




MARYLAND HEALTH CARE COMMISSION

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TO: Commissioners

FROM: Kevin R. McDonald
Chief, Certificate of Need 

DATE: January 16, 2020

SUBJECT: Conversion of the Edward W. McCready Memorial Hospital into a Freestanding Medical Facility
Docket No. 19-19-EX010

Enclosed is the staff report and recommendation on a request for an exemption from Certificate of Need (CON) filed by Peninsula Regional Medical Center (PRMC) and the Edward W. McCready Memorial Hospital (McCready Hospital) to convert McCready Hospital in Crisfield to a freestanding medical facility (FMF).

The applicants are proposing to eliminate inpatient services at McCready Hospital and establish an outpatient campus providing full-time, hospital emergency department and observation services. The FMF will also offer outpatient primary care and behavioral health services, physical rehabilitation services, and laboratory and imaging services. Peninsula Regional Medical Center will be the parent hospital for the FMF and the two facilities will share a combined global budget.

Peninsula Regional Health System (PRHS), the parent of PRMC, and McCready Foundation, the parent of McCready Hospital, entered into an affiliation agreement in June of 2019 in which PRHS will become the sole corporate member of the McCready Foundation, and each component of McCready Foundation will become participants in PRHS's regional health care delivery system. This agreement, however, is contingent on PRMC and McCready Hospital receiving all regulatory approvals necessary to convert McCready Hospital to an FMF, including approval of this request for exemption from CON review and approval of adequate rate support from the Health Services Cost Review Commission (HSCRC).

The FMF would initially provide services in a portion of the existing hospital facility; meanwhile a new FMF and outpatient facility will be constructed approximately three miles from the present

site. The cost of the project is estimated at \$25,589,254. PRMC will issue bonds to pay for the project.

Based on its review of the consistency of the project with the applicable State Health Plan standards, staff recommends that the Commission **APPROVE** the project with two conditions:

1. Within 120 days of this exemption approving the request for exemption from Certificate of Need filed by Edward W. McCready Memorial Hospital and Peninsula Regional Medical Center for the conversion of Edward W. McCready Memorial Hospital to a freestanding medical facility, Peninsula Regional Health System, Inc. shall become the sole member of the McCready Foundation, Inc.; and
2. Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude \$1,374,274. This figure includes the estimated new construction costs that exceed the Marshall Valuation Service guideline cost and portions of the contingency allowance and inflation allowance that are based on the excess construction cost.

IN THE MATTER OF THE

CONVERSION OF

EDWARD W. MCCREADY MEMORIAL

HOSPITAL TO A FREESTANDING

MEDICAL FACILITY

Docket No. 19-19-EX010

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BEFORE THE

MARYLAND

HEALTH CARE

COMMISSION

STAFF REPORT & RECOMMENDATION

January 16, 2020

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I. INTRODUCTION

A. Background

June 19, 2017 is the effective date of regulations adopted by the Maryland Health Care Commission (Commission) regarding freestanding medical facilities (FMFs). These regulations, COMAR 10.24.19: State Health Plan for Facilities and Services: Freestanding Medical Facilities (FMF Chapter), govern establishment of a freestanding medical facility through Certificate of Need (CON) review or, for the conversion of an acute general hospital to an FMF, through an exemption from CON review. An FMF is a type of health care facility that was first established in Maryland by a legislatively-approved pilot project in 2005.¹ Four FMFs currently exist in Maryland and the Commission granted an exemption from CON for the establishment of a fifth FMF in 2019.

A freestanding medical facility is an outpatient health care facility that: (a) provides medical and health care services; (b) is an administrative part of an acute care general hospital; (c) is physically separated from the hospital or hospital grounds; (d) operates 24 hours a day, seven days a week; (e) complies with the provisions of the Emergency Medical Treatment and Active Labor Act² and the Medicare Conditions of Participation; (f) has the ability to rapidly transfer complex cases to an acute care general hospital after the patient has been stabilized; (g) maintains adequate and appropriate delivery of emergency medical care within the statewide emergency medical services system as determined by the Maryland State Emergency Medical Services Board; and (h) may provide observation services. COMAR 10.24.19.05B(8). The FMF model created in Maryland is commonly called a “freestanding emergency center” in other states.

In 2016, Maryland law was amended to permit an acute general hospital that is part of a multi-hospital system to transition from a general hospital to an FMF through an exemption from CON review, a review process that requires approval by the Commission but, unlike CON review, does not permit interested parties, thereby limiting the possibility for judicial appeal. Transitioning a hospital campus to an FMF campus is similar in important respects to a concept embodied in Maryland law decades ago. The first hospital-successor outpatient campus possibility enacted by the General Assembly was called a “limited service hospital.” No limited service hospitals have been ever established in Maryland. In contrast, creating an FMF as a rate-regulated facility within a hospital system to replace a general hospital is an option that has been proposed four times in the last three years. The Commission approved two of those conversions, one of which, at the former University of Maryland Laurel Regional Hospital, is in Phase One of its transition. This is the third proposed conversion before the Commission for final action and the fourth proposed conversion is still under staff review.

¹ For the first ten years following creation of FMFs operated only as pilot projects, subject to study by MHCC and subsequent legislative action. After legislative changes that became effective in 2015, the establishment of an FMF required CON review. As later noted, 2016 legislation granted the Commission authority to issue an exemption from CON for the conversion of an acute general hospital to an FMF.

² Known as EMTALA, 42 U.S.C. §1395.

B. The Applicants

The Edward W. McCready Memorial Hospital (McCready Hospital) is a general hospital with three licensed medical/surgical beds located in Crisfield. It is the only hospital in Somerset County and was founded in 1919. The McCready Foundation, Inc. (McCready Foundation) owns and operates the hospital, which shares a campus with the 76-bed Alice B. Tawes Nursing & Rehabilitation Center, Chesapeake Cove Assisted Living, and an outpatient rehabilitation clinic.

Peninsula Regional Medical Center (PRMC) is a 266-bed acute general hospital, with 225 medical/surgical/gynecological/addictions (MSGA) beds, 20 obstetric beds, eight pediatric beds, and 13 adult psychiatric beds.³ It is located in Salisbury in Wicomico County, which is contiguous to Somerset County. PRMC traces its origins to 1897. It is the Eastern Shore's largest general hospital and offers a full range of services, including neurosurgery, cardiothoracic surgery, joint replacement, emergency/trauma care, wound care, and comprehensive cancer care. PRMC is the tenth largest general hospital in Maryland, based on current licensed acute care bed capacity and the eleventh largest general hospital, based on global budget revenue for rate year 2019. PRMC is a wholly-owned subsidiary of Peninsula Regional Health System, Inc. (PRHS) which also operates physician practices and outpatient facilities in PRMC's service area. Staff notes that PCHS recently acquired Nanticoke Memorial Hospital, a 139-bed hospital roughly 22 miles away in Seaford, Delaware, and is now a two-hospital system.

PRHS and McCready Foundation entered into an affiliation agreement on June 26, 2019. Pursuant to that agreement and, dependent on the Commission's award of the exemption from CON for the conversion of McCready Hospital to an FMF, Peninsula Regional Health System, Inc. will become the sole corporate member of the McCready Foundation, and each component of McCready Foundation will become participants in PRHS's regional health care delivery system. PRHS, under this plan, would continue to operate the Alice B. Tawes Nursing & Rehabilitation Center and the Chesapeake Cove Assisted Living facility. As noted, a condition of the planned affiliation is that PRMC and McCready Hospital receive all regulatory approvals necessary to convert McCready Hospital to an FMF, including approval of this request for exemption from CON review and approval of adequate rate support from the Health Services Cost Review Commission ("HSCRC").

C. The Project

Upon approval, FMF operations will commence in the renamed "McCready Health Pavilion," which will be located in the existing hospital building, requiring only minor capital expenditures (Phase 1). Following construction of a new McCready Health Pavilion at 4660 Crisfield Highway, in Crisfield, the FMF will be relocated to this new facility (Phase 2).

In Phase 1, much of the existing hospital space will be vacated as acute inpatient and surgical services will be terminated. These services will be provided at PRMC or other hospital facilities. Existing outpatient services will be consolidated on the first floor to facilitate efficient

³ The Commission recently awarded PRMC a CON to establish a 15-bed child and adolescent psychiatric service.

FMF operations. The emergency department and behavioral health clinic will remain in their current locations on the first floor. Other clinic services, including physical therapy, speech therapy, and primary care will be consolidated, again on the first floor.

The applicants estimate that it will cost \$133,346 to implement Phase 1 of FMF operations, if the request is approved, in order to create an airborne infection isolation room and modify toilet facilities to remove barriers and ensure compliance with ADA standards.

In their exemption request, the applicants detail Phase 2, which involves the construction of a 23,990 square foot (SF) on a site located three miles from the existing hospital that will house the FMF. The FMF will contain seven emergency treatment spaces, a triage space, and two observation rooms. Non-emergent outpatient services planned for delivery on the new campus include: clinics for primary care; behavioral health services; rehabilitation medicine; diagnostic imaging; and laboratory services.⁴ The applicants state that the proposed FMF will maintain the same level of emergency and observation services currently provided at the Crisfield hospital and will be staffed in accordance with regulations issued by the Department of Health's Office of Health Care Quality (i.e., be staffed at all times by a physician trained in emergency medicine, a sufficient number of registered nurses and other professionals to provide advanced life support, a radiology technologist, and a laboratory technician).⁵ It will also have a full time Administrative Director, who will act as a liaison with PRMC, and a Medical Director, who will provide clinical oversight of McCready Health Pavilion. (DI #8, p.4).

Patients requiring acute inpatient services will be transferred from McCready Health Pavilion to PRMC or other hospitals, as needed, while those requiring observation stays would be transferred only in the event that McCready Health Pavilion's two-bed observation unit is full or the patient's condition deteriorates and warrants transfer to a hospital for admission. Inter-facility transfers will be supported by a dedicated commercial ambulance service.

Phase 2 of the project is projected to take 33 months to complete at an estimated cost of \$25,589,254. Funds for the project will be borrowed, with the sale of bonds by PRMC as the anticipated funding mechanism.

