
Self-pay and others	5	5
	100 %	100 %

(17) Certain Significant Risks and Uncertainties

The Corporation provides general acute healthcare services in the state of Maryland. The Corporation and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs;
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission;
- Government regulation, government budgetary constraints, and proposed legislative and regulatory changes; and
- Lawsuits alleging malpractice and related claims.

Such inherent risks require the use of certain management estimates in the preparation of the Corporation's consolidated financial statements, and it is reasonably possible that a change in such estimates may occur.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Corporation's revenues, and the Corporation's operations are subject to a variety of other federal, state, and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Corporation.

Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Corporation.

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The Corporation's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, none of which, in the opinion of management, are expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position.

(Continued)

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid antifraud and abuse laws and physician self-referral laws (STARK law and regulation). Recent federal initiatives have prompted a national review of federally funded healthcare programs. In addition, the federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. The Corporation has implemented a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists.

(18) Maryland Health Services Cost Review Commission

Effective July 1, 2013, the Health System and the Health Services Cost Review Commission (HSCRC) agreed to implement the Global Budget Revenue (GBR) methodology for the following hospitals: Medical Center, ROI, Midtown, Baltimore Washington, Charles Regional, St. Joseph, Shore Emergency Center, Upper Chesapeake, and Capital Region. The agreements will continue each year and on July 1 of each year thereafter; the agreements will renew for a one-year period unless it is canceled by the HSCRC or by the Corporation. The agreements were in place for the years ended June 30, 2018 and 2017. The GBR model is a revenue constraint and quality improvement system designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the Corporation's mission to provide the highest value of care possible to its patients and the communities it serves.

The GBR agreements establish a prospective, fixed revenue base "GBR cap" for the upcoming year. This includes both inpatient and outpatient regulated services. Under GBR, a hospital's revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at year-end. Any overcharge or undercharge versus the GBR cap is prospectively added to the subsequent year's GBR cap. Although the GBR cap does not adjust for changes in volume or service mix, the GBR cap is adjusted annually for inflation, and for changes in payor mix and uncompensated care. The Corporation will receive an annual adjustment to its cap for the change in population in the Corporation's service areas. GBR is designed to encourage hospitals to operate efficiently by reducing utilization and managing patients in the appropriate care delivery setting. The HSCRC also may impose various other revenue adjustments, which could be significant in the future.

For the years ended June 30, 2018 and 2017, UM Memorial Hospital, UM Dorchester Hospital, and UM Chester River continued their participation in Total Patient Revenue (TPR) agreements with the HSCRC. The TPR agreements establish an approved aggregate inpatient and outpatient revenue for regulated services to provide care for the patient population in the geographic region without regard for patient acuity or volumes.

The HSCRC utilizes a bad debt pool into which each of the regulated hospitals in Maryland participates. The funds in the bad debt pool are distributed to the hospitals that exceed the state average based upon the amount of uncompensated care delivered to patients during the year. For the years ended June 30, 2018 and 2017, the Corporation recognized a net distribution from the pool of approximately $14,015,000 and $8,345,000, respectively, which is recorded as net patient service revenue.

(19) Subsequent Events

The Corporation evaluated all events and transactions that occurred after June 30, 2018 and through October 26, 2018, the date the consolidated financial statements were issued. Other than those described below, the Corporation did not have any material recognizable subsequent events during the period.

Schedule 1

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2018

(In thousands)

Assets	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated total
Current assets:														
Cash and cash equivalents	$ 259,415	2,274	3,619	10,482	12,677	5,631	1,987	41,809	57,872	48,781	—	1,477	—	446,024
Assets limited as to use, current portion	51,674	—	682	1,392	943	484	1,128	—	181	—	—	—	—	56,484
Accounts receivable:							—							
Patient accounts receivable, less allowance for doubtful accounts of $219,769	198,855	8,172	8,146	43,415	32,522	10,927	37,393	39,421	48,292	—	—	4,522	—	431,665
Other	342,758	16,159	33,258	27,975	11,367	11,724	12,101	—	194,421	26,475	—	11,164	(572,209)	115,193
Inventories	33,542	1,145	2,983	6,496	4,482	1,680	5,670	9,172	5,606	—	—	—	—	70,776
Prepaid expenses and other current assets	15,887	133	3,322	1,183	1,629	644	1,766	10,086	4,234	5,742	1,500	731	—	46,857
Total current assets	902,131	27,883	52,010	90,943	63,620	31,090	60,045	100,488	310,606	80,998	1,500	17,894	(572,209)	1,166,999
Investments	288,289	37,828	3	147,525	96,349	35,552	12,277	242,082	—	12,240	—	—	—	872,145
Assets limited as to use, less current portion:														
Investments held for collateral	50,572	—	3,700	8,000	—	—	—	22,318	—	—	—	—	—	84,590
Debt service funds	33,935	—	—	—	—	—	—	—	—	—	—	—	—	33,935
Construction funds	333,359	17,112	8,589	10,613	24,378	13,434	4,389	—	—	—	—	—	—	411,874
Board designated and escrow funds	—	—	—	—	79,493	(181)	—	26,743	—	—	17,674	—	—	123,729
Self-insurance trust funds	79,742	—	14,816	23,164	37,229	7,392	7,889	11,267	41,491	—	—	—	—	222,990
Funds restricted by donor	—	—	1,093	—	34,417	—	6,977	—		—	26,983	—	—	69,470
Economic and beneficial interests in the net assets of related organizations	202,725	35,620	447	9,862	3,711	—	9,503		743	—	—	—	(66,492)	196,119
	700,333	52,732	28,645	51,639	179,228	20,645	28,758	60,328	42,234	—	44,657	—	(66,492)	1,142,707
Property and equipment, net	925,452	45,094	104,904	255,253	157,506	105,942	221,008	250,550	91,425	3,053	—	8,332	—	2,168,519
Investments in joint ventures and other assets	1,007,331	—	8,042	27,615	11,958	9,356	33,777	218,612	8,648	45,046	11,008	—	(702,300)	679,093
Total assets	$ 3,823,536	163,537	193,604	572,975	508,661	202,585	355,865	872,060	452,913	141,337	57,165	26,226	(1,341,001)	6,029,463

(Continued)

Schedule 1

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2018

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated total
Current liabilities:														
Trade accounts payable	$ 136,233	11,787	13,812	15,550	14,847	6,231	19,919	21,878	23,579	1,453	176	3,154	—	268,619
Accrued payroll and benefits	111,554	5,789	10,595	22,104	18,746	3,907	26,531	28,187	23,378	2,080	—	11,410	—	264,281
Advances from third-party payors	82,676	6,526	7,378	12,178	6,238	3,508	11,412	9,367	14,584	—	—	—	—	153,867
Lines of credit	99,300	—	—	—	—	—	—	—	—	—	—	—	—	99,300
Short-term financing	150,000	—	—	—	—	—	—	—	—	—	—	—	—	150,000
Other current liabilities	213,444	1,333	5,451	36,435	20,850	16,829	101,333	35,905	196,083	160,506	—	15,493	(572,209)	231,453
Long-term debt subject to short-term remarketing arrangements	58,054	—	—	—	—	—	—	—	—	—	—	—	—	58,054
Current portion of long-term debt	14,841	518	940	4,373	2,802	3,255	14,939	5,088	233	5,000	—	—	—	51,989
Total current liabilities	866,102	25,953	38,176	90,640	63,483	33,730	174,134	100,425	257,857	169,039	176	30,057	(572,209)	1,277,563
Long-term debt, less current portion	725,170	19,278	29,623	156,708	80,454	55,246	217,119	191,386	1,683	31,667	—	—	—	1,508,334
Other long-term liabilities	126,407	144	18,742	45,984	22,600	16,387	29,971	36,096	99,116	3,241	—	—	—	398,688
Interest rate swap liabilities	149,789	—	—	—	—	—	—	—	—	—	—	—	—	149,789
Total liabilities	1,867,468	45,375	86,541	293,332	166,537	105,363	421,224	327,907	358,656	203,947	176	30,057	(572,209)	3,334,374
Net assets:														
Unrestricted	1,338,378	82,409	105,523	269,781	301,068	97,222	(92,003)	384,991	60,688	(62,610)	23,853	(3,831)	(553,047)	1,952,422
Temporarily restricted	616,001	35,753	1,540	9,862	25,181	—	20,700	157,886	33,569	—	12,435	—	(214,469)	698,458
Permanently restricted	1,689	—	—	—	15,875	—	5,944	1,276	—	—	20,701	—	(1,276)	44,209
Total net assets	1,956,068	118,162	107,063	279,643	342,124	97,222	(65,359)	544,153	94,257	(62,610)	56,989	(3,831)	(768,792)	2,695,089
Total liabilities and net assets	$ 3,823,536	163,537	193,604	572,975	508,661	202,585	355,865	872,060	452,913	141,337	57,165	26,226	(1,341,001)	6,029,463

See accompanying independent auditors' report.

Schedule 1-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Medical Center & Affiliates (UMMC)

June 30, 2018

(In thousands)

Assets	University of Maryland Medical Center	Corporate Shared Services	36 South Paca	University CARE	Eliminations	University of Maryland Medical Center & Affiliates consolidated total
Current assets:						
Cash and cash equivalents	$ 254,298	338	716	4,063	—	259,415
Assets limited as to use, current portion	2,789	48,885	—	—	—	51,674
Accounts receivable:						
Patient accounts receivable, less allowance for doubtful accounts of $77,313	198,855	—	—	—	—	198,855
Other	333,672	52,119	25	13	(43,071)	342,758
Inventories	33,468	35	—	39	—	33,542
Prepaid expenses and other current assets	2,569	13,231	—	87	—	15,887
Total current assets	825,651	114,608	741	4,202	(43,071)	902,131
Investments	252,176	36,113	—	—	—	288,289
Assets limited as to use, less current portion:						
Investment held for collateral	—	50,572	—	—	—	50,572
Debt service funds	—	33,935	—	—	—	33,935
Construction funds	30,121	303,238	—	—	—	333,359
Board designated and escrow funds	—	—	—	—	—	—
Self-insurance trust funds	79,742	—	—	—	—	79,742
Funds restricted by donor	—	—	—	—	—	—
Economic interests in the net assets of related organizations	52,725	150,000	—	—	—	202,725
	162,588	537,745	—	—	—	700,333
Property and equipment, net	793,860	123,326	8,266	—	—	925,452
Investments in joint ventures and other assets	105,109	908,841	3,277	—	(9,896)	1,007,331
Total assets	$ 2,139,384	1,720,633	12,284	4,202	(52,967)	3,823,536

(Continued)

Schedule 1-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Medical Center & Affiliates (UMMC)

June 30, 2018

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center	Corporate Shared Services	36 South Paca	University CARE	Eliminations	University of Maryland Medical Center & Affiliates consolidated total
Current liabilities:						
Trade accounts payable	$ 99,791	35,586	154	702	—	136,233
Accrued payroll and benefits	83,261	28,260	—	33	—	111,554
Advances from third-party payors	82,676	—	—	—	—	82,676
Lines of credit	99,300	—	—	—	—	99,300
Short-term financing	—	150,000	—	—	—	150,000
Other current liabilities	109,963	146,441	111		(43,071)	213,444
Long-term debt subject to short-term remarketing arrangements	58,054	—	—	—	—	58,054
Current portion of long-term debt	13,891	950	—	—	—	14,841
Total current liabilities	546,936	361,237	265	735	(43,071)	866,102
Long-term debt, less current portion	506,140	219,030	—	—	—	725,170
Other long-term liabilities	126,396	—	11	—	—	126,407
Interest rate swaps	—	149,789	—	—	—	149,789
Total liabilities	1,179,472	730,056	276	735	(43,071)	1,867,468
Net assets:						
Unrestricted	907,187	425,612	12,008	3,467	(9,896)	1,338,378
Temporarily restricted	52,725	563,276	—	—	—	616,001
Permanently restricted	—	1,689	—	—	—	1,689
Total net assets	959,912	990,577	12,008	3,467	(9,896)	1,956,068
Total liabilities and net assets	$ 2,139,384	1,720,633	12,284	4,202	(52,967)	3,823,536

See accompanying independent auditors' report.

