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MEMORANDUM

TO: Commissioners

FROM: Kevin R. McDonald
Chief, Certificate of Need

DATE: May 16, 2019

SUBJECT: University of Maryland Medical Center
Docket No. 18-24-2429

Enclosed is the staff report and recommendation for a Certificate of Need (CON) application filed by University of Maryland Medical Center (UMMC), which proposes to add a new service, acute inpatient psychiatric services for adolescents (ages 13-18), as part of a project that would also relocate its inpatient child psychiatry beds to new, renovated quarters in the hospital.

UMMC proposes to relocate its current 10-bed acute inpatient child psychiatric program into space it would renovate in order to a) provide a more modern and updated facility for that patient cohort; and b) add a new service, acute inpatient psychiatric services for adolescents (ages 13-18). The proposed unit will have 8 beds each for both children and adolescents, and will manage them as separate populations. Both female and male patients will be accommodated.

UMMC describes the application to add an adolescent inpatient component as a response to what it sees as a shortage of inpatient acute psychiatric beds for adolescent patients in the four counties (Anne Arundel County, Baltimore City, Baltimore County and Howard County) it defines as its service area for adolescent psychiatry, as well as a response to a growing problem of adolescent patients with some form of psychiatric need seeking care in its ED. The estimated capital cost of the project is $9,580,000 (details in Appendix 2), and it will be funded with cash. UMMC is not seeking an adjustment of its Global Budgeted Revenue ("GBR") to pay for the project, although it "reserves the right to do so in the future."

Staff recommends approval of the project based on its conclusion that the proposed project complies with the applicable State Health Plan standards and that the need for the project, its cost effectiveness, and its viability have been demonstrated. Staff also recommends that the Commission find that the project would have negligible impact on existing health care providers and would have a positive impact on the health care delivery system.

IN THE MATTER OF	*	**BEFORE THE**
	*	
UNIVERSITY OF MARYLAND	*	**MARYLAND**
	*	
MEDICAL CENTER	*	**HEALTH CARE**
	*	
Docket No. 18-24-2429	*	**COMMISSION**
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STAFF REPORT AND RECOMMENDATION

May 16, 2019

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I. INTRODUCTION

A. The Applicant

The University of Maryland Medical Center ("UMMC"), located at 22 South Greene Street in Baltimore City, is an academic medical center serving as the teaching hospital for the University of Maryland School of Medicine and is the largest and most comprehensive general hospital within the 12-hospital University of Maryland Medical System, Inc. ("UMMS"). UMMC is the second largest hospital in the State, with a license to operate 789 acute care beds in FY 2019.

The hospital provides acute psychiatric hospital services to adults and children and reports that it provides specialized programming for geriatric adults. It has allocated 56 of its total licensed acute care bed capacity to the provision of acute psychiatric hospital services and reports that it has a physical capacity of 54 beds in the space used for its acute psychiatric nursing units

B. The Project

UMMC proposes to relocate its ten-bed child psychiatric program, serving patients up to age 12, in space it will renovate in order to provide a more modern and updated facility for that age group and provide space for a new program of acute inpatient psychiatric services for adolescents, aged 13 to18.

The hospital's current child psychiatric unit is licensed for 12 beds but located in space with a physical capacity for just ten beds. The applicant states that it would not be feasible to service both populations within the current space, as the sleeping and toileting arrangements for the two populations must be separate and treatment must be age-appropriate. The applicant states that accomplishing that on the current unit would be "extremely complex." (DI #2, p. 50).

The proposed unit will be located in space that will be renovated for that purpose on the 11th floor of the North Hospital building. It will have eight beds for children and an equal number of beds for adolescents, separating the two patient populations "temporally and spatially." (DI #2, p. 6). Both female and male patients will be accommodated and the design of the unit will allow for separation by gender in sleeping and toileting activity.

To accommodate he project, UMMC will completely renovate approximately 11,200 square feet ("SF") that had previously been used for adult inpatient psychiatric services and acute medical services. A portion of the 12th floor, approximately 2,600 SF, will also be renovated to provide activity and therapy space for the child and adolescent patients. UMMC states that the facility will be designed to:

- Provide privacy while also encouraging social interaction;
- Create a sense of protection and personal safety for patients while also allowing for adequate observation by staff of patients at all times;
- Closely control access to and egress from the unit, without creating a feeling of confined space;

- Sustain "hard use and abuse" while avoiding, as much as possible, an institutional or forensic look and feel; and
- Minimize ligature and other self-harm risks, while maintaining a sense of warmth and welcoming.

UMMC states that it seeks to add adolescent psychiatric hospital programming as a response to a shortage of inpatient acute psychiatric beds for adolescent patients in the four jurisdictions it defines as its service area for adolescent psychiatry, Baltimore City, and Baltimore, Anne Arundel, and Howard Counties. It also states that the project responds to a growing problem of adolescent patients with a need for psychiatric hospitalization seeking care in its emergency department ("ED").[1]

The estimated capital cost of the project is $9,580,000[2] and will be funded with cash. UMMC is not seeking an adjustment of its Global Budgeted Revenue to pay for the project, although it "reserves the right to do so in the future." The project will result in a need to increase staffing by 23.4 full time equivalents ("FTEs").

C. Staff Recommendation

Staff recommends approval of the project based on its conclusion that the proposed project complies with the applicable State Health Plan standards and that the applicant demonstrated the need for the project, its cost effectiveness, and its viability. Staff also recommends that the Commission find that the project will have an acceptable impact on existing health care providers and would have a positive impact on the health care delivery system.

A summary of the basis for staff's recommendation is as follows:

Criteria/Standard	Conclusions
Need	The proposed project will modernize UMMC's facilities for the current inpatient child behavioral health unit and expand services to include inpatient psychiatric care for adolescents. There are few facilities offering psychiatric hospital services to this age group and UMMC demonstrated that a significant number of patients experience lengthy waits for appropriate placement after being evaluated in its ED.
Availability of More Cost Effective Alternatives	There are no competing applications and a relatively limited number of alternative providers of acute adolescent psychiatric hospital care. UMMC demonstrated that it took appropriate relevant considerations into account in making its decision in locating and designing the unit. In addition, it operates what it describes as a "robust" community-

[1] UMMC states that in fiscal year 2018 nearly 600 adolescents sought treatment in the UMMC pediatric emergency department with some form of psychiatric need. 70 of these patients waited up to 7 days for an admission to an inpatient acute psychiatric facility and 45 more patients waited for an inpatient bed up to 11 days before being determined that they were stable enough to be discharged with follow-up outpatient services. (DI#2, p. 4).