**Table I-1 Proposed McCready Health Pavilion Service Capabilities
Phase 1 - 2020-2023 and Phase 2- Beginning in 2023**

	McCready Health Pavilion operating in McCready Hospital Phase 1	McCready Health Pavilion operating in new facility Phase 2
FMF Emergency Unit	An emergency treatment unit with six treatment spaces including three treatment rooms, an airborne infection isolation room, resuscitation room, and a human decontamination room	An emergency treatment unit with seven treatment spaces including one triage room, three treatment rooms, one resuscitation room, two secure holding rooms, and a decontamination area
FMF Observation Unit	Two-bed observation unit adjacent to the emergency department	Two-bed observation unit adjacent to the emergency department

⁴ See table below.

⁵ COMAR 10.07.081D.

Diagnostic Imaging	A diagnostic imaging suite with X-ray, CT, ultrasound, and a PACS reading room	A diagnostic imaging suite with x-ray and CT
Behavioral Health Outpatient Services	An outpatient behavioral health facility with one group therapy room and three consultation rooms	An outpatient behavioral health area with one group therapy room and two consultation rooms
Outpatient Primary Care Clinic	A clinic with four exam rooms	A clinic with eight exam rooms
Laboratory/Pharmacy Services	A laboratory with specimen collection areas for blood and urine as well as space for selected analyzers	A laboratory with specimen collection areas for blood and urine as well as space for selected analyzers and automated medication dispensing system
Rehabilitation Medicine	Outpatient Rehabilitation Medicine with gym space and two exam/private treatment rooms	Outpatient Rehabilitation Medicine with gym space and two exam/private treatment rooms
Administrative and Staff Support	Administrative staff and support spaces	Administrative staff and support spaces

D. Staff Recommendation

MHCC staff recommends that the Commission approve the request for an exemption from Certificate of Need review to convert the Edward W. McCready Memorial Hospital to a freestanding medical facility that will provide rate-regulated outpatient services including the emergency services required of an FMF and observation services. The basis for this recommendation is the request's compliance with the applicable criteria and standards established for such conversions, as discussed in the body of this report. Commission staff recommends the following conditions:

1. Within 120 days of this exemption approving the request for exemption from Certificate of Need filed by Edward W. McCready Memorial Hospital and Peninsula Regional Medical Center for the conversion of Edward W. McCready Memorial Hospital to a freestanding medical facility, Peninsula Regional Health System, Inc. shall become the sole member of the McCready Foundation, Inc.; and
2. Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude \$1,374,274. This figure includes the estimated new construction costs that exceed the Marshall Valuation Service guideline cost and portions of the contingency allowance and inflation allowance that are based on the excess construction cost.

II. PROCEDURAL HISTORY

Docket Item #	Description	Date
1	Exemption Request	July 30, 2019
2	Request to publish notice of Exemption Request in the <i>Crisfield Times</i>	Aug. 2, 2019
3	Request to publish notice of Exemption Request in the <i>Maryland Register</i>	Aug. 2, 2019
4	Email Correspondence – McDonald to Buck	August 16, 2019
5	MHCC staff requests additional information	August 22, 2019
6	Notice of Public Informational Hearing	September 4, 2019
7	PRMC's response to request for additional information questions of 8/22/19	September 11, 2019
8	PRMC files Modified Exemption request	October 24, 2019
9	Second MHCC staff request for additional completeness information	November 7, 2019
10	MIEMSS's comments and recommendation on proposed exemption	November 15, 2019
11	PRMC's response to request for additional information questions of 8/7/19	December 4, 2019
12	PRMC's addition to response to request for additional information questions of 8/7/19	December 11, 2019
13	MHCC staff request to HSCRC	January 9, 2020
14	HSCRC Opinion	January 10, 2020

III. REQUIREMENTS FOR AN EXEMPTION FROM CON REVIEW

Applicants seeking conversion of an acute general hospital to an FMF must satisfy the following requirements in the FMF Chapter of the State Health Plan, at COMAR 10.24.19.04C:

- (1) A freestanding medical facility created through conversion from a general hospital shall only retain patients overnight for observation stays.**

The applicants state that the proposed freestanding medical facility, McCready Medical Pavilion, will not have the capability to admit or retain patients for overnight hospitalization but will only retain patients for overnight observation stays. (DI #8, p.8). Staff concludes that the applicants have met this requirement.

- (2) Each notice, documentation, or other information regarding a proposed conversion of a general hospital to a freestanding medical facility that is required by Section C of this regulation or by COMAR 30.08.15.03 shall be provided simultaneously to the Commission and to the Maryland Institute for Emergency Medical Services Systems.**

The notice of the proposed conversion of McCready Hospital was provided to both the Commission and MIEMSS on July 30, 2019. Staff concludes that the applicants have satisfied this requirement.

(3) A notice of intent to seek an exemption from Certificate of Need review to convert a general hospital to an FMF shall:

(a) Be filed in the form and manner specified by the Commission, which may require a pre-filing meeting with Commission staff to discuss the proposed project, publication requirements, and plans for a public informational hearing.

(b) Be filed with the converting hospital and its parent hospital as joint applicants;

A notice to seek an exemption from CON review to convert the Edward W. McCready Memorial Hospital from a general hospital to an FMF was filed in a form and manner specified by the Commission. Staff concludes that the applicants have satisfied the requirements of Paragraphs (3)(a) and (b) above.

(c) Only be accepted by the Commission for filing after:

(i) The converting hospital publishes on its website and otherwise makes available to the general public and community stakeholders, at least 14 days before holding a public informational hearing, the hospital's proposed transition plan that addresses, at a minimum, job retraining and placement for employees displaced by the hospital conversion, plans for transitioning acute care services previously provided on the hospital campus to residents of the hospital service area, and plans for the hospital's physical plant and site.

The applicants published notice of the hearing date, time, and location on McCready Hospital's website home page and in the print and electronic versions of *The Daily Times* for no fewer than fifteen days prior to the public hearing. (DI #7, Exh. 13). PRMC also purchased advertisements in the *County Times*, a Somerset County newspaper, which circulates weekly, announcing the date and location of the public hearing. Staff concludes that the applicants have met this requirement.

(ii) The converting hospital, in consultation with the Commission, and after providing at least 14 days' notice on the homepage of its website and in a newspaper of daily circulation in the jurisdiction where the hospital is located, holds a public informational hearing that addresses the reasons for the conversion, plans for transitioning acute care services previously provided by the hospital to residents of the hospital service area, plans for addressing the health care needs of residents of the hospital service area, plans of the hospital or the merged asset system that owns or controls the hospital for retraining and placement of displaced employees, plans for the hospital's physical plant and site, and the proposed timeline for the conversion.

The applicants held a public informational hearing on August 20, 2019 at the Alice B. Tawes Nursing and Rehabilitation Center, located at 201 Hall Highway in Crisfield. The formal hearing lasted approximately 1 hour and 15 minutes. Staff concludes that the applicant has met this requirement.

(iii) Within ten working days after the public informational hearing, the converting hospital provides a written summary of the hearing and all written feedback provided by the general public and from community stakeholders to the Governor, Secretary of DHMH, the governing body of the jurisdiction in which the hospital is located, the local health department and local board of health for the jurisdiction in which the hospital is located, the Commission, and the Senate Finance Committee, House Health and Government Operations Committee, and members of the General Assembly who represent the district in which the hospital is located;

The applicants provided a written summary of the informational meeting to all required recipients on September 4, 2019. (DI #7, Exh. 12). The written summary can be accessed at: https://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/Exemptions/con_exemption_mccready_fmf_ex010_public_hearing_summary_20190904.pdf. Staff concludes that the applicant has met this requirement.

(iv) The State Emergency Medical Services Board has determined that the proposed conversion of the general hospital to an FMF will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system;

The applicants submitted a letter from MIEMSS, dated November 12, 2019, documenting that the State EMS Board “unanimously determined that the proposed conversion of the Edward W. McCready Memorial Hospital to a freestanding medical facility will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system.” That letter is attached as Appendix 1. Staff concludes that this action satisfies Subparagraph (c)(iv) of the standard.

(v) The applicants receive a determination from HSCRC, issued pursuant to COMAR 10.37.10.07-2D, regarding each outpatient service to be provided at the proposed FMF for which the applicants seek rate regulation.

The applicants attached a draft rate order from HSCRC staff rates for the following services:

- Primary care clinic
 - Behavioral Health Clinic
 - Emergency Department Services and Supporting Ancillaries
 - Observation Services and Supporting Ancillaries
 - Infusion
 - Imaging (including Radiography, Computed Tomography, and Ultrasound)
- (DI #7, p. 2).

Attached as Appendix 2 is a written determination from HSCRC staff issuing The staff concludes that the applicants have met this requirement.

(vi) The applicants receive approved rates from HSCRC for each rate-regulated outpatient service at the proposed FMF; and

The applicants documented that HSCRC has approved rates for the initial FMF operation in Phase 1, and state that they do not expect that the HSCRC will approve rates for each rate regulated service to be provided at McCready Health Pavilion in Phase 2 until construction of the facility is complete or nearly complete. The Applicants commit to complying with this standard. (DI #1, p. 9). See Appendix 2. The staff concludes that the applicants have met this requirement.

(vii) The applicants provide any additional information determined by Commission staff as necessary for the notice of intent to seek an exemption to convert to an FMF to be complete.

The applicants complied with all staff requests for information and met this requirement. https://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/hcfs_con_merger_consolidation.aspx (DI #7,11,12).

(4) The Commission shall require that a freestanding medical facility created through the conversion of a general hospital remain on the site of, or on a site adjacent to, the converting general hospital unless:

(a) The converting general hospital is the only general hospital in the jurisdiction or is one of only two general hospitals in the jurisdiction and both belong to the same merged asset system; and

(b) The site is within a five-mile radius and in the primary service area of the converting general hospital.

McCready Hospital is the only general hospital in Somerset County, a jurisdiction with an estimated 2018 population of approximately 26,000. In Phase 1, McCready Health Pavilion will commence FMF operations on the existing hospital campus. The proposed site for Phase 2 is approximately three miles from the existing hospital and within McCready Hospital's primary service area. The staff concludes that the applicants have met this requirement.

(5) The parent hospital shall demonstrate compliance with applicable general standards in COMAR 10.24.10.04A.

There are three applicable general standards in COMAR 10.24.10.04A, (1) Information Regarding Charges, (2) Charity Care Policy, and (3) Quality of Care.