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Midtown Health, Inc. (Midtown)

June 30, 2018

(In thousands)

Assets	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Current assets:					
Cash and cash equivalents	$ 347	3,264	8	—	3,619
Assets limited as to use, current portion	—	682	—	—	682
Accounts receivable:					
Patient accounts receivable, less allowance for doubtful accounts of $13,046	221	7,260	665	—	8,146
Other	1,729	31,529	—	—	33,258
Inventories	—	2,983	—	—	2,983
Prepaid expenses and other current assets	2,483	839	—	—	3,322
Total current assets	4,780	46,557	673	—	52,010
Investments	—	3	—	—	3
Assets limited as to use, less current portion:					
Investment held for collateral	—	3,700	—	—	3,700
Debt service funds	—	—	—	—	—
Construction funds	—	8,589	—	—	8,589
Board designated and escrow funds	—	—	—	—	—
Self-insurance trust funds	—	14,816	—	—	14,816
Funds restricted by donor	—	1,093	—	—	1,093
Economic interests in the net assets of related organizations	—	447	—	—	447
	—	28,645	—	—	28,645
Property and equipment, net	4,515	100,389	—	—	104,904
Investments in joint ventures and other assets	1,703	6,339	—	—	8,042
Total assets	$ 10,998	181,933	673	—	193,604

(Continued)

Schedule 1-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Midtown Health, Inc. (Midtown)

June 30, 2018

(In thousands)

Liabilities and Net Assets	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Current liabilities:					
Trade accounts payable	$ 232	13,576	4	—	13,812
Accrued payroll and benefits	—	10,595	—	—	10,595
Advances from third-party payors	—	7,378	—	—	7,378
Lines of credit	—		—	—	—
Other current liabilities	592	4,197	662	—	5,451
Current portion of long-term debt	140	800	—	—	940
Total current liabilities	964	36,546	666	—	38,176
Long-term debt, less current portion	—	29,623	—	—	29,623
Other long-term liabilities	—	18,742	—	—	18,742
Total liabilities	964	84,911	666	—	86,541
Net assets:					
Unrestricted	10,034	95,482	7	—	105,523
Temporarily restricted	—	1,540	—	—	1,540
Permanently restricted	—	—	—	—	—
Total net assets	10,034	97,022	7	—	107,063
Total liabilities and net assets	$ 10,998	181,933	673	—	193,604

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Baltimore Washington Medical System (BWMS)

June 30, 2018

(In thousands)

Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current assets:							
Cash and cash equivalents	$ —	10,770	129	—	(417)	—	10,482
Assets limited as to use, current portion	—	1,392	—	—	—	—	1,392
Accounts receivable:							
Patient accounts receivable, less allowance for doubtful accounts of $31,809	1,500	35,056	6,859	—	—	—	43,415
Other	—	5,110	17,007	2,000	3,858	—	27,975
Inventories	—	6,496	—	—	—	—	6,496
Prepaid expenses and other current assets	(137)	1,220	52	—	48	—	1,183
Total current assets	1,363	60,044	24,047	2,000	3,489	—	90,943
Investments	—	147,525	—	—	—	—	147,525
Assets limited as to use, less current portion:							
Investment held for collateral	—	8,000	—	—	—	—	8,000
Debt service funds	—	—	—	—	—	—	—
Construction funds	—	10,613	—	—	—	—	10,613
Board designated and escrow funds	—	—	—	—	—	—	—
Self-insurance trust funds	—	23,164	—	—	—	—	23,164
Funds restricted by donor	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	9,862	—	—	—	—	9,862
	—	51,639	—	—	—	—	51,639
Property and equipment, net	2,428	236,600	—	—	16,225	—	255,253
Investments in joint ventures and other assets	310,415	28,869	—	—	536	(312,205)	27,615
Total assets	$ 314,206	524,677	24,047	2,000	20,250	(312,205)	572,975

(Continued)

Schedule 1-c

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Baltimore Washington Medical System (BWMS)

June 30, 2018

(In thousands)

Liabilities and Net Assets	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Eliminations	BWMS consolidated total
Current liabilities:							
Trade accounts payable	$ (139)	15,782	226	—	(319)	—	15,550
Accrued payroll and benefits	1,476	19,321	1,307	—	—	—	22,104
Advances from third-party payors	—	12,178	—	—	—	—	12,178
Lines of credit	—	—	—	—	—	—	—
Other current liabilities	31,918	4,480	—	1	36	—	36,435
Current portion of long-term debt	—	4,148	—	—	225	—	4,373
Total current liabilities	33,255	55,909	1,533	1	(58)	—	90,640
Long-term debt, less current portion	—	154,327	—	—	2,381	—	156,708
Other long-term liabilities	507	45,477	—	—	—	—	45,984
Total liabilities	33,762	255,713	1,533	1	2,323	—	293,332
Net assets:							
Unrestricted	280,444	259,102	22,514	1,999	17,927	(312,205)	269,781
Temporarily restricted	—	9,862	—	—	—	—	9,862
Permanently restricted	—	—	—	—	—	—	—
Total net assets	280,444	268,964	22,514	1,999	17,927	(312,205)	279,643
Total liabilities and net assets	$ 314,206	524,677	24,047	2,000	20,250	(312,205)	572,975

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Shore Regional Health (Shore Regional)

June 30, 2018

(In thousands)

Assets	Shore Health System, Inc.	Shore Orthopedics	UM Shore Home Care	Queenstown ASC	Memorial Hospital Foundation, Inc. and Subsidiary	Chester River Consolidated Total	Eliminations	Shore Regional consolidated total
Current assets:								
Cash and cash equivalents	$ (1,503)	342	7	—	—	13,831	—	12,677
Assets limited as to use, current portion	767	—	—	—	—	176	—	943
Accounts receivable:								
Patient accounts receivable, less allowance for doubtful accounts of $18,397	25,109	482	250	58	—	6,623	—	32,522
Other	4,030	—	98	—	2,600	4,639	—	11,367
Inventories	3,810	—	—	—	—	672	—	4,482
Prepaid expenses and other current assets	1,428	62	45	—	27	67	—	1,629
Total current assets	33,641	886	400	58	2,627	26,008	—	63,620
Investments	77,168	—	—	—	337	18,844	—	96,349
Assets limited as to use, less current portion:								
Debt service funds	—	—	—	—	—	—	—	—
Construction funds	20,268	—	—	—	—	4,110	—	24,378
Board designated and escrow funds	25,000	—	—	—	48,847	5,646	—	79,493
Self-insurance trust funds	29,050	—	—	—	—	8,179	—	37,229
Funds restricted by donor	5,252	—	—	—	24,602	4,563	—	34,417
Economic and beneficial interests in the net assets of related organizations	83,027	—	—	—	—	7,574	(86,890)	3,711
	162,597	—	—	—	73,449	30,072	(86,890)	179,228
Property and equipment, net	132,787	526	200	51	3,111	20,831	—	157,506
Investments in joint ventures and other assets	10,301	—	—	—	14	1,995	(352)	11,958
Total assets	$ 416,494	1,412	600	109	79,538	97,750	(87,242)	508,661

(Continued)

Schedule 1-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Shore Regional Health (Shore Regional)

June 30, 2018

(In thousands)

Liabilities and Net Assets	Shore Health System, Inc.	Shore Orthopedics	UM Shore Home Care	Queenstown ASC	Memorial Hospital Foundation, Inc. and Subsidiary	Chester River Consolidated Total	Eliminations	Shore Regional consolidated total
Current liabilities:								
Trade accounts payable	$ 11,773	238	(17)	2	3	2,848	—	14,847
Accrued payroll and benefits	15,094	755	265	—	21	2,611	—	18,746
Advances from third-party payors	5,560	—	—	—	—	678	—	6,238
Lines of credit	—	—	—	—	—	—	—	—
Other current liabilities	13,405	4,774	—	833	199	1,639	—	20,850
Current portion of long-term debt	2,700	—	—	—	—	102	—	2,802
Total current liabilities	48,532	5,767	248	835	223	7,878	—	63,483
Long-term debt, less current portion	76,675	—	—	—	—	3,779	—	80,454
Other long-term liabilities	15,786	—	—	—	—	6,814	—	22,600
Total liabilities	140,993	5,767	248	835	223	18,471	—	166,537
Net assets:								
Unrestricted	238,908	(4,355)	352	(726)	51,996	70,392	(55,499)	301,068
Temporarily restricted	22,014	—	—	—	15,846	6,295	(18,974)	25,181
Permanently restricted	14,579	—	—	—	11,473	2,592	(12,769)	15,875
Total net assets	275,501	(4,355)	352	(726)	79,315	79,279	(87,242)	342,124
Total liabilities and net assets	$ 416,494	1,412	600	109	79,538	97,750	(87,242)	508,661

See accompanying independent auditors' report.

Schedule 1-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Chester River Health System, Inc. (CRHS) a subsidiary of Shore Regional Health

June 30, 2018

(In thousands)

Assets		Chester River Hospital Center	UM Shore Nursing and Rehab.	UM Chester River Home Care	Chester River Health Foundation	Chester River consolidated total
Current assets:						
Cash and cash equivalents	$	12,637	852	342	—	13,831
Assets limited as to use, current portion		176	—	—	—	176
Accounts receivable:						
Patient accounts receivable, less allowance for doubtful accounts of $2,974		6,266	140	217	—	6,623
Other		3,737	897	2	3	4,639
Inventories		672	—	—	—	672
Prepaid expenses and other current assets		48	4	15	—	67
Total current assets		23,536	1,893	576	3	26,008
Investments		14,319	—	1,678	2,847	18,844
Assets limited as to use, less current portion:						
Debt service funds		—	—	—	—	—
Construction funds		4,110	—	—	—	4,110
Board designated and escrow funds		5,000	—	—	646	5,646
Self-insurance trust funds		8,179	—	—	—	8,179
Funds restricted by donor		105	—	—	4,458	4,563
Economic interests in the net assets of related organizations		7,574	—	—	—	7,574
		24,968	—	—	5,104	30,072
Property and equipment, net		20,631	—	200	—	20,831
Investments in joint ventures and other assets		1,995	—	—	—	1,995
Total assets	$	85,449	1,893	2,454	7,954	97,750

(Continued)

Schedule 1-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Chester River Health System, Inc. (CRHS) a subsidiary of Shore Regional Health

June 30, 2018

(In thousands)

Liabilities and Net Assets	Chester River Hospital Center	UM Shore Nursing and Rehab.	UM Chester River Home Care	Chester River Health Foundation	Chester River consolidated total
Current liabilities:					
Trade accounts payable	$ 2,336	461	48	3	2,848
Accrued payroll and benefits	2,467	7	137	—	2,611
Advances from third-party payors	620	58	—	—	678
Lines of credit	—	—	—	—	—
Other current liabilities	876	356	31	376	1,639
Current portion of long-term debt	102	—	—	—	102
Total current liabilities	6,401	882	216	379	7,878
Long-term debt, less current portion	3,779	—	—	—	3,779
Other long-term liabilities	6,814	—	—	—	6,814
Total liabilities	16,994	882	216	379	18,471
Net assets:					
Unrestricted	63,998	1,011	2,233	3,150	70,392
Temporarily restricted	3,161	—	5	3,129	6,295
Permanently restricted	1,296	—	—	1,296	2,592
Total net assets	68,455	1,011	2,238	7,575	79,279
Total liabilities and net assets	$ 85,449	1,893	2,454	7,954	97,750

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Charles Regional Health System, Inc. (Charles Regional)

June 30, 2018

(In thousands)

Assets	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Urgent Care	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Charles Regional Imaging Center	Eliminations	Charles Regional consolidated total
Current assets:								
Cash and cash equivalents	$ —	3,954	—	—	1,329	348	—	5,631
Assets limited as to use, current portion	—	484	—	—	—	—	—	484
Accounts receivable:								
Patient accounts receivable, less allowance for doubtful accounts of $6,343	—	10,658	126	—	—	143	—	10,927
Other	—	11,554	—	—	26	144	—	11,724
Inventories	—	1,680	—	—	—	—	—	1,680
Prepaid expenses and other current assets	1	617	2	9	15	—	—	644
Total current assets	1	28,947	128	9	1,370	635	—	31,090
Investments	—	33,218	—	—	2,334	—	—	35,552
Assets limited as to use, less current portion:								
Debt service funds	—	—	—	—	—	—	—	—
Construction funds	—	13,434	—	—	—	—	—	13,434
Board designated and escrow funds	(181)	—	—	—	—	—	—	(181)
Self-insurance trust funds	—	7,392	—	—	—	—	—	7,392
Funds restricted by donor	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	5,265	—	—	—	—	(5,265)	—
	(181)	26,091	—	—	—	—	(5,265)	20,645
Property and equipment, net	25,417	73,626	524	4	2,344	4,027	—	105,942
Investments in joint ventures and other assets	904	9,676	—	3,055	—	—	(4,279)	9,356
Total assets	$ 26,141	171,558	652	3,068	6,048	4,662	(9,544)	202,585

(Continued)

Schedule 1-f

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – Charles Regional Health System, Inc. (Charles Regional)

June 30, 2018

(In thousands)

Liabilities and Net Assets	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Urgent Care	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Charles Regional Imaging Center	Eliminations	Charles Regional consolidated total
Current liabilities:								
Trade accounts payable	$ —	5,922	170	—	46	93	—	6,231
Accrued payroll and benefits	—	3,799	—	—	—	108	—	3,907
Advances from third-party payors	—	3,508	—	—	—	—	—	3,508
Lines of credit	—	—	—	—	—	—	—	—
Other current liabilities	8,042	1,181	2,188	5,276	—	142	—	16,829
Current portion of long-term debt	700	2,522	—	—	33	—	—	3,255
Total current liabilities	8,742	16,932	2,358	5,276	79	343	—	33,730
Long-term debt, less current portion	5,573	48,971	—	—	702	—	—	55,246
Other long-term liabilities	—	16,345	—	—	—	42	—	16,387
Total liabilities	14,315	82,248	2,358	5,276	781	385	—	105,363
Net assets:								
Unrestricted	11,826	89,310	(1,706)	(2,208)	5,267	4,277	(9,544)	97,222
Temporarily restricted	—	—	—	—	—	—	—	—
Permanently restricted	—	—	—	—	—	—	—	—
Total net assets	11,826	89,310	(1,706)	(2,208)	5,267	4,277	(9,544)	97,222
Total liabilities and net assets	$ 26,141	171,558	652	3,068	6,048	4,662	(9,544)	202,585

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland St. Joseph Health System (SJHS)

June 30, 2018

(In thousands)

Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	UM Regional Supplier svcs	UM Regional Prof svcs	Eliminations	St. Joseph consolidated total
Current assets:										
Cash and cash equivalents	$ (3,101)	(399)	—	—	1,765	3,722	—	—	—	1,987
Assets limited as to use, current portion	1,128	—	—	—	—	—	—	—	—	1,128
Accounts receivable:										
Patient accounts receivable, less allowance for doubtful accounts of $16,493	31,520	3,180	—	1,449	—	—	909	335	—	37,393
Other	693	209	3,643	—	5	7,297	—	254	—	12,101
Inventories	5,501	—	—	—	—	—	166	3	—	5,670
Prepaid expenses and other current assets	830	453	199	111	137	—	—	36	—	1,766
Total current assets	36,571	3,443	3,842	1,560	1,907	11,019	1,075	628	—	60,045
Investments	—	—	—	—	—	12,277	—	—	—	12,277
Assets limited as to use, less current portion:										
Debt service funds	—	—	—	—	—	—	—	—	—	—
Construction funds	4,389	—	—	—	—	—	—	—	—	4,389
Board designated and escrow funds	—	—	—	—	—	—	—	—	—	—
Self-insurance trust funds	7,889	—	—	—	—	—	—	—	—	7,889
Funds restricted by donor	—	—	—	—	—	6,977	—	—	—	6,977
Economic interests in the net assets of related organizations	9,503	—	—	—	—	—	—	—	—	9,503
	21,781	—	—	—	—	6,977	—	—	—	28,758
Property and equipment, net	208,109	1,180	201	239	11,094	—	71	114	—	221,008
Investments in joint ventures and other assets	31,300	—	2,337	—	—	526	—	1,951	(2,337)	33,777
Total assets	$ 297,761	4,623	6,380	1,799	13,001	30,799	1,146	2,693	(2,337)	355,865