[2] See details in Appendix 2.

	based outpatient behavioral health program that strives to manage adolescent patients in an outpatient, community-based system of services, seeking to avoid the need for hospital admission.
Viability	The financial resources to implement the project are available. The applicant's utilization projections and revenue and expense assumptions are reasonable. HSCRC staff expressed some concern that utilization projections might be "overly optimistic," but also stated that UMMC has sufficient funds to implement this project, and noted that it would not be seeking an increase in its GBR to finance it.
Impact	This project will improve access to inpatient psychiatric care for adolescents and is likely to have a minimal impact on other Maryland facilities.

II. PROCEDURAL HISTORY

A. Record of the Review

Please see Appendix 1, Record of the Review.

B. Interested Parties and Participating Entities in the Review

There are no interested parties in this review.

C. Local Government Review and Comment

Dr. Leana Wen, the former Commissioner of Health for Baltimore City, Catherine Pugh, the former Mayor of Baltimore, Alison Perkins-Cohen, Chief of Staff for Baltimore City Public Schools, and Robert R. Neall, Secretary of the Maryland Department of Health, submitted letters of support for this project.

D. Community Support

In addition to the letters noted above, UMMC submitted a number of letters supporting this proposed project. Among them were letters from: the President and Chief Executive Officer of Behavioral Health System Baltimore, Inc.; a Baltimore City Council member; the Union Baptist Church; and the Baltimore Area Health Education Center. (DI #2, p. 23 and Exh.6).

III. Background

Acute Inpatient Child and Adolescent Psychiatric Care in Maryland

Only three general acute care hospitals in Maryland provide acute inpatient psychiatric services for children: The Johns Hopkins Hospital and UMMC, both in Baltimore City; and

Adventist HealthCare Shady Grove Medical Center in Rockville (Montgomery County).[3] Two private special psychiatric hospitals also provide hospital services for this age group: Brook Lane in Hagerstown (Washington County); and Sheppard and Enoch Pratt Hospital in Towson (Baltimore County).

Nine hospitals in Maryland report their provision of adolescent psychiatric hospital services.[4] Six are general acute care hospitals: Adventist HealthCare Shady Grove Medical Center; CalvertHealth Medical Center in Prince Frederick (Calvert County); Carroll Hospital in Westminster (Carroll County); MedStar Franklin Square Hospital in the Rosedale area of eastern Baltimore County; MedStar Montgomery Medical Center in Olney (Montgomery County); and Suburban Hospital in Bethesda (Montgomery County). Three are special psychiatric hospitals: Brook Lane in Hagerstown (Washington County); Sheppard and Enoch Pratt Hospital in Towson (Baltimore County); and Sheppard Pratt of Ellicott City (Howard County).

Hospital use for both children and adolescents diagnosed with mental diseases or disorders increased between 2008 and 2017, quite modestly for children and more significantly for adolescents. For children, use levels are very slight. On a per capita basis, adolescents were hospitalized at almost seven times the rate experienced by children and adults were hospitalized over four times more frequently than persons aged 12 or younger. Over the period of time shown in Table III-1, below, use of psychiatric hospitalization by children peaked in 2012 and declined, at a rate of about 3.2% per year between 2012 and 2017, to a level that was only about 2.2% higher than the use rate observed in 2008. For adolescents, use peaked in 2014 and has moderated more recently, declining about 4.2% by 2016 and holding steady in 2017. However, the adolescent use rate in 2017 was still about 26.3% higher than that recorded in 2008.

Table III-1: Hospital Discharge Rate of Maryland Residents with a Discharge Recorded within the Major Diagnostic Category of Mental Disease or Disorder Residents in Three Age Groupings

Age Group	Discharges Per 100,000 Maryland Residents										Average Annual Change
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Child (0-12)	179	189	204	209	217	201	192	170	175	183	+0.4%
Adolescent (13-17)	1,008	1,199	1,190	1,291	1,294	1,328	1,329	1,318	1,273	1,273	+2.8%
Adult (>18)	853	896	896	905	887	869	850	804	802	772	-1.1%
All Ages	**752**	**799**	**801**	**816**	**804**	**790**	**775**	**734**	**731**	**709**	**-0.6%**

Source: MHCC staff analysis of HSCRC discharge abstract, District of Columbia discharge abstract, and private psychiatric hospital data, CY 2008 to CY 2017; Population data from the U.S. Census Bureau for 2008 and 2009; Maryland Department of Planning Projections, March 2018.
Note: For the HSCRC and D.C. data, psychiatric discharges are defined as records with major diagnostic category (MDC) coded for mental diseases and disorders. All records from private psychiatric hospitals are included regardless of the MDC category. The discharge rates do not incorporate discharges from State psychiatric hospitals.

[3] Historically, Adventist HealthCare provided psychiatric hospital services in a special hospital setting, Adventist HealthCare Behavioral Health and Wellness. The MHCC authorized this special hospital's consolidation with the adjacent Shady Grove Medical Center in May 2018.
[4] Maryland Health Care Commission, *Annual Report on Selected Maryland Acute Care and Special Hospital Services, FY 2018.*

Acute Inpatient Child and Adolescent Psychiatric Care in UMMC Service Area

In its application, UMMC defined the service area for its proposed adolescent program as the locations from which 80% of its current child psychiatric admissions originate, i.e., Baltimore City and the surrounding counties of Baltimore, Anne Arundel, and Howard.

Hospital discharge trends for the younger population in the last five years, consistent with the population use rate trends shown in the preceding table, have declined. As shown in Table III-2, below, inpatient psychiatric utilization declined for both children (down 5.8%) and adolescents (down 5.3%) during 2013-2017.

Table III-2: Discharges Recorded within the Major Diagnostic Category of Mental Disease or Disorder Maryland Residents Aged 0-17 80% Relevance Service Area of UMMC Child Psychiatric Unit

	2013	2014	2015	2016	2017	Average Annual Change
Children (0-12)						
Anne Arundel	146	156	166	149	163	3.1%
Baltimore County	397	356	365	351	360	-2.3%
Howard	83	73	62	68	111	11.4%
Baltimore City	467	429	388	344	396	-3.5%
Total	**1,093**	**1,014**	**981**	**912**	**1,030**	-1.1%
Adolescents (13-17)						
Anne Arundel	571	556	570	579	539	-1.4%
Baltimore County	951	912	961	926	936	-0.3%
Howard	300	310	315	311	329	2.4%
Baltimore City	640	587	647	565	527	-4.4%
Total	**2,462**	**2,365**	**2,493**	**2,381**	**2,331**	-1.3%
Both Child and Adolescent (0-17)						
Anne Arundel	717	712	736	728	702	-0.5%
Baltimore County	1,348	1,268	1,326	1,277	1,296	-0.9%
Howard	383	383	377	379	440	3.8%
Baltimore City	1,107	1,016	1,035	909	923	-4.2%
Total	**3,555**	**3,379**	**3,474**	**3,293**	**3,361**	-1.3%

Source: Same as previous table with exception of population data.