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.**

This standard is intended to ensure that information regarding the average cost for common inpatient and outpatient procedures is readily available to the public and that policies are in place and employees are trained to address charge-related inquiries. The policy must include requirements to post a current list of charges for common inpatient and outpatient services, procedures for responding to requests and inquiries, and requirements for staff training.

The applicants submitted PRMC's Policy and Procedure on Public Disclosure of Charges. The document provides: for the provision of information on charges for hospital services to the public and on hospital internet sites; that it be updated quarterly; that financial counselors are responsible to provide this information to consumers; and that the Patient Financial Services department is responsible to orient and train individuals who will handle this function.

The policy states that "PRMC will provide staff training to ensure that inquiries for its services are appropriately handled." (DI #1, Exh. 3). Charges can be found on PRMC's website at <https://www.peninsula.org/sites/default/files/july-19-price-per-unit-published.xlsx>.

Staff concludes that the applicants have met this standard.

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. COMAR 10.24.10 10

- (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.**

The applicants provided PRMC's charity care policy, which provides that a determination of probable eligibility will be made within two days of a request for charity care services. Staff notes that PRMC's policy provides that it will take information needed to make a determination of probable eligibility over the telephone. The policy also states that it will publish notice of the availability of financial assistance on a yearly basis in their local newspapers; post notices of its availability at appropriate intake locations as well as in the billing office; and insert a plain language summary in the patient's admissions packet. The applicants also provided a copy of PRMC's plain language summary, which staff verified has the required attributes. (DI #8, Exh. 4). PRMC states that notices regarding the availability of financial assistance are posted in all registration areas and are available in English and Spanish. (DI #8, Exh. 4). The applicants state that written documentation of financial need is only requested after preliminary determination of eligibility is made. (DI #11, p.1).

Staff concludes that the applicants have met this standard.

(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.

According to HSCRC's FY 2017 Community Benefit Report, both PRMC and McCready Hospital placed in the 2nd quartile for provision of charity care. PRMC reported provision of charity care valued at \$8.3 million (1.92% of total operating expenses) and McCready Hospital reported provision of charity care valued at \$307,205 (1.85%). The average for all general hospitals in Maryland was 1.8%. (DI #8, pp. 16-18). Staff concludes that the applicants have met this standard.

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.**

The applicants provided documentation that PRMC is: (i) licensed in good standing with the Maryland Department of Health; (ii) accredited by the Joint Commission; and (iii) is in compliance with the conditions of participation of the Medicare and Medicaid programs. (DI #7, Exh. 14). Staff concludes that the applicants have met this standard

(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.

Staff notes that Paragraph (b) of this standard has become outdated in recent years, as currently written. There is still a Maryland Hospital Performance Evaluation Guide (HPEG), which is the hospital consumer guide component of the MHCC website. Quality measures are included as a component of that guide. However, since this standard was adopted, the HPEG has been substantially expanded to include many more measures of hospital quality and performance. Moreover, the specific format of the quality measure component of the HPEG no longer consists of a set of measure values that conform with the format of this standard in which each measure is scored as a compliance percentage that can be ranked by quartile. The performance for most of the expanded number of quality measures is now in a comparative context, expressed as “Below Average,” “Average,” or “Better than Average”.

The applicants state that McCready Health Pavilion will be a provider-based department of PRMC. Commission staff examined the latest results for PRMC as reported on the Commission’s website and found that there are currently 72 quality measures for which comparisons among Maryland hospitals can be drawn. Staff found that PRMC rated above average on 22 measures, average on 31 measures, and below average on 12 measures. There were also nine measures for which there was insufficient data to produce a meaningful value. Each measure for which PRMC was rated as less than average was addressed with a corrective action plan. (DI #1, pp. 14-17; DI #11, pp.2-3).

Staff concludes that PRMC has demonstrated substantial compliance with Paragraph (b) of the quality standard by identifying quality measures for which it scored worse than average compared to the other Maryland hospitals and documenting actions being taken to improve performance in those areas.

(6) The applicants shall document that the proposed FMF will meet licensure standards established by DHMH.

The applicants state that McCready Health Pavilion will meet or exceed licensure standards established by the Department of Health. (DI #8, p.22). Staff notes that, in addition to their commitment, each of the applicants currently meets the licensure standards established for hospitals. Staff concludes that the applicants have met this standard.

(7) The applicants shall establish and maintain financial assistance and charity care policies at the proposed freestanding medical facility that match the parent hospital’s policies and that are in compliance with COMAR 10.24.10.

The applicants confirmed that they will implement the same financial assistance and charity care policies at the proposed freestanding medical facility that are in effect at PRMC. The compliance of PRMC, the proposed parent hospital, with the charity care standard was discussed under compliance with COMAR 10.24.10.04A(2) of the Acute Hospital Services Chapter, *supra*, at pages 8-9.

(8) Applicants seeking to convert a general hospital to a freestanding medical facility, in addition to meeting the applicable requirements in 10.24.01.04, shall:

(a) Provide the number of emergency department visits and FMF visits by residents in the converting hospital's service area for at least the most recent five years;

The applicants identified four zip code areas in Somerset County that contributed 85% of the converting hospital's emergency department ("ED") visits in FY 2018, and thus made up the facility's primary service area. The applicants stated that there were 12,585 visits to Maryland hospital emergency departments by residents of this ED service area in FY 2018, a 5.7% increase over FY 2014. (DI #8, p.24). Visits to McCready Hospital's emergency department by residents of its service area over this period declined from 4,506 visits to 4,432 visits (-1.6%).

**Table III-1: Emergency Department Visits by Residents of McCready Hospital's Service Area
FY2014 – FY2018**

Hospital	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2018 Market Share	FY 2014- FY2018 Volume Change
PRMC	4,989	7,761	7,985	8,063	7,717	61.3%	10.4%
McCready	4,506	4,795	4,654	4,652	4,432	35.2%	(1.6%)
Atlantic General	175	137	164	202	171	1.4%	(2.3%)
Johns Hopkins	44	47	26	42	47	0.4%	6.8%
UMSMC at Easton	14	11	33	25	31	0.3%	121.4%
UMSMC at Dorchester	12	35	21	21	22	0.2%	83.3%
UMMC	15	14	21	21	19	0.2%	26.7%
Other	156	139	136	146	146	1.2%	(6.4%)
Total Service Area ED Visits	11,911	12,939	13,040	13,172	12,585	100%	5.66%

Source: DI #8, p. 24.

The applicants state that McCready Hospital's 4,432 emergency department visits by residents of the service area represented 35.2% of the total service area emergency department visits in FY 2018. In total, McCready Hospital had 4,924 emergency department visits in FY 2018 and averaged 5,157 total emergency department visits between fiscal years 2014 and 2018. The applicants also note that PRMC had 7,717 visits from individuals in McCready Hospital's service area in FY 2018, 61% of the total for the service area residents and a 10.4% increase over FY 2014.

Staff concludes that the applicant has met this requirement.

(b) Assess the availability and accessibility of emergent, urgent, and primary care services otherwise available to the population to be served, including information on the number and location of other hospital emergency departments, FMFs, and urgent care centers in the service area of the converting hospital or within five miles of any zip code area in the service area of the converting hospital.

McCready Hospital currently provides emergent, urgent, and primary care services to the residents of Somerset County. (DI #7, p. 1). There are no other general hospitals or FMFs providing emergency medical care in Somerset County. Residents frequently seek care at hospitals or other types of health care facility outside of the county, primarily at PRMC and Atlantic General Hospital.

There are currently two urgent care centers located approximately twenty miles from McCready Hospital. See Table III-2, below. The applicants state that a third urgent care facility, McCready Health Intermediate Care Facility, previously operated by McCready Foundation and located in Princess Anne, closed in 2019 because it was not financially viable. (DI #8, p. 25). The applicants note that the lack of transportation infrastructure in Somerset County compounds the lack of access to emergency care for residents within five miles of zip code areas in the service area of McCready Hospital.

Other primary care providers in the service area include Chesapeake Health Care, which provides adult medicine, pediatric medicine, mental health, and Ob/Gyn services, and Princess Anne Family Medicine, which employs two physicians, both of which are located in Princess Anne. (DI #8, p.26).

Table III-2. Urgent Care Centers in McCready Health Pavilion Service Area

Facility	Type	Location	Distance from McCready
PRMC	Hospital	Salisbury	31.7 miles
Atlantic General	Hospital	Berlin	49.1 miles
Lower Shore Immediate Care	Urgent Care	Princess Anne	20.1 miles
Your Doc's In	Urgent Care	Pocomoke	22.3 miles

Source: DI #8, p. 25.

The applicants state that the limited hours of operation of the urgent care centers in the service area preclude them as an alternative for patients experiencing emergency medical conditions when those facilities are closed, and that approximately 33% of McCready Hospital's emergency department visits take place between the hours of 8 p.m. and 8 a.m., when neither of the two urgent care centers in the service area are open. (DI #8, p. 26). The applicants believe that neither of the urgent care facilities could financially absorb the volume of non-emergent cases currently seen at McCready Hospital given that 54% of ED and outpatient visits to McCready Hospital in 2018 were Medicaid or self-pay patients (DI #8, p. 42).

Staff concludes that the applicants satisfy the information requirements of Paragraph (b) of the standard.

(c) Demonstrate that the proposed conversion is consistent with the converting hospital's most recent community health needs assessment;

The applicants provided the 2017 community health assessment completed by McCready in conjunction with the Business Economic and Community Outreach Network ("BEACON") at Salisbury University and with assistance from the Somerset County Health Department. The assessment identified the following priority community health needs: access to health care; health

care affordability; behavioral health; alcohol and substance abuse; Alzheimer's/dementia; chronic conditions (such as obesity, diabetes, heart disease); and cancer. (DI #1, Exh. 5).

Staff's review suggests that the proposed project is consistent with the community health needs assessment developed for Somerset County. The applicants' plans to convert McCready Hospital to an FMF include plans to address access to care, behavioral health and chronic disease. Co-located in the McCready Health Pavilion will be a primary care clinic, a behavioral health clinic, a laboratory, an imaging facility and a rehabilitation medicine facility. Staff recommends that the Commission find that the proposed FMF complies with this standard.

(d) Demonstrate that the number of treatment spaces and the size of the FMF proposed by the applicant are consistent with the applicable guidance included in the most current edition of *Emergency Department Design: A Practical Guide to Planning for the Future*, published by the American College of Emergency Physicians, based on reasonably projected levels of visit volume.