(Continued)

Schedule 1-g

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland St. Joseph Health System (SJHS)

June 30, 2018

(In thousands)

Liabilities and Net Assets	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	UM Regional Supplier svcs	UM Regional Prof svcs	Eliminations	St. Joseph consolidated total
Current liabilities:										
Trade accounts payable	$ 18,181	739	573	13	38	35	324	16	—	19,919
Accrued payroll and benefits	21,433	3,579	—	1,016	—	—	325	178	—	26,531
Advances from third-party payors	11,412	—	—	—	—	—	—	—	—	11,412
Lines of credit	—	—	—	—	—	—	—	—	—	—
Other current liabilities	97,313	3,393	—	199	25	202	—	201	—	101,333
Current portion of long-term debt	6,429	—	—	—	8,510	—	—	—	—	14,939
Total current liabilities	154,768	7,711	573	1,228	8,573	237	649	395	—	174,134
Long-term debt, less current portion	217,122	—	(3)	—	—	—	—	—	—	217,119
Other long-term liabilities	29,971	—	—	—	—	—	—	—	—	29,971
Total liabilities	401,861	7,711	570	1,228	8,573	237	649	395	—	421,224
Net assets:										
Unrestricted	(104,101)	(3,088)	5,810	571	4,428	3,919	497	2,298	(2,337)	(92,003)
Temporarily restricted	1	—	—	—	—	20,699	—	—	—	20,700
Permanently restricted	—	—	—	—	—	5,944	—	—	—	5,944
Total net assets	(104,100)	(3,088)	5,810	571	4,428	30,562	497	2,298	(2,337)	(65,359)
Total liabilities and net assets	$ 297,761	4,623	6,380	1,799	13,001	30,799	1,146	2,693	(2,337)	355,865

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Upper Chesapeake Health System (UCHS)

June 30, 2018

(In thousands)

Assets	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Hospice of Harford County	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Current assets:													
Cash and cash equivalents	$ 25,867	15,220	29	—	381	6	306	—	—	—	—	—	41,809
Assets limited as to use, current portion	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts receivable:													
Patient accounts receivable, less allowance for doubtful accounts of $16,948	27,251	6,075	—	—	6,091	4	—	—	—	—	—	—	39,421
Other	—	—	—	—	—	—	—	—	—	—	—	—	—
Inventories	5,619	2,859	—	—	694	—	—	—	—	—	—	—	9,172
Prepaid expenses and other current assets	1,263	1,906	16	—	520	5	5,273	58	—	1,045	—	—	10,086
Total current assets	60,000	26,060	45	—	7,686	15	5,579	58	—	1,045	—	—	100,488
Investments	149,952	91,560	—	—	—	570	—	—	—	—	—	—	242,082
Assets limited as to use, less current portion:													
Investments held for swap collateral	22,318	—	—	—	—	—	—	—	—	—	—	—	22,318
Debt service funds	—	—	—	—	—	—	—	—	—	—	—	—	—
Construction funds	—	—	—	—	—	—	—	—	—	—	—	—	—
Board designated and escrow funds	—	—	—	—	—	—	26,743	—	—	—	—	—	26,743
Self-insurance trust funds	—	—	—	—	—	—	—	—	—	11,267	—	—	11,267
Funds restricted by donor	—	—	—	—	—	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—
	22,318	—	—	—	—	—	26,743	—	—	11,267	—	—	60,328
Property and equipment, net	210,747	31,874	—	844	1,660	1,505	54	865	—	—	3,001	—	250,550
Investments in joint ventures and other assets	233,870	—	—	4,420	—	—	45	—	—	8,461	—	(28,184)	218,612
Total assets	$ 676,887	149,494	45	5,264	9,346	2,090	32,421	923	—	20,773	3,001	(28,184)	872,060

(Continued)

Schedule 1-h

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Upper Chesapeake Health System (UCHS)

June 30, 2018

(In thousands)

Liabilities and Net Assets	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Hospice of Harford County	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Current liabilities:													
Trade accounts payable	$ 10,169	8,249	—	—	3,199	—	—	186	—	75	—	—	21,878
Accrued payroll and benefits	21,030	5,812	—	—	—	—	—	1,345	—	—	—	—	28,187
Advances from third-party payors	7,473	1,894	—	—	—	—	—	—	—	—	—	—	9,367
Other current liabilities	(3,371)	15,338	29	864	6,304	581	9,931	2,135	—	913	3,116	65	35,905
Current portion of long-term debt	5,088	—	—	—	—	—	—	—	—	—	—	—	5,088
Total current liabilities	40,389	31,293	29	864	9,503	581	9,931	3,666	—	988	3,116	65	100,425
Long-term debt, less current portion	167,184	24,202	—	—	—	—	—	—	—	—	—	—	191,386
Other long-term liabilities	20,973	1,152	—	—	—	—	—	—	—	19,665	—	(5,694)	36,096
Total liabilities	228,546	56,647	29	864	9,503	581	9,931	3,666	—	20,653	3,116	(5,629)	327,907
Net assets:													
Unrestricted	275,851	92,847	16	4,400	(157)	939	13,898	(2,743)	—	120	(115)	(65)	384,991
Temporarily restricted	172,490	—	—	—	—	570	7,316	—	—	—	—	(22,490)	157,886
Permanently restricted	—	—	—	—	—	—	1,276	—	—	—	—	—	1,276
Total net assets	448,341	92,847	16	4,400	(157)	1,509	22,490	(2,743)	—	120	(115)	(22,555)	544,153
Total liabilities and net assets	$ 676,887	149,494	45	5,264	9,346	2,090	32,421	923	—	20,773	3,001	(28,184)	872,060

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Capital Region Health System (Capital Region)

June 30, 2018

(In thousands)

Assets	Prince George's Hospital Center	Laurel Regional Hospital	Bowie Health Center	Gladys Spellman Specialty Care	Dimensions Healthcare Associates	Affiliated Enterprises, Inc.	Madison Manor Inc.	Dimensions Assurance, Ltd.	Dimensions Health System Corporate	Regional Medical Center	Eliminations	Capital Region consolidated total
Current assets:												
Cash and cash equivalents	$ 1	1	1	—	—	1,366	388	—	56,115	—	—	57,872
Assets limited as to use, current portion	—	—	—	—	—	—	—	—	181	—	—	181
Accounts receivable:												
Patient accounts receivable, less allowance for doubtful accounts of $27,971	32,753	12,363	2,388	(152)	940	—	—	—	—	—	—	48,292
Other	142,478	708	10,865	21,991	11,266	1,598	2,759	6,984	198	565	(4,991)	194,421
Inventories	3,453	1,788	365	—	—	—	—	—	—	—	—	5,606
Prepaid expenses and other current assets	176	—	37	—	208	—	—	36	3,777	—	—	4,234
Total current assets	178,861	14,860	13,656	21,839	12,414	2,964	3,147	7,020	60,271	565	(4,991)	310,606
Investments	—	—	—	—	—	—	—	—	—	—	—	—
Assets limited as to use, less current portion:												
Investments held for swap collateral	—	—	—	—	—	—	—	—	—	—	—	—
Debt service funds	—	—	—	—	—	—	—	—	—	—	—	—
Construction funds	—	—	—	—	—	—	—	—	—	—	—	—
Board designated and escrow funds	—	—	—	—	—	—	—	—	—	—	—	—
Self-insurance trust funds	—	—	—	—	—	—	—	39,747	1,744	—	—	41,491
Funds restricted by donor	—	—	—	—	—	—	—	—	—	—	—	—
Economic interests in the net assets of related organizations	496	247	—	—	—	—	—	—	4,834	—	(4,834)	743
	496	247	—	—	—	—	—	39,747	6,578	—	(4,834)	42,234
Property and equipment, net	14,200	32,362	8,177	61	244	2,401	—	—	6,069	27,911	—	91,425
Investments in joint ventures and other assets	2,410	976	—	—	—	—	2,211	196	1,855	2,000	(1,000)	8,648
Total assets	$ 195,967	48,445	21,833	21,900	12,658	5,365	5,358	46,963	74,773	30,476	(10,825)	452,913

(Continued)

Schedule 1-j

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Capital Region Health System (Capital Region)

June 30, 2018

(In thousands)

Liabilities and Net Assets	Prince George's Hospital Center	Laurel Regional Hospital	Bowie Health Center	Gladys Spellman Specialty Care	Dimensions Healthcare Associates	Affiliated Enterprises, Inc.	Madison Manor Inc.	Dimensions Assurance, Ltd.	Dimensions Health System Corporate	Regional Medical Center	Eliminations	Capital Region consolidated total
Current liabilities:												
Trade accounts payable	$ 11,260	3,203	243	53	3,090	21	2	(1)	5,707	1	—	23,579
Accrued payroll and benefits	6,811	5,012	444	198	1,596	—	—	—	9,317	—	—	23,378
Advances from third-party payors	10,698	2,853	208	825	—	—	—	—	—	—	—	14,584
Other current liabilities	9,020	55,807	398	14	300	41	—	7,416	128,078	—	(4,991)	196,083
Current portion of long-term debt	—	—	—	—	—	233	—	—	—	—	—	233
Total current liabilities	37,789	66,875	1,293	1,090	4,986	295	2	7,415	143,102	1	(4,991)	257,857
Long-term debt, less current portion	—	—	—	—	—	1,683	—	—	—	—	—	1,683
Other long-term liabilities	—	350	—	—	—	—	—	22,609	76,157	—	—	99,116
Total liabilities	37,789	67,225	1,293	1,090	4,986	1,978	2	30,024	219,259	1	(4,991)	358,656
Net assets:												
Unrestricted	156,675	(22,131)	20,481	20,810	7,491	3,387	5,356	16,939	(144,486)	2,000	(5,834)	60,688
Temporarily restricted	1,503	3,351	59	—	181	—	—	—	—	28,475	—	33,569
Permanently restricted	—	—	—	—	—	—	—	—	—	—	—	—
Total net assets	158,178	(18,780)	20,540	20,810	7,672	3,387	5,356	16,939	(144,486)	30,475	(5,834)	94,257
Total liabilities and net assets	$ 195,967	48,445	21,833	21,900	12,658	5,365	5,358	46,963	74,773	30,476	(10,825)	452,913

See accompanying independent auditors' report.

Schedule 1-i

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Health Plans

June 30, 2018

(In thousands)

Assets	UM Health Ventures	UM Health Plans	Eliminations	UM Health Plans consolidated total
Current assets:				
Cash and cash equivalents	$ —	48,781	—	48,781
Assets limited as to use, current portion	—	—	—	—
Accounts receivable:				
Patient accounts receivable, less allowance for doubtful accounts of $0	—	—	—	—
Other	—	26,475	—	26,475
Inventories	—	—	—	—
Prepaid expenses and other current assets	—	5,742	—	5,742
Total current assets	—	80,998	—	80,998
Investments	—	12,240	—	12,240
Assets limited as to use, less current portion:				
Investment held for collateral	—	—	—	—
Debt service funds	—	—	—	—
Construction funds	—	—	—	—
Board designated and escrow funds	—	—	—	—
Self-insurance trust funds	—	—	—	—
Funds restricted by donor	—	—	—	—
Economic interests in the net assets of related organizations	—	—	—	—
	—	—	—	—
Property and equipment, net	—	3,053	—	3,053
Investments in joint ventures and other assets	140,780	42,829	(138,563)	45,046
Total assets	$ 140,780	139,120	(138,563)	141,337

(Continued)

Schedule 1-i

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division – University of Maryland Health Plans

June 30, 2018

(In thousands)

Liabilities and Net Assets	UM Health Ventures	UM Health Plans	Eliminations	UM Health Plans consolidated total
Current liabilities:				
Trade accounts payable	$ 230	1,223	—	1,453
Accrued payroll and benefits	—	2,080	—	2,080
Advances from third-party payors	—	—	—	—
Lines of credit	—	—	—	—
Other current liabilities	80,216	80,290	—	160,506
Current portion of long-term debt	5,000	—	—	5,000
Total current liabilities	85,446	83,593	—	169,039
Long-term debt, less current portion	31,667	—	—	31,667
Other long-term liabilities	—	3,241	—	3,241
Total liabilities	117,113	86,834	—	203,947
Net assets:				
Unrestricted	23,667	52,286	(138,563)	(62,610)
Temporarily restricted	—	—	—	—
Permanently restricted	—	—	—	—
Total net assets	23,667	52,286	(138,563)	(62,610)
Total liabilities and net assets	$ 140,780	139,120	(138,563)	141,337

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2017

(In thousands)

Assets	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated total
Current assets:													
Cash and cash equivalents	$ 332,747	(83)	3,641	18,579	7,997	11,317	5,199	55,906	40,876	—	22	—	476,201
Assets limited as to use, current portion	46,797	—	432	1,228	814	342	1,327	—	—	—	—	—	50,940
Accounts receivable:													
Patient accounts receivable, less allowance for doubtful accounts of $219,805	173,672	11,530	14,421	49,169	26,499	8,614	43,388	45,634	—	—	5,221	—	378,148
Other	275,913	22,384	32,713	19,824	21,823	2,638	23,446	13,320	18,056	—	3,261	(348,669)	84,709
Inventories	28,598	1,106	3,071	6,131	4,588	1,391	5,613	10,385	—	—	—	—	60,883
Prepaid expenses and other current assets	16,092	116	1,048	1,132	1,854	818	2,040	9,958	331	1,500	1,134	—	36,023
Total current assets	873,819	35,053	55,326	96,063	63,575	25,120	81,013	135,203	59,263	1,500	9,638	(348,669)	1,086,904
Investments	232,394	29,013	3	136,194	99,570	33,535	11,539	190,493	10,208	—	—	—	742,949
Assets limited as to use, less current portion:													
Investments held for collateral	81,987	—	3,700	8,000	—	—	—	28,959	—	—	—	—	122,646
Debt service funds	10,438	—	—	—	—	—	—	—	—	—	—	—	10,438
Construction funds	46,264	14,203	8,081	10,051	9,970	10,651	8,270	—	—	—	—	—	107,490
Board designated and escrow funds	—	—	—	—	74,632	(107)	—	22,383	—	12,548	10	—	109,466
Self-insurance trust funds	72,828	—	16,776	23,028	33,120	6,707	7,891	12,903	—	—	—	—	173,253
Funds restricted by donor	—	—	1,116	—	32,756	—	1,525	—	—	25,354	—	—	60,751
Economic and beneficial interests in the net assets of related organizations	197,124	31,446	442	9,222	3,396	—	9,503	—	—	—	—	(58,790)	192,343
	408,641	45,649	30,115	50,301	153,874	17,251	27,189	64,245	—	37,902	10	(58,790)	776,387
Property and equipment, net	915,834	45,924	103,973	263,057	173,371	109,487	211,700	254,177	4,451	—	10,129	—	2,092,103
Investments in joint ventures and other assets	672,137	—	9,970	18,010	10,395	6,364	32,525	218,709	93,340	10,039	—	(660,528)	410,961
Total assets	$ 3,102,825	155,639	199,387	563,625	500,785	191,757	363,966	862,827	167,262	49,441	19,777	(1,067,987)	5,109,304