As previously noted, there are three hospitals in the UMMC-defined Baltimore-region service area of the proposed project, including UMMC, that provide child psychiatric services, with two located in Baltimore City and one in Baltimore County. There are also three hospitals in this region that provide adolescent psychiatric services, with two located in Baltimore County and one in Howard County.

IV. REVIEW AND ANALYSIS

The Commission is required to make its decisions in accordance with the general CON review criteria at COMAR 10.24.01.08G(3)(a) through (f). The first of these six general criteria requires the Commission to consider and evaluate this application according to all relevant State

Health Plan ("SHP") standards and policies.

A. The State Health Plan

COMAR 10.24.01.08G(3)(a) State Health Plan.
An application for a Certificate of Need shall be evaluated according to all relevant State Health Plan standards, policies, and criteria.

The relevant State Health Plan chapter to be considered in the review of this project is COMAR 10.24.07, State Health Plan for Facilities and Services: Overview, Psychiatric Services, and Emergency Medical Services ("Psychiatric Services Chapter"). Many of the standards in the Psychiatric Services Chapter have become obsolete over time because of changes in the use of psychiatric hospital beds and changes in the role and scope of State psychiatric hospital facilities that have occurred since the regulations were last updated in the late 1990s. This section reviews standards that are still relevant and applicable.[5]

Also, among the still-relevant and applicable standards are several that prescribe policies, facility features, and staffing and/or service requirements that an applicant must meet or agree to meet prior to first use. Staff has reviewed the CON application and confirmed that the applicant provided information and affirmations that demonstrate the its proposed introduction of an acute inpatient adolescent psychiatric service program complies with these standards:

AP2a:	Written procedures for providing psychiatric emergency inpatient treatment
AP3a:	Array of services
AP4b:	Physical separations and clinical/programmatic distinctions
AP5:	Availability of services
AP6:	Quality assurance programs, program evaluations, and treatment protocols
AP12a:	Supervision by a psychiatrist
AP12b:	Staffing requirements
AP12c:	Staffing requirements for child and adolescent services
AP13:	Discharge planning

The text of these standards can be found in Appendix 3.[6] Staff has confirmed that the application provided information and affirmations demonstrating that the proposed project complies with these standards, concluding that it will operate with appropriate procedures for:

- Providing psychiatric emergency inpatient treatment;
- Screening and evaluating patients' psychiatric problems on intake;
- Admitting patients;
- Arranging for transfer of patients when appropriate; and
- Planning for the discharge of patients with appropriate referral for post-hospital

[5] Standards AP 1a through AP 1d and AP 10 are outdated and no longer applicable.
[6] The applicant's responses to these standards can be found between pages 15 and 22 of the CON application and in UMMC's response to completeness questions on the application. Specific docket item and page numbers for responses to each standard are referenced in Appendix 3. The application can be found on the MHCC website at: https://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/hcfs_con_umm_psych.aspx

treatment.

UMMC also demonstrated that it will:

- Provide the minimally-required array of services, which includes drug therapy, individual psychotherapy, group therapy, family therapy, social services, and adjunctive therapies, such as occupational and recreational therapies;
- Provide appropriate physical separation for age-specific patient populations; and
- Maintain separate written quality assurance programs, program evaluations and treatment protocols for the adult, adolescent, and child patient populations it plans to serve.

Finally, the applicant has demonstrated it will appropriately staff the new program, i.e.:

- Clinical service provision will be supervised by a qualified psychiatrist;
- The hospital's staff will include therapists for patients without a private therapist and aftercare coordinators to facilitate referrals and further treatment; and
- Staff with training and experience in adolescent acute psychiatric care will be employed for this specialty program.

Standard AP 2b

Any acute general hospital containing an identifiable psychiatric unit must be an emergency facility, designated by the Department of Health and Mental Hygiene to perform evaluations of persons believed to have a mental disorder and brought in on emergency petition.

UMMC states that it is an emergency facility that is designated by the Maryland Department of Health to perform evaluations of persons believed to have a mental disorder and brought to UMMC on an emergency petition. (DI #2, p. 15).

Staff concludes that the applicant meets the requirements of this standard.

Standard AP 2c

Acute general hospitals with psychiatric units must have emergency holding bed capabilities and a seclusion room.

UMMC states that the design for the proposed facility includes seclusion rooms. In addition, the applicant notes that its Pediatric Emergency Department includes an emergency holding area. (DI #2, pp. 16, 37).

Staff concludes that the applicant meets the requirements of this standard.

Standard AP 3b

In addition to the services mandated in Standard 3a, inpatient child and adolescent acute psychiatric services must be provided by a multidisciplinary treatment team which provides services that address daily living skills, psychoeducational and/or vocational development, opportunity to develop interpersonal skills within a group setting, restoration of family functioning and any other specialized areas that the individualized diagnostic and treatment process reveals is indicated for the patient and family. Applicants for a Certificate of Need for

child and/or adolescent acute psychiatric beds must document that they will provide a separate physical environment consistent with the treatment needs of each age group.

UMMC responded to this standard by stating that its multidisciplinary treatment team develops an Individualized Treatment Plan ("ITP") designed to address: daily living skills; psychoeducational and/or vocational development; development of interpersonal skills within a group setting; restoration of family functioning; and any other specialized areas that are indicated for the patients and family. A patient's ITP is reviewed daily and adjusted to meet the treatment goals as they evolve through the course of the patient's stay. (DI #2, p. 17).

UMMC also documented that its proposed unit will include physical barriers and staff procedures and protocols designed to keep the populations appropriately separated. (DI #2, p. 17; DI #10, pp. 1, 2).

Staff concludes that the applicant meets the requirements of this standard.

Standard AP 3c

All acute general hospitals must provide psychiatric consultation services either directly or through contractual arrangements.

The applicant stated that psychiatric consultation services are provided directly through University of Maryland Psychiatric Department psychiatrists and residents. (DI #2, p. 17).

Staff concludes that the applicant meets the requirements of this standard.

Standard AP 4a

A Certificate of Need for child, adolescent or adult acute psychiatric beds shall be issued separately for each age category. Conversion of psychiatric beds from one of these services to another shall require a separate Certificate of Need.