(i) Demonstrate that the proposed number of treatment spaces is consistent with the low range guidance, unless, based on the particular characteristics of the population to be served, the applicant demonstrates the need for a greater number of treatment spaces.

(ii) Demonstrate that the building gross square footage is consistent with the low range guidance, unless, based on the particular characteristics of the population to be served, the applicant demonstrates the need for additional building gross square footage.

Subparagraphs (d)(i) and (ii) of this standard require that the number of emergency treatment spaces and space proposed for an FMF be consistent with the guidance set forth in *Emergency Department Design: A Practical Guide to Planning for the Future*, published by the American College of Emergency Physicians (ACEP) and commonly referred to as the "ACEP Guidelines." Its two iterations have been incorporated by reference in chapters of the State Health Plan since 2009. The Commission incorporated these ED planning guidelines in the FMF Chapter in order to provide a basis for evaluating the appropriate space and service capacity needs for an FMF, even though the guidelines were specifically developed for hospital ED planning and not for freestanding emergency centers.

The ACEP Guidelines set forth estimates of the number of treatment spaces for a range of projected annual ED visit volumes for emergency departments with low to high range operating characteristics. The position of an ED on the low to high range operational spectrum is determined on the basis of 16 factors such as percentage of admitted patients, length of stay in the ED, location of observation space, percentage of behavioral health patients, percentage of non-urgent patients, and age of patients, as well as the presence of specialty units within the ED. If an ED ranks high on more of the factors, space and treatment capacity should be planned for the number of treatment spaces and square footage called for in the high range estimate for a given volume. If an ED ranks on the low range for more factors, the low range guidance should apply. The ACEP Guidelines also identify medium measures for each factor but not space and the number of treatment spaces.

If the facility ranks in the mid-range for more factors the number of treatment space and the amount of space should fall in between the low and high range.

Table III-3: ACEP Guide Recommendations: Number of ED Treatment Spaces Needed at Various Visit Volume Levels

Annual Emergency Department Visits	Low Range ED		High Range ED	
	Total Treatment Spaces	Annual Visits per Treatment Space	Total Treatment Spaces	Annual Visits per Treatment Space
10,000	8	1,250	11	909
15,000	11	1,364	13	1,154
20,000	14	1,429	16	1,250
25,000	18	1,389	20	1,250

Source: Emergency Department Design - A Practical Guide to Planning for the Future (2nd edition) pp.116-117

Although this table shows both low range and high range values, staff notes that the FMF Chapter specifies that FMFs be outfitted according to the ACEP Guidelines for low range unless, based on the particular characteristics of the population to be served, the applicant demonstrates the need for a greater number of treatment spaces or the need for additional building space.

Between fiscal years 2014 and 2018, McCready Hospital experienced an average of 4,608 emergency department visits per year from its primary service area, and 5,157 total emergency department visits per year. ACEP Guidelines estimate the number of treatment spaces needed to accommodate emergency department visits starting at 10,000 per year. At a level of 10,000 visits per year, the ACEP Guidelines project a “low range” need for eight treatment spaces. With emergency department visits at roughly half the minimum low range guidance level provided, four to five treatment spaces could be imputed as appropriate. McCready Health Pavilion has been designed to have a total of seven emergency department treatment spaces, including one triage room at 140 square feet, three treatment rooms, each at 140 square feet, one resuscitation room at 250 square feet, two secure holding rooms, each being 80 square feet. (DI #8, pp. 31-32).

Need for ED Treatment Spaces

In order to project the number of treatment spaces that would be required, the applicants provided historic and projected ED visit volume for the existing hospital in Crisfield, and projected volume for both Phases 1 and 2 of the FMF. See Table III-4, below. The applicants note that their projections include an expected decline in ED use after implementation of the project. Current guidelines allow for patients of all acuity levels to be taken to McCready Hospital’s emergency department. After conversion, MIEMSS protocols will only permit EMS providers to transport the following classifications of patients to the FMF: (1) priority 1 patients who are in extremis; (2) stable priority 2 patients; (3) all priority 3 patients; and (4) all priority 4 patients. Patients at the highest acuity levels not in need of stabilization will go directly to PRMC.

Table III-4: Actual and Projected ED Visits, McCready Hospital and McCready Health Pavilion

	Actual McCready Hospital					Projected for McCready Phase 1			Projected for McCready Phase 2		
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Visits	5,062	5,405	5,169	5,227	4,924	4,709	4,709	4,709	4,709	4,709	4,709

Source: (DI #1, p. 19 and DI #8, p.34).

The applicants state that:

while a purely mathematical calculation under the ACEP Guide’s may result in a slightly fewer number of emergency department treatment spaces, a certain number of treatment spaces is still required for McCready Health Pavilion to function as an emergency department. To this end, the ACEP Guide states that for ‘extremely small emergency departments’ the ‘patients/examination space is low compared to a larger facility because the few rooms in a very small emergency department allow for little surge capacity or flexibility across the department.’ (ACEP Guide p. 114). Further, there is little additional cost associated with developing three additional treatment spaces and no additional staffing costs.
(DI #7, p. 11)

Emergency Treatment Space

The applicants state that the space allotted for emergency services is 5,107 SF, which includes the 540 SF allocated to the emergency department waiting area. Excluded from this calculation are administrative space, imaging, laboratory, and observation services. Also excluded are other components of McCready Health Pavilion not contemplated by the ACEP Guidelines for an emergency department, including the family medicine primary care clinic, physical therapy services, and outpatient behavioral health services. The ACEP Guidelines do not suggest gross square footage for emergency departments with less than 10,000 visits per year. The size of the McCready Health Pavilion ED is below the low range of what is prescribed for an ED with 10,000 visits per year, and the size of each of the individual components of the ED is in keeping with ACEP Guidelines.

Staff Analysis

ACEP Guidelines outline a number of different types of treatment spaces that should be part of an Emergency department design, including care initiation spaces (triage rooms), general spaces (treatment rooms), isolation rooms, resuscitation rooms, and, depending on the population served, behavioral health secure rooms. Therefore, the realistic minimum number of rooms that an emergency department could have and meet these standards is five, more than the four rooms that would result from a strict adherence to a calculation using ACEP Guidelines for either high or low-range use. The McCready Health Pavilion plans to have three general spaces, which may be necessary to accommodate patients at peak operating hours.

While a strict interpretation of ACEP Guidelines through extrapolation of guideline values (Table III-5) would recommend a low range estimate of 3,108 square feet for an ED with 4,709 patient visits per year, this calculation does not adequately address the space needs of extremely small Emergency Departments. Additionally, the size of individual treatment rooms and service spaces proposed for the McCready Health Pavilion ED fall within ACEP Guidelines.

Table III-5: ACEP Guidelines Recommendations: Number of ED Treatment Spaces Needed at Various Visit Volume Levels

Annual Emergency Department Visits	Low Range ED		High Range ED	
	Total Treatment Spaces	Departmental Gross SF	Total Treatment Spaces	Departmental Gross SF
10,000	8	6,600	11	9,265
15,000	11	9,075	13	11,375
20,000	14	11,550	16	14,000
25,000	18	14,850	20	17,500
ED treatment spaces and building gross square feet needed, according to ACEP Guidelines, for the number of visits projected for the FMF (4,709 by 2024).	4	3,108	11	4,362

Source: Emergency Department Design - A Practical Guide to Planning for the Future (2nd edition) pp.116-117 and Modified Exemption Request. (DI #8).

Summary

Staff has evaluated the methods and results of the applicants' approach to demonstrating consistency with the ACEP guidelines in terms of the number of treatment spaces and building space. Staff's assessment is that both the number of treatment spaces and square footage planned for the FMF exceed the ACEP planning guidance. The standard permits justification of treatment capacity that exceeds the low range guidance "based on the particular characteristics of the population to be served." The applicants state that they have designed the size of the emergency department to accommodate the service area population based on historic utilization trends and operations. They point out that the ACEP Guidelines are described lines as a "starting point" and state that "[t]here's no 'if you see X number of patients in a year, your department should be Y square feet with Z number of patient care spaces. There are too many variables to consider.'" (DI p32, quoting ACEP Guidelines, p. 106).

Despite the simple mathematical calculations that would indicate that the project has been planned with excess capacity when strictly measured against the standards that are based on the ACEP guidelines, staff recommends approval of the proposed conversion. This is a unique situation. First, the scale of this proposed project is so small that the usual planning methodologies, yardsticks, and benchmarks do not necessarily fit well. For example, with such a small number of treatment rooms, a higher proportion of rooms to visits is necessary to accommodate peak usage. Similarly, the low volumes projected for this FMF make it difficult to plan a facility that fits the prescribed building space formula. Second, the proposed FMF conversion. If approved, will be the only available health care for an isolated and economically challenged region with few alternatives. There are no other emergency departments in Somerset County; the closest emergency departments are located at PRMC and Atlantic General Hospital, approximately 30 and 40 miles away, respectively.

Finally, unlike inpatient bed capacity, there is no concern that potential excess FMF emergency treatment capacity would produce overutilization of services, because under Maryland's All-Payer Model, there are no financial incentives for a hospital and its affiliated FMF to increase ED or FMF utilization. Thus, more capacity at the FMF would not induce additional emergency visits, but rather improve throughput at peak times.

Thus, despite the fact that a strict reading of the standard may lead to the conclusion that the proposal includes excess ED treatment spaces and overall ED space, staff recommends that the

Commission find that the proposed FMF is consistent with each of these parts of the standard, based on a judgment that the small scale of the project requires a flexible interpretation of the appropriate building size and number of treatment spaces.

(e) Demonstrate that the proposed number and size of observation spaces for the FMF are consistent with applicable guidance included in the most current edition of *Emergency Department Design: A Practical Guide to Planning for the Future*, published by the American College of Emergency Physicians, based on reasonably projected levels of visit volume and average patient time in observation spaces.

(i) Demonstrate that the FMF will achieve at least 1,100 visits per year per observation space, unless, based on the particular characteristics of the population to be served, the applicant demonstrates the need for a greater number of observation spaces;

In fiscal year 2018, McCready Hospital had 131 observation cases. The average observation length of stay was 22.7 hours, for a total of 124 observation days. At a projected occupancy rate of 70% consistent with COMAR 10.24.11, the Acute Hospital Services Chapter, for a facility with fewer than 50 beds, the applicants project a need for one observation bed at McCready Health Pavilion. See Table III-6, below.