(Continued)

Schedule 2

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Balance Sheet Information by Division

June 30, 2017

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated total
Current liabilities:													
Trade accounts payable	$ 141,737	9,249	17,285	22,456	21,183	9,160	26,554	18,628	933	154	4,263	—	271,602
Accrued payroll and benefits	108,519	5,489	10,144	21,106	19,681	4,206	25,538	26,567	2,378	—	9,916	—	233,544
Advances from third-party payors	79,155	3,568	10,706	9,951	6,466	2,593	11,089	8,413	—	—	—	—	131,941
Lines of credit	125,000	—	—	—	—	—	—	—	—	—	—	—	125,000
Short-term financing	—	—	—	—	—	—	—	—	—	—	—	—	—
Other current liabilities	149,514	7,236	12,553	37,771	28,522	10,693	105,256	59,194	103,118	—	17,500	(348,669)	182,688
Long-term debt subject to short-term remarketing arrangements	28,440	—	—	—	—	—	—	—	—	—	—	—	28,440
Current portion of long-term debt	13,271	505	1,010	4,187	2,839	3,033	6,260	4,832	5,000	—	—	—	40,937
Total current liabilities	645,636	26,047	51,698	95,471	78,691	29,685	174,697	117,634	111,429	154	31,679	(348,669)	1,014,152
Long-term debt, less current portion	718,215	20,486	31,865	163,722	85,425	59,464	238,172	196,474	36,667	—	—	—	1,550,490
Other long-term liabilities	123,123	144	21,226	36,913	18,208	15,398	25,628	40,371	53,263	—	—	—	334,274
Interest rate swap liabilities	194,524	—	—	—	—	—	—	—	—	—	—	—	194,524
Total liabilities	1,681,498	46,677	104,789	296,106	182,324	104,547	438,497	354,479	201,359	154	31,679	(348,669)	3,093,440
Net assets:													
Unrestricted	1,200,794	77,383	93,040	258,297	279,315	87,117	(95,139)	350,019	(34,097)	17,777	(11,902)	(511,275)	1,711,329
Temporarily restricted	218,844	31,579	1,558	9,222	23,429	93	19,610	157,053	—	11,404	—	(206,767)	266,025
Permanently restricted	1,689	—	—	—	15,717	—	998	1,276	—	20,106	—	(1,276)	38,510
Total net assets	1,421,327	108,962	94,598	267,519	318,461	87,210	(74,531)	508,348	(34,097)	49,287	(11,902)	(719,318)	2,015,864
Total liabilities and net assets	$ 3,102,825	155,639	199,387	563,625	500,785	191,757	363,966	862,827	167,262	49,441	19,777	(1,067,987)	5,109,304

See accompanying independent auditors' report.

Schedule 3

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division

Year ended June 30, 2018

(In thousands)

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	UCHS	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated total
Unrestricted revenues, gains and other support:														
Patient service revenue (net of contractual adjustments)	$ 1,520,096	114,624	221,538	426,512	325,674	143,615	441,552	453,077	329,344	—	—	77,390	(1,944)	4,051,478
Provision for bad debts	(52,110)	(4,155)	(9,910)	(34,580)	(10,812)	(7,544)	(14,171)	(13,114)	(26,132)	—	—	(1,609)	—	(174,137)
Net patient service revenue	1,467,986	110,469	211,628	391,932	314,862	136,071	427,381	439,963	303,212	—	—	75,781	(1,944)	3,877,341
Other operating revenue:														
State support	31,200	—	—	—	—	—	—	—	32,508	—	—	—	(23,334)	40,374
Premium Revenue	—	—	—	—	—	—	—	—	—	357,099	—	—	—	357,099
Other revenue	98,979	2,735	19,617	6,689	4,916	768	6,594	2,092	6,665	—	—	65,388	(63,587)	150,856
Total unrestricted revenue, gains and other support	1,598,165	113,204	231,245	398,621	319,778	136,839	433,975	442,055	342,385	357,099	—	141,169	(88,865)	4,425,670
Operating expenses:														
Salaries, wages and benefits	767,394	54,716	97,227	187,436	141,377	57,036	204,532	233,763	174,599	14,680	—	101,995	—	2,034,755
Expendable supplies	364,845	15,433	32,898	58,274	45,245	19,266	83,121	79,553	43,570	—	—	16,047	—	758,252
Purchased services	157,291	23,182	55,187	86,874	80,194	34,282	96,864	62,174	69,506	29,216	—	39,289	(88,865)	645,194
Medical Claims Expense	—	—	—	—	—	—	—	—	—	342,721	—	—	—	342,721
Contracted services	136,537	8,553	27,207	17,164	19,256	7,416	7,867	10,858	35,348	—	—	5,170	—	275,376
Depreciation and amortization	98,109	6,658	12,843	27,564	22,396	8,623	21,990	22,865	12,699	2,076	—	2,343	—	238,166
Interest expense	24,522	674	1,061	5,495	2,953	2,032	9,413	7,737	188	1,369	—	183	—	55,627
Total operating expenses before non-recurring items	1,548,698	109,216	226,423	382,807	311,421	128,655	423,787	416,950	335,910	390,062	—	165,027	(88,865)	4,350,091
Income from operations before non-recurring items	49,467	3,988	4,822	15,814	8,357	8,184	10,188	25,105	6,475	(32,963)	—	(23,858)	—	75,579
Non-recurring Items														
Change in fair value of contingent consideration	—	—	—	—	—	—	—	—	—	35,700	—	—	—	35,700
Loss on impairment	—	—	—	—	—	—	—	—	—	(45,794)	—	—	—	(45,794)
Loss from non-recurring items	—	—	—	—	—	—	—	—	—	(10,094)	—	—	—	(10,094)
Operating income	49,467	3,988	4,822	15,814	8,357	8,184	10,188	25,105	6,475	(43,057)	—	(23,858)	—	65,485
Nonoperating income and expenses, net:														
Contributions	—	—	—	—	289	—	213	3,043	—	—	8,832	—	—	12,377
Inherent contribution - Capital Region	41,772	—	—	—	—	—	—	—	—	—	—	—	—	41,772
Equity in net income of joint ventures	3,059	—	—	(203)	223	240	1,418	445	307	—	—	—	—	5,489
Investment income	10,317	1,028	72	3,904	12,713	776	759	5,913	1,273	(89)	710	—	—	37,376
Change in fair value of investments	6,913	1,318	—	5,129	631	1,282	277	7,993	—	—	433	—	—	23,976
Change in fair value of undesignated interest rate swaps	43,071	—	—	—	—	—	—	—	—	—	—	—	—	43,071
Other nonoperating gains and losses	(9,909)	(294)	(3,535)	(6,252)	3,548	(530)	(5,468)	(2,702)	1,665	14,411	(3,643)	—	—	(12,709)
Total nonoperating income and expenses	95,223	2,052	(3,463)	2,578	17,404	1,768	(2,801)	14,692	3,245	14,322	6,332	—	—	151,352
Excess (deficiency) of revenues over expenses	$ 144,690	6,040	1,359	18,392	25,761	9,952	7,387	39,797	9,720	(28,735)	6,332	(23,858)	—	216,837

See accompanying independent auditors' report.

Schedule 3-a

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Medical Center & Affiliates (UMMC)

Year ended June 30, 2018

(In thousands)

	University of Maryland Medical Center			Corporate Shared Services	36 South Paca	University CARE	Eliminations	University of Maryland Medical Center & Affiliates consolidated total
	University Hospital	Shock Trauma Center	Subtotal					
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	$ 1,323,973	194,943	1,518,916	—	—	1,180	—	1,520,096
Provision for bad debts	(42,306)	(9,851)	(52,157)	—	—	47	—	(52,110)
Net patient service revenue	1,281,667	185,092	1,466,759	—	—	1,227	—	1,467,986
Other operating revenue:								
State support	—	3,200	3,200	28,000	—	—	—	31,200
Other revenue	96,384	235	96,619	2,061	887	1,355	(1,943)	98,979
Total unrestricted revenue, gains and other support	1,378,051	188,527	1,566,578	30,061	887	2,582	(1,943)	1,598,165
Operating expenses:								
Salaries, wages and benefits	537,469	66,688	604,157	161,743	119	1,375	—	767,394
Expendable supplies	331,453	29,106	360,559	3,966	181	139	—	364,845
Purchased services	255,039	44,218	299,257	(143,626)	873	2,730	(1,943)	157,291
Contracted services	124,233	12,304	136,537	—	—	—	—	136,537
Depreciation and amortization	86,041	11,632	97,673	—	436	—	—	98,109
Interest expense	24,044	—	24,044	138	340	—	—	24,522
Total operating expenses	1,358,279	163,948	1,522,227	22,221	1,949	4,244	(1,943)	1,548,698
Operating income (loss)	19,772	24,579	44,351	7,840	(1,062)	(1,662)	—	49,467
Nonoperating income and expenses, net:								
Contributions	—	—	—	—	—	—	—	—
Inherent contribution - Capital Region	—	—	—	41,772	—	—	—	41,772
Equity in net income of joint ventures	(3,191)	—	(3,191)	3,694	—	—	2,556	3,059
Investment income	10,317	—	10,317	—	—	—	—	10,317
Change in fair value of investments	6,913	—	6,913	—	—	—	—	6,913
Change in fair value of undesignated interest rate swaps	—	—	—	43,071				43,071
Other nonoperating gains and losses	(9,813)	—	(9,813)	(262)	—	—	166	(9,909)
Total nonoperating income and expenses	4,226	—	4,226	88,275	—	—	2,722	95,223
Excess (deficiency) of revenues over expenses	$ 23,998	24,579	48,577	96,115	(1,062)	(1,662)	2,722	144,690

See accompanying independent auditors' report.

Schedule 3-b

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION
AND SUBSIDIARIES

Consolidating Operations Information by Division for Midtown Health, Inc. (Midtown)

Year ended June 30, 2018

(In thousands)

	UM Midtown Health Systems, Inc.	UMMC Midtown Campus	UM Midtown Clin. Prac. Group	Eliminations	Midtown consolidated total
Unrestricted revenues, gains and other support:					
Patient service revenue (net of contractual adjustments)	$ 988	220,000	4,317	(3,767)	221,538
Provision for bad debts	(153)	(9,476)	(281)	—	(9,910)
Net patient service revenue	835	210,524	4,036	(3,767)	211,628
Other operating revenue:					
State support	—	—	—	—	—
Other revenue	1,007	18,610	—	—	19,617
Total unrestricted revenue, gains and other support	1,842	229,134	4,036	(3,767)	231,245
Operating expenses:					
Salaries, wages and benefits	788	96,439	—	—	97,227
Expendable supplies	67	32,831	—	—	32,898
Purchased services	1,586	53,331	270	—	55,187
Contracted services	—	27,207	3,767	(3,767)	27,207
Depreciation and amortization	601	12,242	—	—	12,843
Interest expense	18	1,043	—	—	1,061
Total operating expenses	3,060	223,093	4,037	(3,767)	226,423
Operating income (loss)	(1,218)	6,041	(1)	—	4,822
Nonoperating income and expenses, net:					
Contributions	—	—	—	—	—
Equity in net income of joint ventures	—	—	—	—	—
Investment income	—	72	—	—	72
Change in fair value of investments	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—
Other nonoperating gains and losses	—	(3,535)	—	—	(3,535)
Total nonoperating income and expenses	—	(3,463)	—	—	(3,463)
Excess (deficiency) of revenues over expenses	$ (1,218)	2,578	(1)	—	1,359

See accompanying independent auditors' report.

Schedule 3-c

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Baltimore Washington Medical System (BWMS)

Year ended June 30, 2018

(In thousands)

	Baltimore Washington Medical System, Inc.	Baltimore Washington Medical Center	Baltimore Washington Healthcare Services	Baltimore Washington Health Enterprises	North County Corporation	Shipley's	Eliminations	BWMS consolidated total
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	$ 7,130	387,027	34,413	—	—	—	(2,058)	426,512
Provision for bad debts	(254)	(19,037)	(15,289)	—	—	—	—	(34,580)
Net patient service revenue	6,876	367,990	19,124	—	—	—	(2,058)	391,932
Other operating revenue:								
State support	—	—	—	—	—	—	—	—
Other revenue	3,913	4,980	—	—	2,549	—	(4,753)	6,689
Total unrestricted revenue, gains and other support	10,789	372,970	19,124	—	2,549	—	(6,811)	398,621
Operating expenses:								
Salaries, wages and benefits	5,246	171,046	11,144	—	—	—	—	187,436
Expendable supplies	273	57,852	—	—	149	—	—	58,274
Purchased services	19,671	67,201	5,421	10	1,381	—	(6,810)	86,874
Contracted services	—	17,164	—	—	—	—	—	17,164
Depreciation and amortization	437	26,383	—	—	744	—	—	27,564
Interest expense	42	5,351	—	—	102	—	—	5,495
Total operating expenses	25,669	344,997	16,565	10	2,376	—	(6,810)	382,807
Operating income (loss)	(14,880)	27,973	2,559	(10)	173	—	(1)	15,814
Nonoperating income and expenses, net:								
Contributions	—	—	—	—	—	—	—	—
Equity in net income of joint ventures	34,648	(203)	—	—	—	—	(34,648)	(203)
Investment income	—	3,904	—	—	—	—	—	3,904
Change in fair value of investments	—	5,129	—	—	—	—	—	5,129
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	(572)	(4,754)	—	(926)	—	—	—	(6,252)
Total nonoperating income and expenses	34,076	4,076	—	(926)	—	—	(34,648)	2,578
Excess (deficiency) of revenues over expenses	$ 19,196	32,049	2,559	(936)	173	—	(34,649)	18,392

See accompanying independent auditors' report.