UMMC's application seeks to expand its acute inpatient psychiatric program to include adolescents.

Staff concludes that the applicant meets the requirements of this standard.

Standard AP 7

An acute general or private psychiatric hospital applying for a Certificate of Need for new or expanded acute psychiatric services may not deny admission to a designated psychiatric unit solely on the basis of the patient's legal status rather than clinical criteria.

UMMC states that its admission criteria for psychiatric inpatients are based on the availability of appropriate clinical programming for the patient's needs and that patients are not denied admission based on legal status. In particular, UMMC accepts involuntary admissions based upon emergency petitions, regardless of the legal status of the person for whom emergency admission is sought. (DI #2, p. 19).

Staff concludes that the applicant meets the requirements of this standard.

Standard AP 8

All acute general and private freestanding psychiatric hospitals must provide a percentage of uncompensated care for acute psychiatric patients which is equal to the average level of uncompensated care provided by all acute general hospitals located in the health service area where the hospital is located, based on data available from the Health Services Cost Review Commission for the most recent 12-month period.

Citing HSCRC data, UMMC states that its facility-wide rate of uncompensated care ("UCC") in FY2017 (latest year for which comparable data was available) was 4.35%, and 4.9% for its psychiatric patients, compared to an aggregate rate of 4.17% for hospitals in its identified service area. (DI #2, pp. 19, 20).

Staff notes that HSCRC does not disaggregate UCC totals by service line. Thus, an applicant can only be measured based on its aggregate level of UCC compared to other hospitals' aggregate UCC. Staff concludes that the applicant meets the requirements of this standard.

Standard AP 14

Certificate of Need applications for either new or expanded programs must include letters of acknowledgement from all of the following:

- ***(i) the local and state mental health advisory council(s);***
- ***(ii) the local community mental health center(s);***
- ***(iii) the Department of Health and Mental Hygiene; and***
- ***(iv) the city/county mental health department(s).***

Letters from other consumer organizations are encouraged.

UMMC submitted letters acknowledging awareness of and support for UMMC's proposed project from the Secretary of the Maryland Department of Health, the Baltimore City Commissioner of Health at the time of the application submission, and from the President and CEO of Behavioral Health System Baltimore, Inc. ("BHSB").[7] As previously noted, other letters of support were received from a Baltimore City Council member, the Union Baptist Church, Baltimore City Public schools, and the Baltimore Area Health Education Center. (DI #2, p. 23 and Exh.6).

Staff concludes that UMMC meets this standard.

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[7] In an August 7, 2018 letter, Crista Taylor, President and CEO of BHSB stated:

> BHSB, the local behavioral health authority for Baltimore City, is a non-profit agency established by the City to manage the public behavioral health system. In this capacity, BHSB oversees a network of predominantly private, non-profit providers that deliver services to over 68,000 Baltimore City residents. BHSB partners closely with Baltimore City and the State of Maryland to build an efficient and responsive system that comprehensively addresses mental illness and substance use and meets the needs of the whole person.

B. Need

COMAR 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.

Adolescent Population in the UMMC Service Area

UMMC defined a service area for this project based on the origin of 80% of its current child psychiatric admissions. As noted in Table IV-1, below, this service area consists of four jurisdictions. UMMC presented population projections showing that the adolescent population, persons aged 13 to 17, of this area will be approximately 148,000 in 2024, projected growth of about 4% when compared with a 2019 projection. Within this defined service area, Baltimore City is expected to have the largest growth (6.2%) in this age group, while Howard County is projected to experience a slight (0.1%) decline in its adolescent population.

Table IV-1: Adolescent Population Estimates and Projections
UMMC Child Psychiatric Service Area (80% Relevance)
2016-2024

	Estimate			Projection						
	2016	2017	2018	2019	2020	2021	2022	2023	2024	Change 2019-24
Anne Arundel	35,732	35,611	35,405	35,855	36,238	36,621	37,004	37,387	37,769	5.3%
Baltimore City	34,361	34,157	33,271	33,048	33,461	33,874	34,287	34,700	35,113	6.2%
Baltimore County	50,289	50,327	50,030	50,502	50,841	51,180	51,519	51,858	52,197	3.4%
Howard	23,198	23,223	23,215	23,508	23,504	23,499	23,494	23,489	23,488	-0.1%
Total Service Area	**143,580**	**143,318**	**141,921**	**142,913**	**144,044**	**145,174**	**146,304**	**147,434**	**148,567**	**4.0%**

Source: Claritas, July 2018 (DI #3, p. 44).

Projected Adolescent Discharges from the UMMC Service Area

Table IV-2, below, shows the projected volume of adolescent discharges from UMMC's defined service area. The applicant states that it calculated the use rate using actual total age 13-17 discharges obtained from the HSCRC Discharge Data Base for 2016, 2017, and 2018 (9 months annualized). Projections for 2019-2024 held the calculated 2018 use rate constant.

Table IV-2: Actual and Projected Adolescent Psychiatric Service Area Discharges
2016-2024

	Actual		Projection						
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Population Aged 13-17	143,580	143,318	141,921	142,913	144,044	145,174	146,304	147,434	148,567
Use Rate*	16.9	16.3	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Discharges	2,432	2,336	2,198	2,213	2,231	2,248	2,266	2,283	2,301

*Discharges per thousand population. Source: DI #8, Table 4.

UMMC presented data showing that, while overall adolescent psychiatric discharges from

the four-county defined service area declined by almost 12% between FY 2016 and FY 2018, discharges from general acute care hospitals held steady (up about 1.2%). The overall decline in discharges was the result of a 17% drop at Sheppard Pratt Hospital, the region's (and the State's) largest provider of adolescent psychiatric hospital services.

Table IV-3: Adolescent Psychiatric Hospital Discharges Defined Service Area, FY2016 - FY2018

General Hospitals	FY2016	FY2017	FY2018
The Johns Hopkins	350	306	379
MedStar Franklin Square	311	268	277
UMMC	8	10	13
UMMC Midtown	-	-	5
Anne Arundel	-	-	3
Johns Hopkins Bayview	-	2	-
UM St. Joseph	-	3	-
Sinai of Baltimore	-	1	-
Total	669	590	677
Special Psychiatric Hospitals	**FY2016**	**FY2017**	**FY2018**
Sheppard Pratt	1,659	1,618	1,373
TOTAL ALL HOSPITALS	**2,328**	**2,208**	**2,050**

Source: DI #8, Table 5.