Table III-6. McCready Memorial Hospital Observation Utilization and Bed Need

FY 2018 Observation Cases	131
FY 2018 Observation Hours	2,978
Average Hours per Case	22.73
Observation Days	124
Observation Daily Census	0.34
Occupancy Target	70%
Projected Observation Bed Need	0.49

Source: DI #8, p. 33.

Although the applicants project a need for only one observation bed, they propose to maintain two observation beds at McCready Health Pavilion. They state that not having an additional observation bed could result in unnecessary transfers of patients requiring observation services to PRMC approximately 30 miles away or other hospitals even further away in the event that only a single observation bed at McCready Health Pavilion was occupied. In addition, they state that because the FMF will already have the requisite staff and resources in place there will be no additional operating costs, and minimal initial construction costs.

Staff Analysis

Staff concludes despite the fact that two observation rooms exceeds the ACEP Guidelines, having two observation rooms at the FMF is eminently reasonable because it will prevent unnecessary transfers to PRMC and will involve only minimal initial cost. Staff recommends that the Commission find that the proposed FMF meets the requirements of Paragraph (e) and Subparagraph (i).

(ii) Demonstrate that the size of each observation space does not exceed 140 square feet, exclusive of any toilet or bathing area incorporated into an individual observation space, unless, based on the particular characteristics of the population to be served, the applicant demonstrates the need for larger observation spaces.

Each of the two proposed observation rooms are 120 square feet in size. (DI #8, p. 34).

Staff concludes that the applicants have met this requirement.

(f) Provide utilization, revenue, and expense projections for the FMF, along with a comprehensive statement of the assumptions used to develop the projections, and demonstrate that:

(i) The utilization projections are consistent with observed historic trends in ED use by the population in the FMF's projected service area;

The applicants presented the data shown in Table III-7, below, projecting that usage at the emergency department would remain steady at 2019 levels through FY 2025.

Table III-7: Actual and Projected ED Patient Volume, McCready Memorial Hospital and McCready Health Pavilion FMF

	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Historic McCready Hospital		McCready Health Pavilion Phase 1				McCready Health Pavilion Phase 2		
ED visits	5,056	4,830	4,709	4,709	4,709	4,709	4,709	4,709	4,709
Estimated service area population	22,705	22,861	22,979	22,979	22,979	22,979	22,979	22,979	22,979
Use rate/1,000 population	220.5	211.3	204.9	204.9	204.9	204.9	204.9	204.9	204.9

Source: ED data from DI #8, p. 34.

The usage projections provided by the applicants are consistent with historical trends. Staff concludes that the application meets the requirements of Subparagraph (f)(i).

(ii) The utilization projections for rate-regulated outpatient services under Health-General Article §19-201(d)(ii) and (iv) and COMAR 10.37.10.07-2 are consistent with the observed historic trends by the population in the FMF's projected service area.

The applicants projected volumes for the rate-regulated outpatient services included in this project, including outpatient clinics, imaging, and observation, that are consistent with historic trends. In fact, they projected virtually no growth in demand for those services, with 22,979 patient visits expected each year from 2019 to 2025. (DI #8, p.35). Staff concludes that the application meets the requirements of Subparagraph (f)(ii).

(iii) The revenue estimates for emergency services and other outpatient services specified by the HSCRC under Health-General Article §19-

201(d)(iv) and COMAR 10.37.10.07-2 are consistent with utilization projections and the most recent HSCRC payment policies for FMFs;

The revenue estimates for emergency services and other outpatient services at McCready Health Pavilion were based on Global Budget Revenue (GBR) for the McCready Health Pavilion that was discussed and agreed upon between PRMC and HSCRC staff. The revenue estimates were based on the schedule provided by HSCRC, adjusted for inflation. (DI #8, Exh. 8; DI# 14). Staff concludes that the application meets the requirements of Subparagraph (f)(iii).

(iv) The staffing assumptions and expense projections for emergency services and any other rate-regulated outpatient services under Health-General Article §19-201(d)(ii) and (iv) and COMAR 10.37.10.07-2 are based on current expenditure levels, utilization projections, and staffing levels experienced by the applicant hospital's ED and with the recent experience of similar FMFs; and

McCready Health Pavilion is projected to require 80.6 full time-equivalent (FTE) staff. (DI #8, Exh. L). This figure is based on the operation of the emergency suite 24 hours a day and seven days a week. The applicants state that the remaining direct care FTEs are consistent with current levels and based on current salaries. This projection implies a reduction of 39.6 FTEs resulting from the hospital-to-FMF conversion, in that McCready Hospital has a current staff of 120.2 FTEs. Staff concludes that the applicants meet the requirements of Subparagraph (f)(iv).

(v) Within three years of opening, the combined FMF and parent hospital will generate net positive operating income.

The applicants presented financial performance projections for PRMC and McCready Health Pavilion, the system components affected by this project. They projected a net income of \$19,829,236 for PRMC in 2025 and a net loss of \$3,403,036 for McCready Health Pavilion, resulting in a combined positive net operating income of \$16,426,200. (DI #8, Table H, Revenue and Expenses, Inflated, PRMC; DI #8, Table H, Revenue and Expenses, Inflated, McCready). Staff concludes that the applicants meet the requirements of Subparagraph (f)(v).

(g) Demonstrate that each operating room at the FMF will be utilized at an optimal level within three years consistent with the standards in COMAR 10.24.11 for operating room capacity and needs assessment for dedicated outpatient operating rooms and that the design is consistent with requirements in COMAR 10.24.11 for health care facilities with surgical capacity.

This standard is not applicable. The project does not include outpatient surgical facilities.

(h) Demonstrate that the proposed construction cost of the FMF is reasonable and consistent with current industry cost experience in Maryland, as provided in Regulation .04B(5) of this chapter.

The applicant responded to this standard by providing an analysis of the project construction cost estimate with a benchmark cost based on the Marshall Valuation Service

guidance on hospital costs, given that the facility will be built to hospital standards. Its analysis yielded an adjusted project cost estimate of \$410.28 per SF, \$41.62 (10.1%) above the calculated MVS benchmark cost (\$368.66).

**Table III-8 Calculation of Marshall Valuation Service
Benchmark for McCready Health Pavilion**

Construction Class/Quality	Class A/Good
Number of Stories	1
Square Feet	25,172
Perimeter	780
Average Floor to Floor Height	12.0
Base Cost per SF	\$398.00
Elevator Add On	\$0
Adjusted Cost per SF	\$398.00
Adjustments for Dept. Cost Differences	0.99
Gross Base Cost per SF	\$394.02
Multipliers	
Perimeter Multiplier	0.926
Height Multiplier	1.0
Multi-Story Multiplier	1.0
Refined Cost per SF	\$364.84
Sprinklers	\$3.82
Adjusted Refine SF Cost	\$368.66
Update Location Multipliers	
Current Cost Multiplier	1.02
Location Multiplier	0.98
Final Benchmark MVS Cost per SF	\$368.66

Source: DI#8, pp. 37-41

MVS Department Name	Square Feet	MVS Differential Cost Factor	Cost Factor X SF
Emergency suite	5,096	1.18	6,013
Primary care clinic	2,245	0.99	2,223
Public space	2,000	0.8	1,600
Physical medicine	2,875	1.09	3,134
Laboratories	1,051	1.15	1,209
Radiology	2,200	1.22	2,684
Outpatient behavioral health department	1,226	0.99	1,214
Offices	1,887	0.96	1,812
Service departments	2,397	1.2	2,876
Unassigned space	4,195	0.5	2,098
	25,172	0.99	24,861

Source: DI#8, pp. 37-41

This standard requires that any rate increase proposed by the hospital related to the capital cost of the project “shall not include the amount of project construction costs that exceeds the MVS

benchmark and those portions of the contingency allowance, inflation allowance and capital construction interest that are based on the excess construction cost.”

Since the MVS costs already include capital construction interest, the excess construction cost only needs to be adjusted for the contingency and inflation allowances. Staff has apportioned the costs shown in Table III-8, above, by the percentage that the applicants’ estimates exceed the MVS benchmark (10.1%) calculated by staff. The resulting exclusion is shown in the following table.

Table III-9: Calculation of excess cost

Construction cost exceeding benchmark (\$41.62 x 25,172 SF)	\$1,047,658
The portion of future inflation that should be excluded (\$973,820 x 10.1%)	\$98,356
The portion of the contingencies that should be excluded (\$2,260,000 x 10.1%)	\$228,260
Total to be excluded from any rate increase proposed by the hospital related to the capital cost of the project	\$1,374,274

Based on this analysis, staff recommends that, if the Commission approves the proposed conversion to an FMF, approval of the project should be accompanied by the following condition:

Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude \$1,374,274. This figure includes the estimated new construction costs that exceed the Marshall Valuation Service guideline cost and portions of the contingency allowance and inflation allowance that are based on the excess construction cost.

(i) Demonstrate that the conversion to an FMF will result in the delivery of more efficient and effective health care services including an explanation of why the services proposed for the FMF cannot be provided at other area hospital Emergency departments, FMFs, or other health care facilities, and demonstrate why other less expensive models of care delivery cannot meet the need of the population to be served.

The applicants state that McCready Hospital, in its current form, is not sustainable, but that residents of southern Somerset County need access to the health care infrastructure currently provided by the hospital to improve community health in the region. McCready Hospital is currently the only provider of emergency medical services in Somerset County. Additionally, the outpatient clinics at the hospital employ the only primary care and behavioral health providers in southern Somerset County. The lack of primary care and behavioral health providers in Crisfield limits patients’ ability to receive preventative and routine care. The applicants believe that the transition from McCready Hospital to McCready Health Pavilion will allow PRMC, as McCready Health Pavilion’s parent hospital, to provide needed outpatient clinical services integrated with other community providers and agencies. (DI #8, pp. 41-42).