Schedule 3-d

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Shore Regional Health (Shore Regional)

Year ended June 30, 2018

(In thousands)

	Shore Health System, Inc.	Shore Orthopedics	UM Shore Home Care	Queenstown ASC	Shore Med. Group	Memorial Hospital Foundation, Inc. and Subsidiary	Chester River Consolidated Total	Eliminations	SHS consolidated total
Unrestricted revenues, gains and other support:									
Patient service revenue (net of contractual adjustments)	$ 256,099	8,395	3,157	98	—	—	57,925	—	325,674
Provision for bad debts	(8,165)	—	13	(15)	—	—	(2,645)	—	(10,812)
Net patient service revenue	247,934	8,395	3,170	83	—	—	55,280	—	314,862
Other operating revenue:									
State support	—	—	—	—	—	—	—	—	—
Other revenue	4,644	58	—	—	—	—	510	(296)	4,916
Total unrestricted revenue, gains and other support	252,578	8,453	3,170	83	—	—	55,790	(296)	319,778
Operating expenses:									
Salaries, wages and benefits	111,176	8,193	3,789	257	—	—	17,962	—	141,377
Expendable supplies	39,366	852	62	37	—	—	4,928	—	45,245
Purchased services	42,760	1,531	542	390	19,999	—	15,268	(296)	80,194
Contracted services	13,152	—	—	14	—	—	6,090	—	19,256
Depreciation and amortization	18,099	98	50	3	—	—	4,146	—	22,396
Interest expense	2,816	—	—	—	—	—	137	—	2,953
Total operating expenses	227,369	10,674	4,443	701	19,999	—	48,531	(296)	311,421
Operating income (loss)	25,209	(2,221)	(1,273)	(618)	(19,999)	—	7,259	—	8,357
Nonoperating income and expenses, net:									
Contributions	(4)	—	—	—	—	31	262	—	289
Equity in net income of joint ventures	223	—	—	—	—	—	—	—	223
Investment income (loss)	7,795	—	—	—	—	4,253	665	—	12,713
Change in fair value of investments	282	—	—	—	—	(338)	687	—	631
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	(924)	—	—	—	—	(523)	4,995	—	3,548
Total nonoperating income and expenses	7,372	—	—	—	—	3,423	6,609	—	17,404
Excess (deficiency) of revenues over expenses	$ 32,581	(2,221)	(1,273)	(618)	(19,999)	3,423	13,868	—	25,761

See accompanying independent auditors' report.

Schedule 3-e

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Chester River Health System, Inc. (CRHS) a subsidiary of Shore Regional Health

Year ended June 30, 2018

(In thousands)

	Chester River Hospital Center	UM Shore Nursing and Rehab.	UM Chester River Home Care	Chester River Health Foundation	Chester River consolidated total
Unrestricted revenues, gains and other support:					
Patient service revenue (net of contractual allowances)	$ 55,903	—	2,022	—	57,925
Provision for bad debts	(2,660)	—	15	—	(2,645)
Net patient service revenue	53,243	—	2,037	—	55,280
Other operating revenue:					
State support	—	—	—	—	—
Other revenue	510	—	—	—	510
Total unrestricted revenue, gains and other support	53,753	—	2,037	—	55,790
Operating expenses:					
Salaries, wages and benefits	15,995	—	1,967	—	17,962
Expendable supplies	4,897	—	31	—	4,928
Purchased services	15,007	—	261	—	15,268
Contracted services	6,090	—	—	—	6,090
Depreciation and amortization	4,133	—	13	—	4,146
Interest expense	137	—	—	—	137
Total operating expenses	46,259	—	2,272	—	48,531
Operating income	7,494	—	(235)	—	7,259
Nonoperating income and expenses, net:					
Contributions	—	—	—	262	262
Equity in net income of joint ventures	—	—	—	—	—
Investment income	456	—	42	167	665
Change in fair value of investments	628	—	59	—	687
Change in fair value of undesignated interest rate swaps	—	—	—	—	—
Other nonoperating gains and losses	(443)	6,077	—	(639)	4,995
Total nonoperating income and expenses	641	6,077	101	(210)	6,609
Excess (deficiency) of revenues over expenses	$ 8,135	6,077	(134)	(210)	13,868

See accompanying independent auditors' report.

Schedule 3-f

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for Charles Regional Health (Charles Regional)

Year ended June 30, 2018

(In thousands)

	Charles Regional Health, Inc.	Charles Regional Medical Center, Inc.	Charles Regional Urgent Care	Charles Regional Care Partners, Inc. and Subsidiary	Charles Regional Health Foundation, Inc.	Charles Regional Imaging Center	Eliminations	Charles Regional consolidated total
Unrestricted revenues, gains and other support:								
Patient service revenue (net of contractual adjustments)	$ —	140,663	1,662	—	—	1,290	—	143,615
Provision for bad debts	—	(7,421)	(78)	—	—	(45)	—	(7,544)
Net patient service revenue	—	133,242	1,584	—	—	1,245	—	136,071
Other operating revenue:								
State support	—	—	—	—	—	—	—	—
Other revenue	218	550	—	—	—	—	—	768
Total unrestricted revenue, gains and other support	218	133,792	1,584	—	—	1,245	—	136,839
Operating expenses:								
Salaries, wages and benefits	—	57,036	—	—	—	—	—	57,036
Expendable supplies	—	19,015	90	—	—	161	—	19,266
Purchased services	2,271	29,167	1,801	(7)	—	1,050	—	34,282
Contracted services	—	7,000	—	—	—	416	—	7,416
Depreciation and amortization	1,789	5,892	113	—	—	829	—	8,623
Interest expense	282	1,750	—	—	—	—	—	2,032
Total operating expenses	4,342	119,860	2,004	(7)	—	2,456	—	128,655
Operating income	(4,124)	13,932	(420)	7	—	(1,211)	—	8,184
Nonoperating income and expenses, net:								
Contributions	—	—	—	—	—	—	—	—
Equity in net income of joint ventures	—	239	—	(1,211)	—	—	1,212	240
Investment income	23	698	—	—	55	—	—	776
Change in fair value of investments	—	1,275	—	—	7	—	—	1,282
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	—	(831)	—	363	24	—	(86)	(530)
Total nonoperating income and expenses	23	1,381	—	(848)	86	—	1,126	1,768
Excess (deficiency) of revenues over expenses	$ (4,101)	15,313	(420)	(841)	86	(1,211)	1,126	9,952

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland St. Joseph Health System (SJHS)

Year ended June 30, 2018

(In thousands)

	St. Joseph Medical Center	St. Joseph Medical Group	St. Joseph Properties	St. Joseph Orthopaedics	O'Dea Medical Arts	St. Joseph Foundation	UM Regional Supplier Svcs	UM Regional Prof SVCS	Eliminations	St. Joseph consolidated total
Unrestricted revenues, gains and other support:										
Patient service revenue (net of contractual adjustments)	$ 371,927	36,685	—	24,336	—	—	4,478	4,126	—	441,552
Provision for bad debts	(10,782)	(1,631)	—	(1,476)	—	—	(282)	—	—	(14,171)
Net patient service revenue	361,145	35,054	—	22,860	—	—	4,196	4,126	—	427,381
Other operating revenue:										
State support	—	—	—	—	—	—	—	—	—	—
Other revenue	3,266	12,106	1,419	—	2,682	—	9	150	(13,038)	6,594
Total unrestricted revenue, gains and other support	364,411	47,160	1,419	22,860	2,682	—	4,205	4,276	(13,038)	433,975
Operating expenses:										
Salaries, wages and benefits	136,452	47,632	—	15,925	—	—	1,583	2,940	—	204,532
Expendable supplies	79,516	1,308	—	19	—	—	2,200	78	—	83,121
Purchased services	71,041	12,782	2,348	10,852	1,297	—	924	605	(2,985)	96,864
Contracted services	17,875	45	—	—	—	—	—	—	(10,053)	7,867
Depreciation and amortization	21,156	207	39	41	474	—	43	30	—	21,990
Interest expense	9,009	—	—	—	404	—	—	—	—	9,413
Total operating expenses	335,049	61,974	2,387	26,837	2,175	—	4,750	3,653	(13,038)	423,787
Operating income (loss)	29,362	(14,814)	(968)	(3,977)	507	—	(545)	623	—	10,188
Nonoperating income and expenses, net:										
Contributions	—	—	—	—	—	213	—	—	—	213
Equity in net income of joint ventures	1,418	—	—	—	—	—	—	—	—	1,418
Investment income	—	—	—	—	—	759	—	—	—	759
Change in fair value of investments	—	—	—	—	—	277	—	—	—	277
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	(3,279)	—	—	—	—	(1,257)	(932)	—	—	(5,468)
Total nonoperating income and expenses	(1,861)	—	—	—	—	(8)	(932)	—	—	(2,801)
Excess (deficiency) of revenues over expenses	$ 27,501	(14,814)	(968)	(3,977)	507	(8)	(1,477)	623	—	7,387

See accompanying independent auditors' report.

Schedule 3-h

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Upper Chesapeake Health System (UCHS)

Year ended June 30, 2018

(In thousands)

	Upper Chesapeake Medical Center	Harford Memorial Hospital	UCHS Properties	Health Ventures	Medical Services	Residential Hospice House	Upper Chesapeake Health Foundation	Upper Chesapeake Health System	Hospice of Harford County	Upper Chesapeake Insurance Co.	Upper Chesapeake Land Trust	Eliminations	Upper Chesapeake consolidated total
Unrestricted revenues, gains and other support:													
Patient service revenue (net of contractual adjustments)	$ 303,574	93,815	—	—	55,342	346	—	—	—	—	—	—	453,077
Provision for bad debts	(5,704)	(5,362)	—	—	(2,005)	(43)	—	—	—	—	—	—	(13,114)
Net patient service revenue	297,870	88,453	—	—	53,337	303	—	—	—	—	—	—	439,963
Other operating revenue:													
State support	—	—	—	—	—	—	—	—	—	—	—	—	—
Other revenue	3,980	1,134	—	—	6,717	400	—	15,914	—	772	—	(26,825)	2,092
Total unrestricted revenue, gains and other support	301,850	89,587	—	—	60,054	703	—	15,914	—	772	—	(26,825)	442,055
Operating expenses:													
Salaries, wages and benefits	122,447	50,452	—	—	48,440	749	—	11,675	—	—	—	—	233,763
Expendable supplies	62,315	7,797	—	—	9,174	46	—	221	—	—	—	—	79,553
Purchased services	43,141	20,239	283	105	12,761	162	—	3,680	—	799	13	(19,009)	62,174
Contracted services	10,763	3,829	—	—	2,902	—	—	62	—	—	—	(6,698)	10,858
Depreciation and amortization	17,447	4,418	—	—	453	272	—	275	—	—	—	—	22,865
Interest expense	6,753	984	—	—	—	—	—	—	—	—	—	—	7,737
Total operating expenses	262,866	87,719	283	105	73,730	1,229	—	15,913	—	799	13	(25,707)	416,950
Operating income (loss)	38,984	1,868	(283)	(105)	(13,676)	(526)	—	1	—	(27)	(13)	(1,118)	25,105
Nonoperating income and expenses, net:													
Contributions	—	—	—	—	—	—	3,043	—	—	—	—	—	3,043
Equity in net income of joint ventures	—	—	—	445	—	—	—	—	—	—	—	—	445
Investment income	2,925	2,122	—	—	—	14	825	—	—	27	—	—	5,913
Change in fair value of investments	3,554	2,838	—	—	—	29	1,572	—	—	—	—	—	7,993
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	(2,702)	—	—	—	—	—	—	—	—	—	—	—	(2,702)
Total nonoperating income and expenses	3,777	4,960	—	445	—	43	5,440	—	—	27	—	—	14,692
Excess (deficiency) of revenues over expenses	$ 42,761	6,828	(283)	340	(13,676)	(483)	5,440	1	—	—	(13)	(1,118)	39,797

See accompanying independent auditors' report.

Schedule 3-h

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Capital Region Health System (Capital Region)

Year ended June 30, 2018

(In thousands)

	Prince George's Hospital Center	Laurel Regional Hospital	Bowie Health Center	Gladys Spellman Specialty Care	Dimensions Healthcare Associates	Affiliated Enterprises, Inc.	Madison Manor Inc.	Dimensions Assurance, Ltd.	Dimensions Health System Corporate	Regional Medical Center	Eliminations	Capital Region consolidated total
Unrestricted revenues, gains and other support:												
Patient service revenue (net of contractual adjustments)	$ 220,663	75,593	18,944	4,865	9,279	—	—	—	—	—	—	329,344
Provision for bad debts	(15,067)	(4,918)	(3,045)	(789)	(2,313)	—	—	—	—	—	—	(26,132)
Net patient service revenue	205,596	70,675	15,899	4,076	6,966	—	—	—	—	—	—	303,212
Other operating revenue:												
State support	24,420	7,817	—	—	271	—	—	—	—	—	—	32,508
Other revenue	4,767	140	237	12	54	1,130	—	2,528	325	—	(2,528)	6,665
Total unrestricted revenue, gains and other support	234,783	78,632	16,136	4,088	7,291	1,130	—	2,528	325	—	(2,528)	342,385
Operating expenses:												
Salaries, wages and benefits	115,095	34,604	8,500	2,561	13,839	—	—	—	—	—	—	174,599
Expendable supplies	30,321	9,689	2,693	506	361	—	—	—	—	—	—	43,570
Purchased services	69,692	18,795	4,348	782	(24,481)	251	172	2,476	(1)	—	(2,528)	69,506
Contracted services	13,088	5,112	(71)	48	17,170	—	—	—	1	—	—	35,348
Depreciation and amortization	7,442	3,677	1,368	44	35	133	—	—	—	—	—	12,699
Interest expense	63	30	5	1	—	89	—	—	—	—	—	188
Total operating expenses	235,701	71,907	16,843	3,942	6,924	473	172	2,476	—	—	(2,528)	335,910
Operating income (loss)	(918)	6,725	(707)	146	367	657	(172)	52	325	—	—	6,475
Nonoperating income and expenses, net:												
Contributions	—	—	—	—	—	—	—	—	—	—	—	—
Equity in net income of joint ventures	—	—	—	—	—	—	307	—	—	—	—	307
Investment income	24	4	2	2	—	—	—	1,241	—	—	—	1,273
Change in fair value of investments	—	—	—	—	—	—	—	—	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
Other nonoperating gains and losses	1,385	492	100	71	92	—	—	—	(475)	—	—	1,665
Total nonoperating income and expenses	1,409	496	102	73	92	—	307	1,241	(475)	—	—	3,245
Excess (deficiency) of revenues over expenses	$ 491	7,221	(605)	219	459	657	135	1,293	(150)	—	—	9,720

See accompanying independent auditors' report.

