




MARYLAND HEALTH CARE COMMISSION

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To: Commissioners

From: Kevin R. McDonald, Chief,
Certificate of Need 

Date: September 19, 2017

Re: Supplement to Staff Report and Recommendation: Request to Modify a
Certificate of Need
Relocation of Washington Adventist Hospital, Docket No. 13-15-2349

This memo supplements the Staff Report and Recommendation you received regarding the above-referenced request to modify the Certificate of Need awarded to Adventist HealthCare (“AHC”).

That report analyzed the recent financial performance of AHC in terms of its “obligated group.” Multi-facility or multi-asset organizations, such as AHC, form an obligated group that combines selected multiple business lines or assets of the organization to create a single entity that becomes jointly and severally liable for debt. This is typically employed to improve the credit strength of the organization by combining assets that make for the best risk profile.

This supplement is being provided because the AHC obligated group is a subset of the overall, consolidated AHC organization and I realized that this total picture of financial performance should have also been presented to the Commission.

In its modification request AHC presented the data for entities in the obligated group as it existed at the time of the CON application, so as to offer an apples-to-apples comparison even though the members of the obligated group have changed over time. This data is repeated in the following table.

Financial Status of the AHC Obligated Group (in \$000's)

	FY 2014		FY 2015		FY 2016	
	Projected	Actual	Projected	Actual	Projected	Actual
Operating Income	\$22,988	\$24,124	\$27,917	\$39,705	\$29,478	\$41,786
Total Income	\$26,939	\$26,323	\$37,579	\$40,118	\$38,587	\$44,188
Cash	\$211,208	\$245,098	\$193,287	\$266,900	\$202,020	\$325,926

Source: AHC modification request

By way of comparison, the following table provides audited net income and cash results for total AHC consolidated operations for the last five fiscal years.

Entire “Adventist HealthCare Corporate Family” (in \$000’s)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Net Income	\$5,369	\$4,046	\$14,675	\$24,018	\$21,615
Cash	\$175,383	\$187,334	\$195,677	\$184,057	\$218,792

Source: AHC submission to MHCC staff, drawn from Audited Financial Statements, AHC

As you can see, both time series show a generally positive trend, although isolating on the obligated group results do present a stronger picture of income and cash generation, a comparative result that could be intuitively expected.

The Staff Report notes that AHC and Washington Adventist Hospital’s actual performance has been significantly better than was projected during the CON application review process and this is a factor in staff’s positive recommendation on the change request.

The final table presented here shows the makeup of the AHC obligated group over time.

Makeup of AHC Obligated Group				
2013	2014	2015	2016	2017
Shady Grove Medical Center	Shady Grove Medical Center	Shady Grove Medical Center	Shady Grove Medical Center	Shady Grove Medical Center
Washington Adventist Hospital	Washington Adventist Hospital	Washington Adventist Hospital	Washington Adventist Hospital	Washington Adventist Hospital
Adventist Behavioral Health	Adventist Behavioral Health	Adventist Behavioral Health	Adventist Behavioral Health	Adventist Behavioral Health
Adventist Rehabilitation	Adventist Rehabilitation	Adventist Rehabilitation	Adventist Rehabilitation	Adventist Rehabilitation
¹ Support Center	Support Center	Support Center	Support Center	Support Center
Hackettstown Regional Medical Center	Hackettstown Regional Medical Center	Hackettstown Regional Medical Center ²		
			³ Clinical Integration Services	Clinical Integration Services
			⁴ Imaging Services	Imaging Services
			⁵ Other Health Services	Other Health Services

¹ The Support Center is the office where AHC's centralized services are located such as health system senior staff, IT, Billing, etc. that support the various clinical entities.

² This New Jersey general hospital was sold by AHC.

³ Clinical Integration Services includes Adventist Medical Group.

⁴ Imaging Services was established in August, 2015 with the purchase of Shady Grove Radiology, a medical practice specializing in radiological imaging services with six outpatient sites.

⁵ "Other Health Services" is comprised of LifeWork Strategies, which provides employee assistance and employee wellness programs to AHC employees and Capital Choice Pathology Lab, which provides full pathology production services for AHC hospitals.