Need/Demand Projection for UMMC's Proposed Inpatient Adolescent Psychiatric Program

UMMC built its need projection by summing several patient streams: UMMC Pediatric Emergency Department patient demand; transfers from a UMMC general pediatric bed; outpatient adolescent care direct admissions; and UMMS affiliate hospital patient demand. Each of these streams is described below, and summarized in Table IV-5, *infra*, p. 12.

UMMC Pediatric Emergency Department Patient Demand: In 2017 and 2018, UMMC identified an average of 132 adolescent patients per year who were treated in its Pediatric ED who were transferred to another hospital for psychiatric services or could have benefited from such a transfer. That number averaged 131.5. See Table IV-4, *infra*, p. 12.

Transfer from a General Pediatric Bed: UMMC identified 20 adolescent patient transfers from its general pediatric floor for psychiatric hospital services in 2018 that occurred following treatment of medical conditions. It notes that there were extensive wait times associated with these patients because inpatient psychiatric beds were not available.

Outpatient Adolescent Care Direct Admissions: UMMC provided data on admissions for adolescent psychiatric hospital care from the University of Maryland Child & Adolescent Psychiatry faculty physician practices, stating that approximately 40 patients per year are admitted through direct admissions from these practice and other consultations across UMMC. As with patients treated in the Pediatric ED, many had extensive wait times for admission.

UMMS Affiliate Hospital Patient Demand: Finally, the applicant stated that two UMMS-affiliated hospitals would benefit from expanded access to inpatient adolescent psychiatric

services. In FY 2018, UM Baltimore Washington Medical Center,[8] in Glen Burnie (Anne Arundel County) treated 469 adolescent patients with psychiatric needs. Of these, 163 patients were transferred to other hospitals. The average wait time for these transferred patients was more than 12 hours. UM St. Joseph Medical Center, in Towson (Baltimore County), treated 97 adolescent patients with psychiatric needs in its emergency department during FY 2018. Of these, 37 patients were transferred to hospitals for psychiatric care. The average wait time for these transferred patients was more than 24 hours. UMMC estimates that 25% of these adolescent psychiatric patients would be redirected to UMMC's proposed inpatient adolescent psychiatric service. UMMC states that this percentage is similar to the current transfer rate of pediatric patients from the two hospitals.

Anecdotal Demand Forecast Not Linked to Any Observed Use of Beds by a Defined Patient Population: UMMC added an increment (accounting for about 11% of its total forecast) of admissions that it states it estimated based on "conversations with faculty who conveyed communications they had with other providers in the market." (DI #8, pp. 5-6).

Table IV-4: Adolescents Treated in UMMC Pediatric ED with Primary or Secondary Psychiatric Diagnosis FY 2017 and FY 2018

Patient Description	2017	2018
Treated in Pediatric ED	585	873
Transferred to inpatient psychiatric facility	118	70
Patients not transferred due to delay in transfer to another hospital*	30	45
Eligible for inpatient care	148	115

Source: DI #2, pp. 45-46.

*UMMC states that these patients waited for a bed in the Pediatric ED for between two and eleven days and would have benefited from an inpatient bed if one could have been secured. Instead, these patients were stabilized in the Pediatric ED until it was medically safe to discharge them with outpatient psychiatric support services.

Based on the market and program assumptions outlined above, UMMC projects 271 admissions of adolescents for psychiatric care the first year of operation of its adolescent psychiatric unit and a gradual increase in demand over the first five years of operation, as shown in Table IV-5, below. Approximately 48% of projected admissions are expected to originate from UMMC's Pediatric ED.

Table IV-5: Projected Adolescent Psychiatric Admissions Proposed UMMC Adolescent Psychiatric Service

Source of Admission	Year 1	Year 2	Year 3	Year 4	Year 5
UMMC Pediatric ED	130	131	132	133	134
UMMC General Acute Pediatric Unit Following Treatment	20	20	20	20	21
UM Outpatient Clinics	41	41	41	42	42
Two UMMS-Affiliate Hospitals in the Service Area	50	50	51	51	52
Anecdotal Demand Forecast	30	30	31	31	31
Total Admissions	271	272	275	277	280

Source: DI #2, Table 6, pg. 47.

UMMC based its projected average length of stay ("ALOS") of 8.6 days on the adolescent psychiatric patient ALOS observed at The Johns Hopkins Hospital and MedStar Franklin Square

[8] UM Baltimore Washington Medical Center operates an adult inpatient psychiatric unit.

Medical Center over the past two years. Using this ALOS assumption, it calculated projected patient days and average daily census in the adolescent unit. It applied an average annual bed occupancy rate assumption of 85% to project the number of beds needed.

UMMC projects a need for eight adolescent beds. The calculation is illustrated in Table IV-6, below.

Table IV-6: Need for Adolescent Psychiatric Beds Based on Forecasted Demand

	Year 1	Year 2	Year 3	Year 4	Year 5
Projected Discharges	271	272	275	277	280
Average Length of Stay (Days)	8.6	8.6	8.6	8.6	8.6
Projected Patient Days	2,331	2,339	2,365	2,382	2,408
Occupancy Rate Assumption	85%	85%	85%	85%	85%
Projected Bed Need	7.5	7.5	7.6	7.7	7.8

Source: DI #2, Table 7, p. 48.

UMMC states that "[t]here is increasing demand among the adolescent population that will exacerbate the shortage of inpatient beds in the State of Maryland and Nationwide," citing rising rates of teen depression and suicide rates, increased exposure to violence, and better identification of mental health needs in the school system as the sources of increased demand.[9]

Staff concludes that the applicant has demonstrated unmet needs of the adolescent population it proposes to serve and that the proposed project will meet those needs.

[9] UMMC's application provided the following statistics and sources:

- Adolescent suicide rates are increasing. According to the Center for Disease Control and Prevention ("CDC"), the suicide rate for males age 15-19 increased 31% from 2007 to 2015. The rate for females doubled from 2007 to 2015 and was the highest since tracking began in 1975. (https://www.cdc.gov/mmwr/volumes/66/wr/mm6630a6.htm)
- Depression and anxiety are on the rise due to bullying. According to the CDC, 18.2% of Maryland high school students have been bullied on school property and 14.1% have been bullied through electronic means. (https://nccd.cdc.gov/YouthOnline/App/Results.aspx?LID=MD)
- Exposure to violence. According to the Baltimore City Health Department, 30 percent of children in Baltimore City have Adverse Childhood Experience (ACE) scores of 2 or more, meaning that they have experienced more than two incidences of events such as domestic violence, living with someone with an alcohol/drug problem, the death of a parent, or being a victim/witness of neighborhood violence. (https://health.baltimorecity.gov/state-health-baltimore-winter-2016/state-health-baltimore-white-paper-2017)
- Identification of social/emotional and mental health needs in the school system is increasing the demand for adolescent mental health services. While at the same time, the stigma of seeking care is decreasing. As the stigma of mental illness decreases, more people will seek care for themselves and family members.