Schedule 3-i

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division for University of Maryland Health Plans

Year ended June 30, 2018

(In thousands)

	UM Health Ventures	UM Health Plans	Eliminations	UM Health Plans consolidated total
Unrestricted revenues, gains and other support:				
Patient service revenue (net of contractual adjustments)	$ —	—	—	—
Provision for bad debts	—	—	—	—
Net patient service revenue	—	—	—	—
Other operating revenue:				
State support	—	—	—	—
Premium revenue	—	357,099	—	357,099
Other revenue	—	—	—	—
Total unrestricted revenue, gains and other support	—	357,099	—	357,099
Operating expenses:				
Salaries, wages and benefits	—	14,680	—	14,680
Expendable supplies	—	—	—	—
Purchased services	76	29,140	—	29,216
Medical Claims Expense	—	342,721	—	342,721
Contracted services	—	—	—	—
Depreciation and amortization	—	2,076	—	2,076
Interest expense	1,369	—	—	1,369
Total operating expenses before non-recurring items	1,445	388,617	—	390,062
Income from operations before non-recurring items	(1,445)	(31,518)	—	(32,963)
Non-recurring Items				
Change in fair value of contingent consideration	35,700	—	—	35,700
Loss on impairment	—	(45,794)	—	(45,794)
Loss from non-recurring items	35,700	(45,794)	—	(10,094)
Operating income	34,255	(77,312)	—	(43,057)
Nonoperating income and expenses, net:				
Contributions	—	—	—	—
Equity in net income of joint ventures	—	—	—	—
Investment income	—	(89)	—	(89)
Change in fair value of investments	—	—	—	—
Change in fair value of undesignated interest rate swaps	—	—	—	—
Other nonoperating gains and losses	—	14,411	—	14,411
Total nonoperating income and expenses	—	14,322	—	14,322
Excess (deficiency) of revenues over expenses	$ 34,255	(62,990)	—	(28,735)

See accompanying independent auditors' report.

Schedule 4

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Consolidating Operations Information by Division

Year ended June 30, 2017

(In thousands)

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	UCHS	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated total
Unrestricted revenues, gains and other support:													
Patient Service Revenue (net of contractual adjustments)	$ 1,482,557	115,107	226,153	423,060	325,782	137,928	434,315	452,276	—	—	73,474	(1,033)	3,669,619
Provision for bad debts	(73,931)	(7,266)	(20,133)	(35,205)	(11,498)	(6,462)	(13,646)	(16,455)	—	—	(1)	—	(184,597)
Net patient service revenue	1,408,626	107,841	206,020	387,855	314,284	131,466	420,669	435,821	—	—	73,473	(1,033)	3,485,022
Other operating revenue:													
State support	18,200	—	—	—	—	—	—	—	—	—	—	—	18,200
Premium Revenue	—	—	—	—	—	—	—	—	268,060	—	—	—	268,060
Other revenue	105,443	2,602	11,228	5,450	5,547	746	4,750	271	—	—	62,164	(61,793)	136,408
Total unrestricted revenue, gains and other support	1,532,269	110,443	217,248	393,305	319,831	132,212	425,419	436,092	268,060	—	135,637	(62,826)	3,907,690
Operating expenses:													
Salaries, wages and benefits	747,544	52,003	92,120	180,940	157,237	56,888	198,026	224,188	13,854	—	89,146	—	1,811,946
Expendable supplies	354,148	15,379	29,905	61,498	46,202	19,020	82,507	83,351	—	—	12,714	—	704,724
Purchased services	119,167	23,500	46,688	93,658	78,364	30,671	103,220	58,623	16,623	—	31,010	(62,826)	538,698
Medical Claims Expense	—	—	—	—	—	—	—	—	252,118	—	—	—	252,118
Contracted services	134,767	8,867	23,146	9,560	17,049	6,091	8,241	13,253	—	—	5,716	—	226,690
Depreciation and amortization	96,054	6,535	12,875	27,565	22,705	7,762	19,716	22,137	2,278	—	2,122	—	219,749
Interest expense	24,525	722	1,149	5,811	3,141	2,175	10,034	8,150	1,304	—	186	—	57,197
Total operating expenses	1,476,205	107,006	205,883	379,032	324,698	122,607	421,744	409,702	286,177	—	140,894	(62,826)	3,811,122
Operating income (loss)	56,064	3,437	11,365	14,273	(4,867)	9,605	3,675	26,390	(18,117)	—	(5,257)	—	96,568
Nonoperating income and expenses, net:													
Contributions	—	—	—	—	326	200	279	228	—	4,392	—	—	5,425
Equity in net income of joint ventures	3,038	—	—	(115)	(166)	48	834	217	—	—	—	—	3,856
Investment income	10,454	1,106	102	4,501	9,374	810	360	7,607	182	1,000	—	—	35,496
Change in fair value of investments	13,983	2,607	—	10,139	9,161	2,539	962	12,813	—	1,971	—	—	54,175
Change in fair value of undesignated interest rate swaps	76,797	—	—	—	—	—	—	—	—	—	—	—	76,797
Loss on early extinguishment of debt	(26,427)	—	—	—	—	—	—	—	—	—	—	—	(26,427)
Other nonoperating gains and losses	(10,812)	(363)	(2,059)	(4,438)	(7,738)	(1,157)	(5,262)	(23,007)	(2,339)	(5,356)	—	—	(62,531)
Total nonoperating income and expenses	67,033	3,350	(1,957)	10,087	10,957	2,440	(2,827)	(2,142)	(2,157)	2,007	—	—	86,791
Excess (deficiency) of revenues over expenses	$ 123,097	6,787	9,408	24,360	6,090	12,045	848	24,248	(20,274)	2,007	(5,257)	—	183,359

See accompanying independent auditors' report.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2018

(In thousands)

Assets	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals**	Capital Region Hospitals***	UMMS Foundation	Eliminations	Obligated group total
Current assets:													
Cash and cash equivalents	$ 254,636	2,274	3,264	10,770	(1,503)	12,637	3,954	(3,101)	41,087	3	—	—	324,021
Assets limited as to use, current portion	51,674	—	682	1,392	767	176	484	1,128	—	—	—	—	56,303
Accounts receivable:													
Patient accounts receivable, less allowance for doubtful accounts of $193,143	198,855	8,172	7,260	35,056	25,109	6,266	10,658	31,520	33,326	47,352	—	—	403,574
Other	385,791	16,159	31,529	5,110	4,030	3,737	11,554	693	—	176,042	—	(273,176)	361,469
Inventories	33,503	1,145	2,983	6,496	3,810	672	1,680	5,501	8,478	5,606	—	—	69,874
Prepaid expenses and other current assets	15,800	133	839	1,220	1,428	48	617	830	3,169	213	1,500	—	25,797
Total current assets	940,259	27,883	46,557	60,044	33,641	23,536	28,947	36,571	86,060	229,216	1,500	(273,176)	1,241,038
Investments	288,289	37,828	3	147,525	77,168	14,319	33,218	—	241,512	—	—	—	839,862
Assets limited as to use, less current portion:													
Investments held for collateral	50,572	—	3,700	8,000	—	—	—	—	22,318	—	—	—	84,590
Debt service funds	33,935	—	—	—	—	—	—	—	—	—	—	—	33,935
Construction funds	333,359	17,112	8,589	10,613	20,268	4,110	13,434	4,389	—	—	—	—	411,874
Board designated and escrow funds	—	—	—	—	25,000	5,000	—	—	—	—	17,674	—	47,674
Self-insurance trust funds	79,742	—	14,816	23,164	29,050	8,179	7,392	7,889	—	—	—	—	170,232
Funds restricted by donor	—	—	1,093	—	5,252	105	—	—	—	—	26,983	—	33,433
Economic interests in the net assets of related organizations	202,725	35,620	447	9,862	83,027	7,574	5,265	9,503	—	743	—	(66,492)	288,274
	700,333	52,732	28,645	51,639	162,597	24,968	26,091	21,781	22,318	743	44,657	(66,492)	1,070,012
Property and equipment, net	917,186	45,094	100,389	236,600	132,787	20,631	73,626	208,109	242,621	54,800	—	—	2,031,843
Investments in joint ventures and other assets	1,013,950	—	6,339	28,869	10,301	1,995	9,676	31,300	233,870	3,386	11,008	(702,300)	648,394
Total assets	$ 3,860,017	163,537	181,933	524,677	416,494	85,449	171,558	297,761	826,381	288,145	57,165	(1,041,968)	5,831,149

* Includes Corporate Shared Services

** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

*** Includes Prince George's Hospital Center, Laurel Regional Hospital, Bowie Health Center and Gladys Spellman Specialty Care Unit

(Continued)

Schedule 5

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2018

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals**	Capital Region Hospitals***	UMMS Foundation	Eliminations	Obligated group total
Current liabilities:													
Trade accounts payable	$ 135,377	11,769	13,576	15,782	11,773	2,336	5,922	18,181	18,418	14,759	176	—	248,069
Accrued payroll and benefits	111,521	5,684	10,595	19,321	15,094	2,467	3,799	21,433	26,842	12,465	—	—	229,221
Advances from third-party payors	82,676	6,526	7,378	12,178	5,560	620	3,508	11,412	9,367	14,584	—	—	153,809
Short-term financing	99,300	—	—	—	—	—	—	—	—	—	—	—	99,300
Lines of credit	150,000	—	—	—	—	—	—	—	—	—	—	—	150,000
Other current liabilities	256,404	1,333	4,197	4,480	13,405	876	1,181	97,313	11,967	65,239	—	(273,176)	183,219
Long-term debt subject to short-term remarketing arrangements	58,054	—	—	—	—	—	—	—	—	—	—	—	58,054
Current portion of long-term debt	14,841	518	800	4,148	2,700	102	2,522	6,429	5,088	—	—	—	37,148
Total current liabilities	908,173	25,830	36,546	55,909	48,532	6,401	16,932	154,768	71,682	107,047	176	(273,176)	1,158,820
Long-term debt, less current portion	725,170	19,278	29,623	154,327	76,675	3,779	48,971	217,122	191,386	—	—	—	1,466,331
Other long-term liabilities	126,396	144	18,742	45,477	15,786	6,814	16,345	29,971	22,125	350	—	—	282,150
Interest rate swap liabilities	149,789	—	—	—	—	—	—	—	—	—	—	—	149,789
Total liabilities	1,909,528	45,252	84,911	255,713	140,993	16,994	82,248	401,861	285,193	107,397	176	(273,176)	3,057,090
Net assets:													
Unrestricted	1,332,799	82,665	95,482	259,102	238,908	63,998	89,310	(104,101)	368,698	175,835	23,853	(553,047)	2,073,502
Temporarily restricted	616,001	35,620	1,540	9,862	22,014	3,161	—	1	172,490	4,913	12,435	(214,469)	663,568
Permanently restricted	1,689	—	—	—	14,579	1,296	—	—	—	—	20,701	(1,276)	36,989
Total net assets	1,950,489	118,285	97,022	268,964	275,501	68,455	89,310	(104,100)	541,188	180,748	56,989	(768,792)	2,774,059
Total liabilities and net assets	$ 3,860,017	163,537	181,933	524,677	416,494	85,449	171,558	297,761	826,381	288,145	57,165	(1,041,968)	5,831,149

* Includes Corporate Shared services

** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

*** Includes Prince George's Hospital Center, Laurel Regional Hospital, Bowie Health Center and Gladys Spellman Specialty Care Unit

See accompanying independent auditors' report.