The applicants state that while there are two urgent care centers approximately 20 miles away from Crisfield, one in Princess Anne and One in Pocomoke City. Somerset County lacks transportation infrastructure between Crisfield and these facilities for individuals who lack access to a car, which, according to the county's latest community health needs assessment, may be up to 30% of the population in some of the zip code areas in McCready Hospital's service area. The applicants believe that while opening an urgent care facility in Crisfield would provide the level of service needed in the community for most patients, such a center would struggle due to the current payor mix of McCready patients. See Table III-10, below. In addition, they note that an urgent care center would not be able to obtain the higher charges possible for an FMF under Maryland's rate regulation system. (DI #8, p. 42).

**Table III-10: Projected Payor Mix
McCready Health Pavilion**

Payer	% of Total
Medicare	35.0%
Medicaid	39.1%
Commercial	17.9%
Charity/Self-Pay	6.4%
Other	1.7%
Total	100%

Source: DI #7, p. 20.

The applicants estimate that an urgent care center would generate approximately 3,120 visit per year, or 60% of the visits estimated for the proposed FMF. (DI #12, p.2). This reduction is due to the fact that higher acuity patients could not be seen at an urgent care center, and that the urgent care center would not operate 24 hours per day. The applicants calculated that an urgent care center in Crisfield would generate \$366,818 in net revenue per year, which would be insufficient to cover capital costs and staffing requirements and, therefore, an urgent care center would not be a viable option. See Table III-11, below. The same patient population seen at the McCready Health Pavilion FMF is projected to generate \$1,600,229 in revenue.

Table III-11 Analysis of Net Revenue for an Urgent Care Facility in Crisfield

	McCready Health Pavilion FMF	Urgent Care
<u>Key Assumptions</u>		
Patient Visits	3,120	3,120
Gross Charge per Visit	\$646	\$181
Deductions as a % of Revenue	21%	35%
Net Revenue per Visit	\$513	\$118
Revenue Projections		
Gross Patient Revenue	\$2,015,461	\$564,845
Less Deductions from Revenue	(\$415,232)	(\$198,027)
Net Patient Revenue	\$1,600,229	\$366,818

Source: DI #12, p. 2.

The applicants state that the closure of McCready Hospital without a suitable replacement in the area would also put a strain on both the emergency medical services (EMS) providers in the area and on the emergency department at PRMC. The applicants state that PRMC's emergency

room is currently operating at 90% of capacity and additional patients from Somerset County could require expansion of the emergency department to meet this demand. (DI #8, p. 24).

In addition to primary care and behavioral health services, patients and residents who receive outpatient services at McCready Health Pavilion will have access to PRMC's community health programs and services to address their health needs. These include programs to identify patients with social determinants as health risk factors, who have been diagnosed with chronic disease, and who require behavioral health education and support. The patients identified will receive further support from PRMC, including community health initiatives, such as chronic disease prevention and management programs, care management, and care coordination. The applicants also state that providing access to telehealth providers for specialty care, behavioral health services, and care coordination would be a potential opportunity for McCready Health Pavilion to expand community access to health care services. (DI #8, pp. 27-28).

Staff Analysis

Staff concludes that the applicant has demonstrated the relationship between the proposed project and its likely impact on improving the efficiency and effectiveness of local health care delivery. Staff agrees that an urgent care center, while providing access to much of the need for urgent and emergent health services in Crisfield, would not be a fiscally viable option over the long term. Not only would the revenue generated at an urgent care center be insufficient to sustain a facility in the area, an urgent care center would lack the array of outpatient services needed by this underserved rural population.

According to the County Health Rankings,⁶ Somerset County ranks at or near the bottom of the State for socioeconomic indicators, life expectancy, quality of life, and access to health care. The proposed project, by retaining high-level emergency services in Somerset County and facilitating the availability of outpatient primary care and behavioral health services, will help to ensure access to adequate health care services in an area with significant adverse social determinants of health. The applicants' plan to provide a full range of health care services will work to improve population health in Somerset County, thereby reducing residents' reliance on emergency medical care. Additionally, with respect to cost, the McCready Health Pavilion is a less expensive alternative to the current hospital in Crisfield.

Staff recommends that the Commission find that the applicants meet the requirements of Paragraph (i).

(j) Demonstrate that the conversion is in the public interest, based on an assessment of the converting hospital's long-term viability as a general hospital through addressing such matters as:

(i) Trends in the hospital's inpatient utilization for the previous five years in the context of statewide trends;

⁶<https://www.countyhealthrankings.org/app/maryland/2019/rankings/somerset/county/outcomes/overall/snapshot>

Between fiscal years 2013 and 2018, McCready Hospital averaged 283.5 discharges, with a peak of 321 in 2014. Discharges dropped to 232 in FY 2018. Since 2013, inpatient volume has declined by over 21% compared to a 14% decline across the State. (DI #8, p.43). The applicants state that the declining demand for inpatient services at McCready Hospital, combined with the cost of maintaining the hospital's infrastructure, results in unsustainable financial losses, and that continuing to operate the current hospital with reduced volumes is neither viable from a licensure standpoint nor in the public's best interests. Staff agrees and concludes that the applicants have met the requirements of subparagraph (j).

(ii) The financial performance of the hospital over the past five years and in the context of the statewide financial performance of Maryland hospitals;

McCready Hospital has had a negative operating margin since FY 2015, ranging from a "high" of -3.8% to a low of -5.2%. These margins are significantly worse than statewide hospital performance which ranged from 3.0% to 3.4% over the same period. (DI #8, p.44). Staff concludes that the applicants have met the requirements of this subparagraph.

(iii) The age of the physical plant relative to other Maryland hospitals and the investment required to maintain and modernize the physical plant;

The average age of McCready Hospital's physical plant in fiscal year 2018 was 14.1 years. Because the H1 schedule was removed from the Statewide Hospital Disclosure Report beginning in FY 2017, a current comparison to the statewide average cannot be made. In the last year that such data was available, McCready Hospital's average age of physical plant was 12.9 years compared to a statewide average of 11.5 years. That same year a publication by Moody's Investor Service quoted the median average age of plant for hospitals rated by Moody's at 11.0 years. (DI #8, p.45).

A study commissioned by PRMC estimated that the construction cost of replacing the hospital would be approximately \$14 million (total project cost would be higher) and that renovations that would be required to the current physical plant would equal or exceed the cost of new construction. (DI #7, Exhibit 9: Report on McCready Hospital prepared by Callison RTKL) The applicants state that addressing architectural and code deficiencies would require the facility to be totally gutted and renovated, and the engineering infrastructure is approximately forty years old and has been maintained on a tight budget. Renovation would need to take place in phases in order to continue to provide services at the hospital.

Aside from cost, the applicants state that the facility's location renders renovation impractical. Portions of the facility encroach upon the 100-foot critical area buffer of Daugherty Creek, and the hospital sits only nine feet above the high-tide line. While the hospital's clinical space has never flooded, support areas have. Based on the above, staff recommends that the Commission find that the applicants meet the requirements of Subparagraph (jii).

(iv) The availability of alternative sources for acute care inpatient and outpatient services that will no longer be provided on the campus after conversion to a freestanding medical facility; and

PRMC already dominates the market for inpatient hospital services in the McCready Hospital's service area, with a 61.3% market share in fiscal year 2018, compared to McCready Hospital's 9.8%. (DI #8, p. 46). Outpatient services, under this proposal would continue to be provided to the service area at the current outpatient clinic in Phase I, and at a new outpatient clinic operated out of the new building housing the FMF. Staff concludes that the applicants have met the requirements of this subparagraph.

(v) The adequacy and appropriateness of the hospital's transition plan.

The applicants state that they plan to transition the hospital to an FMF as soon as approval for the plan has been granted. (DI #8 p.3). The inpatient areas of the hospital will close, with patients needing inpatient care transferred to PRMC or another hospital, as appropriate. In both Phase 1 and Phase 2, the FMF will be staffed by emergency physicians and clinical staff as required. Current staff of McCready Hospital will be hired by PRMC when appropriate based on years of service and performance evaluations. Severance pay will be given to workers displaced by the project. After the new FMF is constructed, the applicants anticipate that the existing hospital will be demolished. (DI #7, pp. 47-48). Staff concludes that the transition plan meets the requirements of this subparagraph.

Summary regarding requirements in Paragraph J.

Staff concludes that the applicants have demonstrated that the conversion of McCready Hospital is in the public interest. Staff arrived at that conclusion based on the hospital's extremely low (and declining) inpatient utilization, its precarious financial performance, without prospect of improvement, the age and condition of the physical plant, as well as its precarious location, and the ready availability of PRMC as an alternative site for inpatient services, as well as continuing local availability of outpatient services and the appropriateness of the transition plan.

(k) Demonstrate that the conversion is in the public interest, based on an assessment of the parent hospital's projected financial performance or the projected financial performance of the parent hospital and other health care facilities that share a global budget with the parent hospital.

The proposed FMF is projected to incur operating losses totaling between \$1.8 million and \$2.6 million per year in fiscal years 2023 through 2025. These losses will be absorbed by PRMC and will be offset by the profitable operation of the hospital system. PRMC presented actual and projected financial performance for the hospital in Salisbury and the future FMF in Crisfield. It showed a combined net income in excess of \$45 million for 2018, with a positive bottom line forecast through 2024, in which it projects a combined net income of \$19,829,236. (DI #8, Table H).

While the FMF will not generate a profit, PRMC's projected financial performance should continue to be strong enough after the merger with McCready and the conversion of the existing hospital in Crisfield. For this reason, staff concludes that the project satisfies the public interest requirement in Paragraph (k).

(9) The Commission shall grant a requested exemption from Certificate of Need within 60 days of receipt of a complete notice of intent from a general hospital to convert to a freestanding medical facility if the Commission, in its sole discretion, finds that the action proposed:

(a) Is consistent with the State Health Plan;

Based on the information contained in this staff report, staff recommends that the Commission find that the proposed conversion is consistent with applicable requirements in the State Health Plan.

(b) Will result in more efficient and effective delivery of health care services;

As noted in its analysis under Paragraph (8)(i), Commission staff concludes that there is a strong basis for finding that the proposed project will be more efficient and effective than retaining McCready Hospital in its current configuration. Health care delivery of hospital services and outpatient services will be offered in a less costly venue in an area that is devoid of other options for primary care and behavioral health outpatient services. Accessibility to PRMC for patients with higher acuity will remain an option for the residents of Somerset County, but the retention of local accessibility of emergency care will ensure an efficient and effective delivery of the services.