(DI #8).

C. Availability of More Cost-Effective Alternatives

COMAR 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.

There are no facilities that have submitted competitive applications. There are a limited number of alternative providers of acute adolescent inpatient psychiatric care in the Baltimore area. UMMC states that, for many years, it has faced challenges it has faced in managing adolescent behavioral health patients who present to the UMMC Pediatric ED ("PED") and require inpatient care. It states that its

> practice has been to hold the patient under the supervision of a sitter or, in the case of a violent patient a security guard, in the PED pending admission to an available bed in the region. Because of the scarcity of inpatient adolescent acute behavioral health beds, the time between the decision to admit and admission is rarely quick and often can last many days. During the wait, the patient is monitored, but does not receive the behavioral health care she/he will receive in the inpatient setting. Moreover, holding an adolescent patient who needs inpatient behavioral health care in the emergency room is stressful on the PED staff and diverts PED resources from their primary mission. The PED is not an appropriate facility for holding an adolescent in a behavioral health crisis for more than a few hours. (DI #2, p. 50).

UMMC states that there are no viable population health alternatives to be employed to manage an adolescent who is in a behavioral health crisis that needs inpatient treatment. It notes that the UMMC department of psychiatry

> operates a very robust community focused and community based behavioral health program, [and that] [p]atients who can be managed in an outpatient and community-based system are being managed that way. This proposal is for those conditions that cannot be managed via a population health alternative. Their condition requires inpatient treatment until the acute phase is past after which the patient will be returned to a community-based system of care. (DI #2, p. 50).

UMMC describes several reasons that it believes its proposal is the most cost-effective approach to meeting the need for an inpatient resource.

- The PED at UMMC Downtown is the primary intake point for children and adolescents in crisis. Locating the acute inpatient psychiatric facility at the same location as the rest of the acute care continuum is the best clinical practice, as patients and families will not have to cope with the disruption of a transfer;

- The space proposed for renovation is currently vacant, and UMMC states that it is the only area of the approximate size required that is vacant at UMMC. Using vacant space

enables the creation of the unit without displacing any occupants and incurring the added disruption and expense of enabling a move. It also allows the existing program to continue undisturbed while the new unit is constructed;

- The proposed location is located near the existing behavioral health unit, which reduces costs for servicing the entire behavioral health program's needs for food service, environmental services, materials management, and security; and

- Collocating the child and adolescent programs avoids the duplication of staff and facilities that would be necessary if there were two separate units. This is best for staff members involved in many different aspects of child and adolescent behavioral health care and enhances efficiency in delivering services.

(DI#2, pp.32, 33).

Staff recommends that the Commission find that the applicant has met the requirements of this criterion.

D. Viability of the Proposal

COMAR 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.

Availability of Resources Necessary to Implement the Project

The estimated cost of the project is $9,580,000. It will be funded with cash. The applicant provided audited consolidated financial statements of the University of Maryland Medical System Corporation and its Subsidiaries, which demonstrated the availability of the cash reserves needed. The statements indicated a strong balance sheet and profitability of the hospital and the health system.

The project budget estimate is provided in Appendix 2.

Availability of Resources Necessary to Sustain the Project

As previously noted, this project involves renovations that will create a new psychiatric unit at UMMC that combines its existing program providing inpatient child psychiatric services with a new program for inpatient adolescent psychiatric services. The following Table IV-7 summarizes key projections for this combined child/adolescent unit during the first three years during which it is anticipated that this unit will be in operation.

Table IV-7: Key Operating Projections
Proposed UMMC Child/Adolescent Psychiatric Service

	FY2021	FY2022	FY2023
Discharges	734	737	739
Patient-Days	4,712	4,738	4,755
Net Patient Revenue	$12,446,037	$12,806,972	$13,178,374
Total Operating Expenses	$6,961,338	$7,136,301	$7,316,266
Net Income	$5,484,699	$5,670,672	$5,862,108

Source: DI#2, Table K and DI#10 Table F

Staff believes that the utilization projections provided by UMMC are reasonable and the revenue and expense projections used in modeling performance of its inpatient psychiatric services are reasonable. See discussion of COMAR 10.24.01.08G(3)(b) regarding the need criterion, *supra*, page 12, Table IV-5.

MHCC requested that the Health Services Cost Review Commission ("HSCRC") review the financial projections provided in the CON application and subsequent filings, and advise MHCC whether the project is financially feasible. The memo from HSCRC staff states that UMMC has sufficient funds for the proposed project, and noted that it would not be recommending an increase to UMMC's GBR for the proposed project, as the Hospital has represented that it will not need or request an increase in its GBR for new revenue related to the addition of the adolescent psychiatric patient days and the apparent decrease in adult psychiatric patient days commensurate with the opening of the adolescent psychiatric unit. Staff expressed some concern that projected utilization might be overly optimistic, and also opined that additional outpatient psychiatric services in Baltimore City might better address community needs.

Community Support

As previously noted, UMMC submitted a number of letters supporting this proposed project

Staff concludes that UMMC has the available resources to initiate and successfully sustain this proposed project and recommends that the Commission find the project to be viable.

E. Compliance with Conditions of Previous Certificates of Need

COMAR 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.***

UMMC reports that it 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 project that it states that it completed in compliance with the conditions of the CON. It also reports that it received a CON in 2001 for the construction of an ambulatory services building, but

subsequently relinquished the CON and did not complete the project. It notes, however, that it did expend substantial funds in constructing the below-grade parking garage component of that project.

Staff recommends that the Commission find the applicant has demonstrated compliance with the terms and conditions of previously awarded Certificates of Need.

F. Impact on Existing Providers and the Health Care Delivery System

COMAR 10.24.01.08G(3)(f): Impact on Existing Providers.
An applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the service area, 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.

Impact on Other Providers in the Service area

UMMC stated that it transfers most of its psychiatric adolescent patients requiring admission to the Psychiatric Institute of Washington, Sheppard Pratt Health System and MedStar Franklin Square Hospital. (DI #2, p. 54). UMMC used this transfer information to project the impact of its introduction of adolescent psychiatric services on other hospitals and presented the data shown in Table IV-8, below, to illustrate the expected impact.