Schedule 6

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2017

(In thousands)

Assets	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals**	UMMS Foundation	Eliminations	Obligated group total
Current assets:												
Cash and cash equivalents	$ 328,162	(83)	2,970	18,724	8,955	(1,901)	8,548	(1,201)	54,280	—	—	418,454
Assets limited as to use, current portion	46,797	—	432	1,228	572	242	342	1,327	—	—	—	50,940
Accounts receivable:												
Patient accounts receivable, less allowance for doubtful accounts of $188,977	173,649	11,530	14,012	41,501	22,473	2,208	8,396	37,685	39,965	—	—	351,419
Other	283,680	576	30,964	1,408	2,692	13,308	4,586	20,341	12,094	—	(125,283)	244,366
Inventories	28,559	1,106	3,071	6,131	3,892	696	1,391	5,435	9,702	—	—	59,983
Prepaid expenses and other current assets	16,035	21,924	499	1,138	1,476	20	784	1,026	4,106	1,500	—	48,508
Total current assets	876,882	35,053	51,948	70,130	40,060	14,573	24,047	64,613	120,147	1,500	(125,283)	1,173,670
Investments	232,394	29,013	3	136,194	83,553	12,230	31,145	—	189,966	—	—	714,498
Assets limited as to use, less current portion:												
Investments held for collateral	81,987	—	3,700	8,000	—	—	—	—	28,959	—	—	122,646
Debt service funds	10,438	—	—	—	—	—	—	—	—	—	—	10,438
Construction funds	46,264	14,203	8,081	10,051	5,432	4,538	10,651	8,270	—	—	—	107,490
Board designated and escrow funds	—	—	—	—	25,000	5,000	—	—	—	12,548	—	42,548
Self-insurance trust funds	72,828	—	16,776	23,028	25,492	7,327	6,707	7,891	—	—	—	160,049
Funds restricted by donor	—	—	1,116	—	5,029	105	—	—	—	25,354	—	31,604
Economic interests in the net assets of related organizations	197,124	31,446	442	9,222	78,558	6,270	5,179	9,503	—	—	(59,790)	277,954
	408,641	45,649	30,115	50,301	139,511	23,240	22,537	25,664	28,959	37,902	(59,790)	752,729
Property and equipment, net	907,068	45,924	99,343	243,492	142,380	25,257	75,087	198,818	246,245	—	—	1,983,614
Investments in joint ventures and other assets	676,447	—	6,567	17,672	9,822	2,183	6,976	25,627	228,151	10,039	(660,528)	322,956
Total assets	$ 3,101,432	155,639	187,976	517,789	415,326	77,483	159,792	314,722	813,468	49,441	(845,601)	4,947,467

* Includes Corporate Shared services

** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

(Continued)

Schedule 6

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Balance Sheet Information – Obligated Group

June 30, 2017

(In thousands)

Liabilities and Net Assets	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals**	UMMS Foundation	Eliminations	Obligated group total
Current liabilities:												
Trade accounts payable	$ 140,720	9,220	17,046	22,259	17,471	2,893	8,268	25,140	15,461	154	—	258,632
Accrued payroll and benefits	108,479	5,384	10,144	18,847	15,175	3,007	4,206	20,743	25,269	—	—	211,254
Advances from third-party payors	79,155	3,568	10,706	9,951	5,618	737	2,593	11,089	8,413	—	—	131,830
Short-term financing	—	—	—	—	—	—	—	—	—	—	—	—
Lines of credit	125,000	—	—	—	—	—	—	—	—	—	—	125,000
Other current liabilities	149,408	1,040	6,839	31,343	23,406	1,102	1,047	2,950	35,111	—	(125,283)	126,963
Long-term debt subject to short-term remarketing arrangements	28,440	—	—	—	—	—	—	—	—	—	—	28,440
Current portion of long-term debt	13,271	505	782	3,962	2,705	104	2,337	6,260	4,832	—	—	34,758
Total current liabilities	644,473	19,717	45,517	86,362	64,375	7,843	18,451	66,182	89,086	154	(125,283)	916,877
Long-term debt, less current portion	718,215	20,486	31,725	161,116	81,081	4,308	52,457	229,474	196,474	—	—	1,495,336
Other long-term liabilities	123,107	144	21,226	36,049	12,374	5,455	15,398	25,628	23,662	—	—	263,043
Interest rate swap liabilities	194,524	—	—	—	—	—	—	—	—	—	—	194,524
Total liabilities	1,680,319	40,347	98,468	283,527	157,830	17,606	86,306	321,284	309,222	154	(125,283)	2,869,780
Net assets:												
Unrestricted	1,200,580	83,846	87,950	225,040	222,367	55,913	73,393	(6,563)	336,018	17,777	(511,275)	1,785,046
Temporarily restricted	218,844	31,446	1,558	9,222	20,708	2,668	93	1	168,228	11,404	(207,767)	256,405
Permanently restricted	1,689	—	—	—	14,421	1,296	—	—	—	20,106	(1,276)	36,236
Total net assets	1,421,113	115,292	89,508	234,262	257,496	59,877	73,486	(6,562)	504,246	49,287	(720,318)	2,077,687
Total liabilities and net assets	$ 3,101,432	155,639	187,976	517,789	415,326	77,483	159,792	314,722	813,468	49,441	(845,601)	4,947,467

* Includes Corporate Shared services

** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

See accompanying independent auditors' report.

Schedule 7

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Operations and Changes in Net Assets Information – Obligated Group

Year ended June 30, 2018

(In thousands)

	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center	Shore Health System				Chester River Hospital Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals**	Capital Region Hospitals***	UMMS Foundation	Eliminations	Obligated group total
					Memorial Hospital	Dorchester General	QAEC	Subtotal								
Unrestricted revenues, gains and other support:																
Patient service revenue (net of contractual adjustments)	$ 1,518,916	114,046	220,000	387,027	203,576	46,299	6,224	256,099	55,903	140,663	371,927	397,389	320,065	—	(1,944)	3,780,091
Provision for bad debts	(52,157)	(4,078)	(9,476)	(19,037)	(5,150)	(2,170)	(845)	(8,165)	(2,660)	(7,421)	(10,782)	(11,066)	(23,819)	—	—	(148,661)
Net patient service revenue	1,466,759	109,968	210,524	367,990	198,426	44,129	5,379	247,934	53,243	133,242	361,145	386,323	296,246	—	(1,944)	3,631,430
Other operating revenue:																
State support	31,200	—	—	—	—	—	—	—	—	—	—	—	32,237	—	—	63,437
Other revenue	98,680	2,732	18,610	4,980	4,347	288	9	4,644	510	550	3,266	5,114	5,156	—	—	144,242
Total unrestricted revenue, gains and other support	1,596,639	112,700	229,134	372,970	202,773	44,417	5,388	252,578	53,753	133,792	364,411	391,437	333,639	—	(1,944)	3,839,109
Operating expenses:																
Salaries, wages, and benefits	765,900	53,923	96,439	171,046	85,481	22,387	3,308	111,176	15,995	57,036	136,452	172,899	160,760	—	—	1,741,626
Expendable supplies	364,525	15,419	32,831	57,852	36,031	2,858	477	39,366	4,897	19,015	79,516	70,112	43,209	—	—	726,742
Purchased services	155,631	23,002	53,331	67,201	34,089	7,814	857	42,760	15,007	29,167	71,041	63,380	93,617	—	(1,944)	612,193
Contracted services	136,537	8,553	27,207	17,164	8,055	3,656	1,441	13,152	6,090	7,000	17,875	14,592	18,177	—	—	266,347
Depreciation and amortization	97,673	6,658	12,242	26,383	14,445	3,187	467	18,099	4,133	5,892	21,156	21,865	12,531	—	—	226,632
Interest expense	24,182	674	1,043	5,351	2,502	193	121	2,816	137	1,750	9,009	7,737	99	—	—	52,798
Total operating expenses	1,544,448	108,229	223,093	344,997	180,603	40,095	6,671	227,369	46,259	119,860	335,049	350,585	328,393	—	(1,944)	3,626,338
Operating income (loss)	52,191	4,471	6,041	27,973	22,170	4,322	(1,283)	25,209	7,494	13,932	29,362	40,852	5,246	—	—	212,771
Nonoperating income and expenses, net:																
Contributions	—	—	—	—	(4)	—	—	(4)	—	—	—	—	—	8,832	—	8,828
Inherent contribution - Capital Region	41,772	—	—	—	—	—	—		—	—	—	—	—	—	—	41,772
Equity in net income of joint ventures	503	—	—	(203)	169	47	7	223	—	239	1,418	—	—	—	—	2,180
Investment income	10,317	1,028	72	3,904	7,795	—	—	7,795	456	698	—	5,047	32	710	—	30,059
Change in fair value of investments	6,913	1,318	—	5,129	282	—	—	282	628	1,275	—	6,392	—	433	—	22,370
Change in fair value of undesignated interest rate swaps	43,071	—	—	—	—	—	—	—	—	—	—	—	—	—	—	43,071
Other nonoperating gains and losses	(10,075)	(294)	(3,535)	(4,754)	(702)	(194)	(28)	(924)	(443)	(831)	(3,279)	(2,702)	2,048	(3,643)	—	(28,432)
Total nonoperating income and expenses	92,501	2,052	(3,463)	4,076	7,540	(147)	(21)	7,372	641	1,381	(1,861)	8,737	2,080	6,332	—	119,848
Excess (deficiency) of revenues over expenses	144,692	6,523	2,578	32,049	29,710	4,175	(1,304)	32,581	8,135	15,313	27,501	49,589	7,326	6,332	—	332,619
Net assets released from restrictions used for purchase of property and equipment	—	—	618	1,690	745	—	—	745	453	—	—	—	—	—	—	3,506
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interest in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capital transfers (to) from affiliate	(14,310)	(7,704)	(207)	(4,120)	(18,187)	—	—	(18,187)	(426)	(1,324)	(125,411)	(16,909)	46,450	(2,234)	—	(144,382)
Amortization of accumulated loss of discontinued designated interest rate swap	1,668	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,668
Change in funded status of defined benefit pension plans	—	—	4,312	1,873	—	—	—	—	(886)	1,873	—	—	—	—	—	7,172
Asset reclassifications at request of donor	—	—	—	—	—	—	—	—	—	—	—	—	—	1,978	—	1,978
Other	169	—	231	2,570	1,402	—	—	1,402	809	55	372	—	—	—	—	5,608
Increase (decrease) in unrestricted net assets	$ 132,219	(1,181)	7,532	34,062	13,670	4,175	(1,304)	16,541	8,085	15,917	(97,538)	32,680	53,776	6,076	—	208,169

* Includes Corporate Shared Services

** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

*** Includes Prince George's Hospital Center, Laurel Regional Hospital, Bowie Health Center and Gladys Spellman Specialty Care Unit

See accompanying independent auditors' report.

Schedule 8

UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION AND SUBSIDIARIES

Combining Operations and Changes in Net Assets Information – Obligated Group

Year ended June 30, 2017

(In thousands)

	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center	Shore Health System				Chester River Hospital Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals**	UMMS Foundation	Eliminations	Obligated group total
					Memorial Hospital	Dorchester General	QAEC	Subtotal							
Unrestricted revenues, gains and other support:															
Patient service revenue (net of contractual adjustments)	$ 1,481,115	114,438	224,909	382,961	198,566	45,354	5,772	249,692	54,588	136,289	370,211	401,011	—	(1,033)	3,414,181
Provision for bad debts	(73,814)	(7,188)	(19,757)	(19,775)	(5,861)	(2,044)	(626)	(8,531)	(2,777)	(6,428)	(10,577)	(15,056)	—	—	(163,903)
Net patient service revenue	1,407,301	107,250	205,152	363,186	192,705	43,310	5,146	241,161	51,811	129,861	359,634	385,955	—	(1,033)	3,250,278
Other operating revenue:															
State support	18,200	—	—	—	—	—	—	—	—	—	—	—	—	—	18,200
Other revenue	103,239	2,583	10,221	3,681	4,230	335	11	4,576	403	507	3,231	5,099	—	—	133,540
Total unrestricted revenue, gains and other support	1,528,740	109,833	215,373	366,867	196,935	43,645	5,157	245,737	52,214	130,368	362,865	391,054	—	(1,033)	3,402,018
Operating expenses:															
Salaries, wages, and benefits	745,926	51,275	91,325	163,885	91,466	25,767	3,680	120,913	17,620	56,888	135,718	169,037	—	—	1,552,587
Expendable supplies	353,848	15,357	29,853	60,895	34,202	3,441	505	38,148	6,191	18,879	80,461	75,274	—	—	678,906
Purchased services	115,723	23,315	44,827	66,602	33,965	7,372	1,061	42,398	11,488	27,006	77,393	61,155	—	(1,033)	468,874
Contracted services	134,767	8,867	23,146	9,560	7,254	2,977	906	11,137	5,782	6,067	18,946	13,918	—	—	230,190
Depreciation and amortization	95,665	6,535	12,464	26,386	14,137	3,192	647	17,976	4,338	5,543	18,955	20,829	—	—	208,691
Interest expense	24,165	722	1,116	5,657	2,480	160	343	2,983	152	1,887	9,620	8,150	—	—	54,452
Total operating expenses	1,470,094	106,071	202,731	332,985	183,504	42,909	7,142	233,556	45,571	116,270	339,093	348,363	—	(1,033)	3,193,700
Operating income (loss)	58,646	3,762	12,642	33,882	13,431	736	(1,985)	12,182	6,643	14,098	23,772	42,691	—	—	208,318
Nonoperating income and expenses, net:															
Contributions	—	—	—		25	—	—	25	—	200	—	—	4,392	—	4,617
Equity in net income of joint ventures	630	—	—	(115)	(126)	(35)	(5)	(166)	—	48	834	—	—	—	1,231
Investment income	10,454	1,106	102	4,501	5,786	—	—	5,786	516	702	—	5,298	1,000	—	29,465
Change in fair value of investments	13,983	2,607	—	10,139	5,237	—	—	5,237	1,240	2,268	—	12,728	1,971	—	50,173
Change in fair value of undesignated interest rate swaps	76,797	—	—	—	—	—	—	—	—	—	—	—	—	—	76,797
Loss on early extinguishment of debt	(26,427)	—	—	—	—	—	—	—	—	—	—	—	—	—	(26,427)
Other nonoperating gains and losses	(10,981)	(363)	(2,059)	(4,079)	(2,589)	(716)	(102)	(3,407)	(549)	(943)	(4,040)	(23,007)	(5,356)	—	(54,784)
Total nonoperating income and expenses	64,456	3,350	(1,957)	10,446	8,333	(751)	(107)	7,475	1,207	2,275	(3,206)	(4,981)	2,007	—	81,072
Excess (deficiency) of revenues over expenses	123,102	7,112	10,685	44,328	21,764	(15)	(2,092)	19,657	7,850	16,373	20,566	37,710	2,007	—	289,390
Net assets released from restrictions used for purchase of property and equipment	21,500	—	1,529	—	7,692	—	—	7,692	423	—	2,063	—	—	—	33,207
Change in unrealized gains on investments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in economic and beneficial interest in the net assets of related organizations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of joint ventures	397	—	—	—	1,304	—	—	1,304	—	—	—	—	—	—	1,304
Capital transfers (to) from affiliate	18,280	(1,137)	(249)	(3,454)	(22,886)	—	—	(22,886)	(180)	(1,121)	1,269	(15,330)	(6,833)	—	397
Amortization of accumulated loss of discontinued designated interest rate swap	1,794	—	—	—	—	—	—	—	—	—	—	—	—	—	(31,641)
Change in funded status of defined benefit pension plans	—	—	4,570	6,308	—	—	—	—	1,738	705	—	21,032	—	—	1,794
Asset reclassifications at request of donor	—	—	—	—	—	—	—	—	—	—	—	(1,326)	—	—	34,353
Other	(217)	(2)	1,748	—	—	—	—	—	—	(4)	(220)	(58)	4	—	(1,326)
Increase (decrease) in unrestricted net assets	$ 164,856	5,973	18,283	47,182	7,874	(15)	(2,092)	5,767	9,831	15,953	23,678	42,028	(4,822)	—	1,251
															328,729

* Includes Corporate Shared services

** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

See accompanying independent auditors' report.