Staff recognizes that having an FMF as the only option for patients seeking urgent and less intensive emergency care close to Crisfield will mean higher charges for provision of these services than would be the case for an alternative venue, such as an urgent care center. The trade-off between improved access to services for more acute emergent care and longer hours of availability and the lower charges possible in an alternative venue is inherent in FMF development. While optimum efficiency in delivering outpatient services will not be achievable through this project, the applicants have made a convincing case that this trade-off is necessary for the small but isolated community of Crisfield and its surroundings. For this reason, Staff recommends that the Commission find that the proposed conversion will result in more efficient and effective delivery of health care services.

(c) Will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system as determined by the State Emergency Medical Services Board; and

A positive determination on this criterion was made by the State Emergency Medical Services Board and is attached as Appendix 1. (DI #10, p. 1).

(d) Is in the public interest.

As noted in MHCC staff's analysis under Paragraphs 8(j) and (k), staff concludes that conversion of McCready Hospital to an FMF, with PRMC as its parent hospital, is in the public interest.

(10) If a general hospital decides that it will close because the Commission denied its request for exemption from Certificate of Need to convert to a freestanding medical facility or because its conversion request was not considered by the Commission as the result of a determination by the State Emergency Medical Services Board that conversion to an FMF would not maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system, the hospital must provide the notice of closure and hold the public informational hearing required by Health-General §19-120 and Commission regulations adopted pursuant to the statute.

This requirement is not applicable in this review unless the request for an exemption from CON is denied.

IV. RECOMMENDATION

MHCC staff recommends that the Commission approve the request for an exemption from Certificate of Need to convert McCready Hospital to a freestanding medical facility that will provide rate-regulated outpatient services as well as emergency services and observation and will be an administrative unit of Peninsula Regional Medical Center. Staff concludes that the request complies with the applicable standards established for such conversions in the FMF Chapter of the State Health Plan.

Maryland law and the FMF Chapter require substantial inter-agency review, public input, an applicant's demonstration of the need for the capacity and space it proposes to develop, and a demonstration of the reasonableness of the project's cost. The FMF Chapter employs guidance on the development of emergency department space and observation beds produced by the American College of Emergency Physicians that are incorporated into the FMF Chapter, which also permits applicants to propose and explain the basis for higher levels of planned capacity or space. The Commission determines if the public interest is served by the project and whether it will result in more efficient and effective delivery of health care services.

Both the Maryland Institute for Emergency Medical Services Systems (MIEMSS) and the Health Services Cost Review Commission have provided input to the Commission that is supportive of this proposed hospital transition. MIEMSS has found that the transition of McCready Hospital to an FMF is not anticipated to cause a disruption in the availability and accessibility of emergency medical services that poses a threat to public safety or health care delivery. HSCRC has agreed to regulated rates for an appropriate array of outpatient services to facilitate this project's feasibility and long-term viability.

The small volume of care on which this project is based is an outlier with respect to the typical expectations for FMF development in the FMF Chapter. Commission staff concludes that

the emergency treatment capacity (seven beds) and the observation bed capacity (two beds) proposed for this FMF project are a minimum foundation for the project even though the very low volume expectations make these capacity levels appear excessive under the ACEP Guidelines. The FMF is projected to handle approximately 5,000 visits per year. However, the ACEP Guidelines are not readily applicable to this small project. Planning guidance for a hospital ED, that would provide only 5,000 visits per year is not contemplated in the ACEP Guidelines, which apply to hospital emergency departments. Staff concludes that the savings that would result from marginally reducing the number of treatment spaces in a project such as that proposed would not be great and would come at the cost of less operation flexibility to handle fluctuations in demand.

Finally, Commission staff concludes that there is a strong basis for finding that the proposed project will be more efficient and effective than retaining McCready Hospital in its current configuration. Delivery of inpatient care will occur at much larger hospitals that can achieve lower cost and charges because of their scale. Much of the outpatient service provided will be comparable, with respect to charges, to the services provided at the existing hospital, and reduced costs for producing those services may be obtainable with the new outpatient setting designed for delivering outpatient care only. While charges will be higher for these services than charges at non-rate regulated providers, the area is not one that is likely to attract or adequately support lower charge alternatives. The options for primary care and behavioral health service delivery that would have lower charges than those of the FMF are not available in the small Crisfield market.

For these reasons, MHCC staff recommends that the Maryland Health Care Commission APPROVE the proposed conversion of Edward W. McCready Memorial Hospital to a freestanding medical facility, with the following conditions:

1. Within 120 days of this exemption approving the request for exemption from Certificate of Need filed by Edward W. McCready Memorial Hospital and Peninsula Regional Medical Center for the conversion of Edward W. McCready Memorial Hospital to a freestanding medical facility, Peninsula Regional Health System, Inc. shall become the sole member of the McCready Foundation, Inc.; and
2. Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude \$1,374,274. This figure includes the estimated new construction costs that exceed the Marshall Valuation Service guideline cost and portions of the contingency allowance and inflation allowance that are based on the excess construction cost.

IN THE MATTER OF	*	BEFORE THE
	*	
CONVERSION OF	*	MARYLAND
	*	
EDWARD W. MCCREADY MEMORIAL	*	HEALTH CARE
	*	
HOSPITAL TO A FREESTANDING	*	COMMISSION
	*	
MEDICAL FACILITY	*	
	*	
Docket No. 19-19-EX010	*	

FINAL ORDER

Based on the Commission staff's analysis and recommendation, it is this 16th day of January, 2020, **ORDERED**:

That the request by the Edward W. McCready Memorial Hospital and Peninsula Regional Medical Center for an exemption from Certificate of Need to convert the Edward W. McCready Memorial Hospital to a freestanding medical facility to include: a first phase transition involving operation of a freestanding medical facility in the existing hospital building; a second project phase involving construction of a new freestanding medical facility building at 4660 Crisfield Highway, in Crisfield, with seven treatment spaces, a triage room, and a two-bed observation unit, as well as rate-regulated outpatient primary care clinic services, outpatient behavioral health services, outpatient rehabilitation services, diagnostic imaging services, and laboratory services, at an approved expenditure of \$25,589,294, is hereby **APPROVED**, with the following conditions:

1. Within 120 days of this exemption approving the request for exemption from Certificate of Need filed by Edward W. McCready Memorial Hospital and Peninsula Regional Medical Center for the conversion of Edward W. McCready Memorial Hospital to a freestanding medical facility, Peninsula Regional Health System, Inc. shall become the sole member of the McCready Foundation, Inc.; and
2. Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude \$1,374,274. This figure includes the estimated new construction costs that exceed the Marshall Valuation Service guideline cost and portions of the contingency allowance and inflation allowance that are based on the excess construction cost.

MARYLAND HEALTH CARE COMMISSION

Appendix 1



November 15, 2019

State of Maryland
**Maryland
Institute for
Emergency Medical
Services Systems**

653 West Pratt Street
Baltimore, Maryland
21201-1536

*Larry Hogan
Governor*

*Clay B. Stamp, NRP
Chairman
Emergency Medical
Services Board*

*Theodore R. Delbridge, MD, MPH
Executive Director*

*410-706-5074
FAX 410-706-4768*

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

Dear Mr. Steffen,

As you know, McCready Foundation, Inc., d/b/a Edward W. McCready Memorial Hospital ("McCready Hospital") and Peninsula Regional Medical Center, Inc. (PRMC) jointly, "the Applicants") are seeking approval from the Maryland Health Care Commission to convert the McCready Hospital to a freestanding medical facility, as well as for an exemption from Certification of Need (CON) review for the proposed conversion.

The Maryland Health Care Commission will determine whether to approve the request for exemption from the CON requirement based on a number of factors, including whether the conversion "will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system as determined by the State Emergency Medical Services (EMS) Board." Health General 19-120 (o)(3)(i)5C. In making this determination, the State EMS Board is required to consider eleven (11) factors specified in regulation. COMAR 30.08.15.03.

Please be advised that at its meeting on November 12, 2019, the State EMS Board reviewed and discussed an analysis of the COMAR-enumerated factors. After consideration of these factors, the State EMS Board unanimously determined that the proposed conversion of McCready Hospital to a freestanding medical facility as currently configured in the Applicants' proposal will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system. Attached is a copy of the analysis that provided the basis for the Board's determination.

Please also be advised that it is the Board's position that the alternative of an urgent care center, instead of the planned freestanding medical facility, would not serve the needs of the community and would not maintain adequate and appropriate delivery of emergency care within the EMS system.

Please let me know if you have any questions or if I may provide any further information.

Sincerely,

Theodore Delbridge, MD, MPH
Executive Director

Enclosure

Cc: Clay B. Stamp, Chairman, State Emergency Medical Services Board



**MIEMSS Report and Recommendation to the State
Emergency Medical Services Board Regarding the Proposed
Conversion of McCready Memorial Hospital to a
Freestanding Medical Facility without a Certificate of Need
(CON):**

**Whether the Proposed Conversion Will Maintain Adequate
and Appropriate Delivery of Emergency Care within the
Statewide Emergency Medical Services System**

November 12, 2019

MIEMSS Report and Recommendation to the State Emergency Medical Services Board Regarding the Proposed Conversion of McCready Memorial Hospital to a Freestanding Medical Facility without a Certificate of Need (CON):

Whether the Proposed Conversion will Maintain Adequate and Appropriate Delivery of Emergency Care Within The Statewide Emergency Medical Services System

Executive Summary

McCready Foundation, Inc. d/b/a Edward W. McCready Memorial Hospital (“McCready Hospital”) and Peninsula Regional Medical Center, Inc. (“PRMC”) (jointly, “the Applicants”) are seeking approval from the Maryland Health Care Commission (MHCC) to convert McCready Hospital to a freestanding medical facility (FMF), as well as for an exemption from a Certificate of Need (CON) review for the proposed conversion. Under Health-General 19-120, the MHCC determines whether to approve the request for exemption from the CON requirement based on a number of factors, including whether the conversion “will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system as determined by the State Emergency Medical Services Board.” Health-General 19-120 (o)(3)(i) 5 C. By regulation, the EMS Board is required to consider eleven (11) factors in making its determination whether the proposed conversion will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system (COMAR 30.08.15.03).

MIEMSS has completed an analysis of each of the required factors. Based on its review, MIEMSS recommends that the EMS Board make a determination that the conversion of McCready Hospital to a freestanding medical facility will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system.