Table IV-8: Projected Impact on Other Providers of Acute Inpatient Psychiatric Services

Hospital			Projected Discharges Shifting to UMMC				
	FY2018 Adolescent Psychiatric Discharges*	Impact**	Year 1	Year 2	Year 3	Year 4	Year 5
Sheppard Pratt Health System	3,315	2.5%	83	83	84	85	85
Psychiatric Institute of Washington	NA	NA	102	103	104	105	106
MedStar Franklin Square	336	10.5%	35	35	35	35	36
Johns Hopkins	489	0.2%	1	1	1	1	1
Other hospitals	684	2.9%	20	20	20	20	20
Total	4,824	5.1%	241	242	244	246	248

* Annualized based on 9 months.
**Average proportion of FY 2018 discharges shifting to UMMC projected during first five years of operation.
Source: HSCRC discharge database and DI #8, Table 8.

The largest projected impact is on the Psychiatric Institute of Washington, which is outside UMMC's defined service area for the proposed service. Locally, Sheppard Pratt and MedStar Franklin Square are projected to experience the greatest impact. UMMC characterizes the financial impact on these providers as minimal and states that the financial viability of these affected institutions would not be compromised.

Impact on geographic and demographic access to services

UMMC states that treating these patients at UMMC would improve access, as it would allow patients to remain in state and improve family engagement. UMMC points out that the families of many of these patients have difficulty traveling to visit their loved ones.

Impact on costs to the health care delivery system

UMMC states that it is not requesting an adjustment to its budgeted revenue in connection with the proposed project and "will charge its approved unit rates for services provided to adolescent psychiatric inpatients. As a result, UMMC's total charges per unit of service provided should decrease." (DI #2, p. 55).

Staff concludes that the likely impact on other providers of this project, while not insignificant, do not provide a basis for rejecting the introduction of acute adolescent services at UMMC, given the benefits the project appear to provide in terms of more timely delivery of needed care and access. The project should enable UMMC to deliver both child and adolescent psychiatric services more efficiently. The project will not have a negative impact on cost or charges for adolescent psychiatric hospital services. Staff recommends that the Commission find that the impact of this project is, on balance, positive.

V. SUMMARY AND STAFF RECOMMENDATION

UMMC proposes to introduce inpatient adolescent psychiatric services and to accomplish this by renovating space at the hospital to create a combined child and adolescent unit. The new 16-bed unit would have eight beds each for children and adolescents, with the ability to flex either service based on levels of demand. The project is estimated to cost approximately $9.6 million. As discussed in this Staff Report, Commission staff concludes that UMMC's proposed project complies with applicable State Health Plan standards and Certificate of Need criteria, is needed, is a cost-effective approach to meeting the applicant's need to modernize and expand inpatient child and adolescent psychiatric services, is viable, and will have a positive impact on the health care delivery system. without adversely affecting other providers of health care service.

For these reasons, based on its review and analysis of the record in this review, Commission staff recommends that the Commission **APPROVE** the application of University of Maryland Medical Center for a Certificate of Need to establish acute inpatient adolescent psychiatric services.

IN THE MATTER OF	*	**BEFORE THE**
	*	
UNIVERSITY OF MARYLAND	*	**MARYLAND**
	*	
MEDICAL CENTER	*	**HEALTH CARE**
	*	
Docket No. 18-24-2429	*	**COMMISSION**
	*	

* *

FINAL ORDER

Based on Commission staff's analysis and recommendations, it is, this 16th day of May 2019, by the Maryland Health Care Commission, **ORDERED**:

That the application of University of Maryland Medical Center for a Certificate of Need to expand its inpatient child behavioral health unit by establishing an eight-bed adolescent inpatient behavioral health unit in renovated space at an estimated total cost of $9,580,000 be, and hereby is, **APPROVED**.

MARYLAND HEALTH CARE COMMISSION

APPENDIX 1

RECORD OF THE REVIEW

Record of the Review

Docket Item #	Description	Date
1	MHCC staff acknowledges receipt of Letter of Intent	6/7/18
2	Certificate of Need Application filed	8/3/18
3	MHCC staff acknowledges receipt of application for completeness review	8/6/18
4	MHCC staff requests the Baltimore Sun to publish notice of receipt of application	8/6/18
5	MHCC staff requests Maryland Register to publish notice of receipt of application	8/6/18
6	Letter of Support for the project from Secretary of the Maryland Dept. of Health	8/2/18
7	Notice as of CON application published in the Baltimore Sun	8/14/18
8	Applicant submits supplement to CON application	11/21/18
9	MHCC staff requests completeness information	1/8/19
10	UMMC submits completeness information	1/30/19
11	Commission staff notifies applicant of formal start of review of the application of review of application will begin 3/29/19	3/11/19
12	MHCC staff requests that the Baltimore Sun publish notice of the formal start of the review	3/11/19
13	MHCC staff requests that Maryland Register publish notice of the formal start of the review	3/11/19
14	MHCC staff requests local Health Department comments	3/11/19
15	Notice of formal start of the review published in the Baltimore Sun	3/15/19

APPENDIX 2

PROJECT BUDGET

Project Budget

Uses of Funds	
Capital Costs	
New Construction	
Building and Fixed Equipment	$0
Renovations	
Building	$7,422,000
Fixed Equipment (not included in construction)	
Architect/Engineering Fees	$600,000
Permits (Building, Utilities, Etc.)	$75,000
Subtotal-New Construction	**$8,097,000**
Other Capital Costs	
Contingency Allowance	$682,000
Movable Equipment	$600,000
Gross Interest During Construction	0
Other	0
Subtotal-Other Capital	**$1,282,000**
Total Current Capital Costs	**$9,379,000**
Inflation Allowance	$146,000
Total Capital Costs	**$9,525,000**
Financing Cost and Other Cash Requirements	
CON Application Assistance	
Legal Fees	$35,000
Other Consulting Fees	$20,000
Subtotal	**$75,000**
Total Uses of Funds	**$9,580,000**
Sources of Funds	
Cash	**$9,580,000**
Total Sources of Funds	**$9,580,000**

(DI #3, Exh. 1, Table E).

APPENDIX 3

EXCERPTED CON STANDARDS FOR PSYCHIATRIC BEDS FROM STATE HEALTH PLAN CHAPTER 10.24.07

EXCERPTED CON STANDARDS FOR PSYCHIATRIC BEDS FROM STATE HEALTH PLAN CHAPTER 10.24.07

Each of these standards prescribes policies, services, staffing, or facility features necessary for CON approval that MHCC staff have determined the applicant has met. Bolding added for emphasis. Also included are references to where in the application or completeness correspondence the documentation can be found.