EXHIBIT 13

IN THE MATTER OF	*	
	*	
University of Maryland	*	**BEFORE THE**
	*	
Medical Center	*	**MARYLAND HEALTH**
	*	
Docket No. 09-24-2300	*	**CARE COMMISSION**

****

FINAL ORDER

Based on the analysis and findings in the Staff Report and Recommendation, it is this 18th day of March 2010:

ORDERED, that the application for Certificate of Need by University of Maryland Medical Center, Docket No. 09-24-2300, to expand trauma, critical care and emergency services at a capital cost of $176,728,000.

1. The University of Maryland Medical Center will not disable gas lines in any existing patient rooms in order to implement this project unless such action is required to safely reconfigure the room to a non-patient room function and without the approval of the Maryland Health Care Commission. Upon completion of this project, the University of Maryland Medical Center will not place any of the 18 semi-private patient rooms being converted to private rooms into service as semi-private patient rooms or any of the nine patient rooms being converted to non-patient use back into service as patient rooms without Commission approval.

2. Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude the $28,196,229 cost associated with the excess construction and renovation costs, interest, and inflation. This figure includes the estimated new construction and renovation expenditure that exceeds the Marshall Valuation Service guideline cost and portions of the contingency allowance, inflation allowance, and capitalized construction interest estimate for the project that are based on the excess construction cost.

3. Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude the $2,384,374 cost associated with excess nursing unit space. This figure includes the estimated construction expenditure for the excess space and portions of the contingency allowance, inflation allowance, and capitalized construction interest estimate for the project that are based on the excess space.

Marilyn Moon, Ph.D.
CHAIR

STATE OF MARYLAND

Rex W. Cowdry, M.D.
EXECUTIVE DIRECTOR

MARYLAND HEALTH CARE COMMISSION

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

Thursday, March 18, 2010
1:00 p.m.

AGENDA

1. **APPROVAL OF MINUTES**

2. **UPDATE OF ACTIVITIES**

   - Executive Direction
   - Center for Information Services and Analysis
   - Center for Health Care Financing and Policy
   - Center for Long-Term Care and Community-Based Services
   - Center for Hospital Services
   - Center for Health Information Technology

3. **LEGISLATIVE UPDATE**

4. **ACTION:** Certificate of Need

   - University of Maryland Medical Center (Docket No. 09-24-2300)

5. **PRESENTATION:** Health Care Spending in Maryland: How does Maryland Differ from Other States and Why?

6. **FINAL ACTION:** COMAR 10.25.06 – Maryland Medical Care Data Base and Data Collection

7. **UPDATE & POLICY DISCUSSION:** Small Group Market Modifications in SB 637/ HB 674 of 2009

8. **PRESENTATION:** Maryland Nursing Home Family Experience of Care Survey - 2009

9. **PRESENTATION:** Medical Expenditure Panel Survey: Maryland Sample through 2008

10. **ADJOURNMENT**

Marilyn Moon, Ph.D.
CHAIR

STATE OF MARYLAND

Rex W. Cowdry, M.D.
EXECUTIVE DIRECTOR

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

MARYLAND HEALTH CARE COMMISSION

Thursday, March 18, 2010

Minutes

Chair Moon called the public meeting to order at 1:08 p.m.

Commissioners present: Conway, Falcone, Fleig, Kan, Krumm, Lyles, McLean, Moore, Ontaneda-Bernales, and Worthington.

ITEM 1.

Approval of the Minutes

Commissioner McLean made a motion to approve the minutes of the February 18, 2010 meeting of the Commission, which was seconded by Commissioner Ontaneda-Bernales, and unanimously approved. Commissioner Conway made a motion to approve the February 5, 2010 and the March 8, 2010 teleconference meetings of the Commission, which was seconded by Commissioner Kan, and unanimously approved.

ITEM 2.

Update of Activities

Bruce Kozlowski, Director of the Center for Health Care Financing and Health Policy, said the Commission awarded Mr. Adewale Adeoye, a master's student at Morgan State University School of Community Health, an internship with the Commission to examine what factors influence disparities in health care utilization and outcomes using a unique survey conducted in East Baltimore.

David Sharp, Director of the Center for Health Information Technology, announced that the Commission will receive $9.3 million under the *American Recovery and Reinvestment Act of 2009* to implement the statewide health information exchange. This grant will be used to facilitate and expand the secure exchange of electronic health information among providers in an effort to improve the quality and efficiency of health care.

ITEM 3.

ACTION: LEGISLATIVE UPDATE

Rebecca Perry, Chief, Government Relations and Special Projects, provided an update on the following bills heard during the 2010 legislative session:

HB 929/SB 855 "Patient Centered Medical Home (PCMH)" – This bill was heard in both the Senate and the House. Ms. Perry noted that the Commission supported the bill with the Administration's amendments. She noted that the amendments include: "fine tuning" the Commission's role in the regulation and oversight of both the Maryland Patient Centered Medical Home program and single-carrier PCMH programs in Maryland; clarification of the participation of Medicaid managed care organizations and federally-qualified health center; and the inclusion of additional evaluation criteria.

SB 593/HB 699 "Freestanding Medical Facility" – This bill was also heard in both the Senate and House. Ms. Perry said the Commission opposed this legislation because of the immediate effect that all-payer rate-setting for these facilities is likely to have on health care costs in general and Medicaid payments in particular, and more importantly, because of the adverse long-term effects that a proliferation of freestanding medical facilities would have on efforts to create a higher quality, more cost-effective health care system. She noted that the following amendments have been drafted and circulated to Committee Chairs: 1) the provision of rates for FMF pilots; 2) inclusion of FMF in the Certificate of Need Program; 3) requiring the MHCC to report to the General Assembly regarding the effect of rates for pilot FMFs due December 2014; 4) development of a State Health Plan chapter to govern planning and determination of need for FMFs; and 5) a prohibition on the establishment of new FMFs prior to July 1, 2015.

SB 723/HB 1093 "Clinically Integrated Organizations" – This bill was heard in both the Senate and the House. If passed, it would allow certain carrier incentives and information sharing, otherwise prohibited by the Insurance Article. Ms. Perry said the Commission supported this bill with amendments that were drafted by the Commission, the Maryland Insurance Administration, and other key stakeholders. She said that the Chair of the Health and Government Operations Committee requested an evaluation of this new payment reform model.

SB 314/HB 147 "Assignment of Benefit (AOB)" - This legislation was heard in both the Senate and the House. Ms. Perry said this legislation allows AOB for all PPO providers. Hospital-based physicians have no additional requirements or restrictions; on-call physicians accepting AOB would receive specified reimbursements and be prohibited from balance billing; and other providers would be required to disclose the provider's out-of-network status, an estimate of likely charges, and the patient's liability for any amounts above what the carrier pays. She noted that the bill passed the Senate with amendments.

Commissioner McLean asked about the status of HB 1468/SB1074 "Nonparticipating Providers - Disclosure of Status and Charges" bill. Ms. Perry said SB1468 was heard in the Senate and a work session was formed to discuss the possibility of rolling HB 1468 into SB 625.

Ms. Perry said the Commission will study the following mandate bills that did not pass during the 2010 legislation session: HB 478/SB 663 – mandate that would prohibit a fourth pharmacy benefit tier with higher cost sharing; and HB 626/HB 523 – mandate that would require cost sharing for oral chemotherapy to be no greater than the cost sharing for infusion chemotherapy.

ITEM 4.

ACTION: Certificate of Need – University of Maryland Medical Center (Docket No. 09-24-2300)

The University of Maryland Medical Center (UMMC) applied for a Certificate of Need to expand its trauma, critical care, surgery, and emergency medicine facilities. Susan Myers, Health Policy Analyst, presented the staff recommendation. Ms. Myers said that the new building would connect to the existing Shock Trauma and Weinberg Buildings. She said that the new construction will total 140,660 square feet and the renovation will encompass 42,870 square feet of existing space in those buildings. She also noted that the estimated cost of the project is $176,728,000 and that UMMC proposed to fund this project with $67.1 million in borrowing, $50 million in State grant funding, $35 million in gifts and requests, $13 million in federal grant funding, $6.2 million in cash, and $5.4 million in interest income. To offset the depreciation and interest expense associated with the project, UMMC anticipates requesting an increase in the rates it charges, regulated by the Health Services Cost Review Commission. Ms. Myers said the new building would house expanded critical care services and expand adult and pediatric emergency department capacity. UMMC proposed to increase its acute care bed capacity to 729 beds. Staff recommended that the Commission approve this project, with conditions. Commissioner Krumm made a motion to adopt the staff recommendation, which was seconded by Commissioner Moore and unanimously approved. Commissioner McLean recused herself from this matter.

ACTION: Certificate of Need – University of Maryland Medical Center (Docket No. 09-24-2300) is hereby APPROVED.

ITEM 5.

PRESENTATION: Health Care Spending in Maryland: How does Maryland Differ from Other States and Why?

Ben Steffen, Director of the Center for Information Services and Analysis, presented the findings of the report, which compares per capita personal health care spending in Maryland to other states. He said some important factors in the health care environment are demographic and socio-economic characteristics of residents, supply side and market characteristics, as well as policy choices. Mr. Steffen noted that the report analyzed twenty-five factors that could affect health care spending and costs in Maryland and across the nation. He noted the following key findings from the report:

- In 2004, per capital health care spending in Maryland averaged $5,590 (6% above the national average and 17th highest among the 50 states.

- The average annual growth rate for Maryland was 4.2% from 1991 to 1998, increasing to 7.2% from 1998 to 2004. The average annual rate of growth was somewhat higher in the U.S. overall, compared to Maryland in the earlier period and somewhat lower in the later period. However, more recent data shows the average annual growth rate in the U.S. has continued to decline through 2008.

- Underlying geographic variation in health care spending is different in the utilization of services and the prices paid for those services. Utilization is driven by a range of complex, interrelated factors. Health status is a major determinant which is, in turn, influenced by health behaviors, age, income, race/ethnicity, and other socio-demographic characteristics.

ITEM 6.

FINAL ACTION: COMAR 10.25.06 – Maryland Medical Care Data Base and Data Collection

Ben Steffen, Director, Center for Information Service and Analysis, presented final regulations regarding the Maryland Medical Care Data Base and Data Collection. Mr. Steffen noted that the proposed regulations were approved at the November 19, 2009 meeting of the Commission and published in the *Maryland Register*. No public comments were received. Commissioner Moore made a motion to adopt the regulations as final, which was seconded by Commissioner Krumm and unanimously approved.

ACTION: COMAR 10.25.06 – Maryland Medical Care Data Base and Data Collection – Action on Final Regulations – ADOPTED as final regulations.

ITEM 7.

Update and Policy Discussion: Small Group Market Modifications in SB 637/HB 674 of 2009

Bruce Kozlowski, Director, Center for Health Care Financing and Health Policy, provided the Commission with a brief update on small group market reform. Mr. Kozlowski reviewed reform efforts from the past few years, including the Mercer report on "Options Available to Reform the Comprehensive Standard Health Benefit Plan", which was published in December 2007. He then reviewed the provisions of SB 637/HB 674 which was enacted during the 2009 legislative session. He said SB 637 incorporates a number of policy changes to the small group market. Mr. Kozlowski said that two of those provisions, allowing pre-existing condition limitations and rating on entry over three years will be impacted by federal health care reform.

ITEM 8.

PRESENTATION: Maryland Nursing Home Family Experience of Care Survey - 2009

Carol Christmyer, Chief of Long-Term Care Quality Initiatives, presented the results of the 2009 Maryland Nursing Home Family Experience of Care Survey. Ms. Christmyer said the purpose of the nursing home surveys are to provide: (1) subjective measurement of care and quality of life for public report; (2) comparative performance information for consumers engaged in a due diligence review; (3) identification of facilities exhibiting good performance; and (4) identification of facility-specific opportunities for improvement. She discussed the survey protocols, noting that family members respond to questions for long-stay residents, but short-stay residents respond for themselves. Ms. Christmyer provided the statewide family survey results in detail. She also provided preliminary short-stay resident respondent results, as well as long-stay family respondent results. Ms. Christmyer said the family survey report and results will be posted on the Commission's website following today's meeting.

ITEM 9.

PRESENTATION: Medical Expenditure Panel Survey: Maryland Sample through 2008

Linda Bartnyska, Chief of Cost & Quality Analysis, presented this biennial report that describes key characteristics of health insurance coverage provided through Maryland private-sector employers in 2008. She said that, based on the MEPS-IC report, approximately 88% of Maryland's private sector employees worked in establishments that offered health insurance, which mirrors the national average. Ms. Bartnyska said that firms with fewer than 10 employees had an average offer rate of 49% while firms with 1,000 or more employees had an average rate of 99%. She noted that data shows that employees working for small business employers in Maryland are less likely to have affordable, employer-sponsored health insurance than employees working for larger firms. Ms. Bartnyska said from 2002 to 2008, the average premium for single coverage in PPO-type products (the most common type of coverage) offered by private employers in Maryland increased by 34%, and the average premium for family coverage increased by 52%. She said that, unlike the offer rate, the percentage of enrolled employees at establishments that offer health insurance declined in Maryland from 2005 to 2008 from 67% to 61%. She noted that this decline was due to lower enrollment rates in two industry categories: agriculture, fishing, forestry, and construction (78% to 65%); and all others (85% to 71%). Ms. Bartnyska said the MEPS-IC- Maryland Sample through 2008 report will be available on the Commission's website following today's meeting.

ITEM 10.

ADJOURNMENT

There being no further business, the meeting was adjourned at 3:35 p.m., upon motion of Commissioner Krumm, which was seconded by Commissioner Lyles, and unanimously approved.