STANDARD	**APPLICATION REFERENCE (Docket Item #)**
Standard AP 2a All acute general hospitals with psychiatric units must have **written procedures for providing psychiatric emergency inpatient treatment** 24 hours a day, 7 days a week with no special limitation for weekends or late-night shifts.	DI# 2, p.15
Standard AP 3a Inpatient acute psychiatric programs **must provide an array of services.** At a minimum, these specialized services must include chemotherapy, individual psychotherapy, group therapy, family therapy, social services, and adjunctive therapies, such as occupational and recreational therapies.	DI# 2, p.16
Standard AP 4b Certificate of Need applicants proposing to provide two or more age specific acute psychiatric services **must provide that physical separations and clinical/programmatic distinctions are made between the patient groups.**	DI# 2, p.18 DI#10, p. 3
Standard AP 5 Once a patient has requested admission to an acute psychiatric inpatient facility, **the following services must be made available:** (i) intake screening and admission; (ii) arrangements for transfer to a more appropriate facility for care if medically indicated; or (iii) necessary evaluation to define the patient's psychiatric problem and/or (iv) emergency treatment.	DI# 2, p.18
Standard AP 6 All hospitals providing care in designated psychiatric units **must have separate written quality assurance programs, program evaluations and treatment protocols for special populations**, including children, adolescents, patients with secondary diagnosis of substance abuse, and geriatric patients, either through direct treatment or referral.	DI# 2, p.19 DI#10, p. 3

Standard AP 12a Acute inpatient psychiatric services **must be under the clinical supervision of a qualified psychiatrist.**	DI# 2, p. 21
Standard AP 12b **Staffing of acute inpatient psychiatric programs should include** therapists for patients without a private therapist and aftercare coordinators to facilitate referrals and further treatment. Staffing should cover a seven-day per week treatment program.	DI# 2, p.21 DI#10, p. 4
Standard AP 12c Child and/or adolescent acute psychiatric units **must include staff who have experience and training in child and/or adolescent acute psychiatric care**, respectively.	DI# 2, p. 22
Standard AP 13 Facilities providing acute psychiatric care **shall have written policies governing discharge planning and referrals** between the program and a full range of other services including inpatient, outpatient, long-term care, aftercare treatment programs, and alternative treatment programs. These policies shall be available for review by appropriate licensing and certifying bodies.	DI# 2, p. 22 and Exhibits 4 and 5 DI#10, pp. 4 and 5

APPENDIX 4

HSCRC Opinion Letter

Health Services Cost Review Commission
4160 Patterson Avenue, Baltimore, Maryland 21215
Phone: 410-764-2605 · Fax: 410-358-6217
Toll Free: 1-888-287-3229
hscrc.maryland.gov

Memorandum

Date: May 9, 2019

To: Eric Baker, Program Manager, CON, MHCC

From: Gerard J. Schmith
Director, Revenue and Compliance, HSCRC

Subject: University of Maryland Medical Center -- Certificate of Need -- Capital Expenditure for a 16-Bed Child and Adolescent Psychiatric Unit for $9,580,000

At your request, this memo provides our comments regarding the feasibility of a 16-bed child and adolescent psychiatric unit at University of Maryland Medical Center (UMMC, or Hospital) to be built on the eleventh floor of the Hospital. The proposed unit will replace the existing 12 bed child psychiatric unit and will not increase UMMC's total licensed beds.

The budgeted cost for the project is $9,580,000 and will include renovating 13,799 square feet. UMMC presently provides inpatient psychiatric services to children 12 years old and younger. UMMC is proposing to expand its provision of psychiatric services to adolescents from 13 to 17 years old.

On page 55 of the CON application, UMMC states that it will not be requesting an increase in its GBR revenue for the increase in adolescent psychiatric revenue associated with the proposed project. Since UMMC is not requesting an increase in its GBR, UMMC stated that its rates will actually decrease as a result of the proposed project.

General Comments on Financial Feasibility

Data Reviewed

Staff reviewed audited financial statements for the years ended June 30, 2017 and 2018 for UMMC and projected financial statements for the 16-bed unit and the entire hospital for the years ended June 30, 2019 through June 30, 2023 provided as part of the CON application. According to the audited

financial statements for the year ended June 30, 2018, UMMC's parent, The University of Maryland Medical System (UMMS), had an excess of revenues over expenses of $216,837,000 for the year ended June 30, 2018. In addition, UMMS had an operating cash balance of $446,000,000 as of June 30, 2018.

Staff also reviewed the projected financial statements submitted as part of the CON for the project as well as for the entire UMMC facility. Staff has the following observations concerning the projected financial statements for the project and the entire facility:

1. The projected average total charges per patient day for the proposed 16 bed-unit are $2,871 per patient day according to the projected financial statements and projected volumes submitted in the initial CON filing. University's current average charge for psychiatric room and board services only, excluding ancillary services, is $1,556. Patients in psychiatric units typically generate total ancillary charges for drugs, laboratory services, and other ancillaries at an average of $200 to $400 per patient day. Staff believes that the projected average charge per patient day of $2,871 could well exceed the actual charges.
2. In the supplemental information provided, UMMC is projecting that patient days for the entire hospital will remain constant from FY 2017 through FY 2023 at 216,753 total patient days. UMMC is projecting that adult psychiatric patient days will decrease from 6,744 in FY 2019 to 4,380 in FY 2020, a reduction of 2,364 patient days. However, the child and adolescent patient days are projected to increase from 1,984 in FY 2019 to 4,704 in FY 2020, an increase of 2,720 patient days. Although UMMC states in the demand section of the CON application that it will be drawing its patients from existing psychiatric programs at other facilities, staff is concerned that child and adolescent volumes will also be declining as well.
3. No outpatient volumes or revenue is projected for the proposed project despite the statement that UMMC intends to provide an outpatient partial hospitalization program, an intensive outpatient program, and ambulatory clinic services.
4. Staff is concerned that while there may not be a sufficient number of inpatient psychiatric beds in Baltimore City, additional outpatient psychiatric services in Baltimore City could better address the needs of adolescent psychiatric patients.

Sources of Funds

UMMC intends to finance the entire cost of the project through cash reserves. According to UMMC's audited financial statements for the year ended June 30, 2018, the Hospital had $446,000,000 in cash as of June 30, 2018.

HSCRC staff believes that UMMC has sufficient funds for the proposed project, and that the staff and the Hospital will be able to reach agreement on providing rates that are reasonable for the adolescent program. However, staff will not be recommending an increase to UMMC's GBR for the proposed project, since the Hospital has represented that it will not be requesting an increase in its GBR for new revenue related to the addition of the adolescent psychiatric patient days and the apparent decrease in adult psychiatric patient days commensurate with the opening of the adolescent psychiatric unit.