Background

McCready Hospital is an acute care hospital with three licensed MSGA (medical/surgical/gynecological/addictions) beds in Crisfield Maryland, with an average daily census of two inpatients. In addition to McCready Hospital, McCready Foundation, Inc. owns and operates an outpatient rehabilitation clinic, the Alice B. Tawes Nursing and Rehabilitation Center, and Chesapeake Cove Assisted Living, each of which is located adjacent to McCready Hospital. It is not currently a MIEMSS-designated

Base Station. The Applicants are seeking to convert McCready Hospital to an FMF (the new entity to be created is referred to herein as the “McCready Health Pavilion”) in two phases. Initially, the McCready Health Pavilion will be in the space currently occupied by McCready Hospital; and in Phase 2, a new building will be constructed 3.2 miles away to house the new McCready Health Pavilion.

Process

Under COMAR 30.08.15.03 (B), the Applicants notified MIEMSS and the MHCC on July 30, 2019 of their intent to convert McCready Hospital to a freestanding medical facility. The Applicants held the required public hearing on August 20, 2019, and provided the required information to MIEMSS within the required timeframe. The Applicants solicited input from the EMS community by publishing a physical address and email address on their website for receipt of comments. Additionally, MIEMSS sought information from the EMS community by requesting information from the highest jurisdictional official for Somerset County EMS and attending a meeting with McCready and the local EMS community on September 16, 2019. Neither McCready Hospital, nor MIEMSS, received any comments. Under COMAR 30.08.15.03 (D), the EMS Board is required to issue the determination concerning the proposed hospital conversion under §A of this regulation within 45 days of the required public informational hearing held by the hospital proposing the conversion, in consultation with the MHCC. Accordingly, the deadline for EMS Board to make its determination and to notify the MHCC of its determination was October 4, 2019. By agreement between MIEMSS and the Applicants, however, the 45 day requirement was waived to give the Applicants more time to address certain issues, and the date for consideration by the EMS Board was then determined to be October 8, 2019. The applicants were later required to submit additional information to MHCC and MIEMSS and therefore, the EMS Board was unable to make a determination at the October 8, 2019 meeting but will consider at the November meeting of the EMS Board on November 12, 2019.

Required Factors for EMS Board Consideration under COMAR 30.08.15.03(A)

Each of the eleven (11) factors specified for consideration by the EMS Board is discussed below.

- (1) The EMS resources in the jurisdictions affected by the proposed hospital conversion, including staffing, equipment, and units.*

The primary jurisdiction that will be affected by the conversion is Somerset County. Wicomico County and Worcester County would be expected to be impacted to a lesser extent because transports to McCready Hospital from these jurisdictions are typically only a small portion (almost nil) of their total transports (see

infra). Transport services are very limited within Somerset County and volunteer resources are heavily relied upon.

Somerset County provides emergency services through eight departments within the county's response area. Three departments provide emergency medical services and patient transport. The departments that provide emergency medical services and transport in Somerset County are Ewell Volunteer Fire Company, Princess Anne Volunteer Fire Company, and Lower Somerset Rescue Squad.

Ewell Volunteer Fire Company provides one BLS-equipped ambulance for Smith Island. Due to the geographical location of Smith Island, any patients needing emergency care are flown to the hospital via medevac or carried by boat from the island to Crisfield for transport. The company consists of approximately 25 volunteer members and no career staffing. There are four Maryland certified Emergency Medical Technicians available to provide basic life support.

Princess Anne Volunteer Fire Company is a combination volunteer/career department. There are approximately 35 volunteers and 28 career personnel. There are three ALS-equipped units with two of those units staffed 24/7 with career staffing. The crews generally consist of a Paramedic and an EMT based on severity of the call.

Lower Somerset Rescue Squad located in Crisfield, is a combination volunteer/career department. The department is totally separate from the fire department and provides three ALS equipped units. There are approximately 20 volunteers and ten career paramedics. The career paramedics staff the station 24/7 and rely on volunteer staff to complete the crew.

There are five BLS-equipped non-transport medical assist units utilized as first response vehicles located at Tylerton Volunteer Fire Company, Marion Volunteer Fire Company, Deal Island Chance Volunteer Fire Company, Fairmount Volunteer Fire Company, and Mt. Vernon Volunteer Fire Company.

(2) Any additional resources which will be provided by the hospital seeking to convert to augment the resources available in the affected jurisdiction.

Patients transported to the new freestanding medical facility who require hospitalization will have to be transferred from the FMF to an acute care facility. The applicants reported that there were 5,345 ED visits in FY2019. 2.6% or 141 of these resulted in an inpatient admission. An additional 99 or 1.9% of the patients were placed in observation. McCready had 172 admissions in FY2019; 82% of these were admitted through

the ED. The remaining 18% would have been direct admissions. Historically, LifeStar and East Coast have been the primary commercial services providing transports from McCready to other facilities, primarily Peninsula Regional Medical Center. In 2018, 257 patients were transferred from McCready Hospital. The average time from dispatch to arrival at McCready was 59 minutes.

As a result of the conversion, the Applicants project the need to transfer approximately 1.25 patients per day to a hospital. Annualizing the Applicants' projections indicates that the number of interfacility transfers would be approximately 456 a year.

Use of public safety resources for these transfers would place an unreasonable burden on the EMS resources in the affected jurisdiction. The Applicants intend to use a commercial ambulance service for interfacility transport of patients, consistent with current practice. Peninsula Regional Medical Center has amended the existing contract with LifeStar to include a 30 minute response time for emergent patients and a 60 minute response time for non-emergent patients requiring transfer.

(3) The EMS call volume of affected jurisdictions by priority.

EMS Transports from Somerset, Wicomico, and Worcester					
EMSOPS by Patient Priority and Destination Category					
Calendar Years 2016, 2017, and 2018					
Source: eMEDS®					
	CY 2016	CY 2017	CY 2018	Grand Total	EMSOP Priority Percent
Maryland EMSOP					
Somerset County					
Priority 1 - Patient Critically Ill or Injured (Immediate / Unstable)	171	164	194	529	6.9%
McCready Memorial Hospital - 332	27	31	18	76	
Peninsula Regional Medical Center - 408	142	133	174	449	
Other Facility	2		2	4	
Priority 2 - Patient Less Serious (Urgent / Potentially Life Threatening)	804	821	763	2,388	31.4%
McCready Memorial Hospital - 332	151	145	133	429	
Peninsula Regional Medical Center - 408	650	674	628	1,952	
Other Facility	3	2	2	7	
Priority 3 - Patient Non-Urgent	1,686	1,513	1,479	4,678	61.4%
McCready Memorial Hospital - 332	370	348	351	1,069	

Peninsula Regional Medical Center - 408	1,312	1,163	1,124	3,599	
Other Facility	4	2	4	10	
Priority 4 - Patient does not require medical attention	13	5	2	20	0.3%
McCreedy Memorial Hospital - 332	3	3		6	
Peninsula Regional Medical Center - 408	10	2	2	14	
Somerset County Total	2,674	2,503	2,438	7,615	100%
Wicomico County					
Priority 1 - Patient Critically Ill or Injured (Immediate / Unstable)	631	610	685	1,926	5.7%
Peninsula Regional Medical Center - 408	625	602	676	1,903	
Other Facility	6	8	9	23	
Priority 2 - Patient Less Serious (Urgent / Potentially Life Threatening)	3,836	3,939	3,705	11,480	33.8%
Peninsula Regional Medical Center - 408	3,751	3,840	3,598	11,189	
Other Facility	85	99	107	291	
Priority 3 - Patient Non-Urgent	6,544	6,855	6,861	20,260	59.7%
McCreedy Memorial Hospital - 332			1	1	
Peninsula Regional Medical Center - 408	6,467	6,753	6,755	19,975	
Other Facility	77	102	105	284	
Priority 4 - Patient does not require medical attention	90	87	84	261	0.8%
Peninsula Regional Medical Center - 408	89	86	84	259	
Other Facility	1	1		2	
Wicomico County Total	11,101	11,491	11,335	33,927	100%
	CY 2016	CY 2017	CY 2018	Grand Total	EMSOP Priority Percent
Maryland EMSOP					
Worcester County					
Priority 1 - Patient Critically Ill or Injured (Immediate / Unstable)	377	358	452	1,187	5.5%
Peninsula Regional Medical Center - 408	152	140	196	488	
Other Facility	225	218	256	699	
Priority 2 - Patient Less Serious (Urgent / Potentially Life Threatening)	3,414	3,400	3,236	10,050	46.5%
McCreedy Memorial Hospital - 332	3	1	1	5	
Peninsula Regional Medical Center - 408	1,100	1,024	961	3,085	
Other Facility	2,311	2,375	2,274	6,960	
Priority 3 - Patient Non-Urgent	3,483	3,514	3,358	10,355	47.9%
McCreedy Memorial Hospital - 332	18	20	13	51	
Peninsula Regional Medical Center - 408	958	948	937	2,843	
Other Facility	2,507	2,546	2,408	7,461	
Priority 4 - Patient does not require medical attention	10	18	8	36	0.2%
Peninsula Regional Medical Center - 408	2	7	3	12	
Other Facility	8	11	5	24	

Worcester County Total	7,284	7,290	7,054	21,628	100%
Grand Total	21,059	21,284	20,827	63,170	

As would be expected, Somerset County EMS transports the greatest number of priority 1 and 2 patients to McCready Hospital, totaling just 505 during the three-year period from CY16-CY18, with an additional approximate 1,075 priority 3 and 4 patient transports to McCready Hospital during the period. However, a much larger number of patients were transported directly to Peninsula Regional Medical Center by Somerset County during the same time period with a total of 2,401 priority 1 and 2 patients and 3,613 priority 3 and 4 patients. Wicomico and Worcester County transports to McCready Hospital were negligible during the same period.

(4) The projected number of patients who could require transport to a general acute hospital rather than the proposed freestanding medical facility for appropriate medical care.

After the conversion, all EMS Priority 1 patients and unstable Priority 2 patients will require transport to an acute general hospital, rather than the McCready Health Pavilion, unless the patient requires immediate intervention which McCready Health Pavilion would provide. As noted above, recent historic data indicates that Somerset County EMS transported approximately 168 patients per year to McCready Hospital who were priority 1 and 2; data was not available to indicate which of the transported priority 2 patients were unstable. The Applicants project interfacility transfers will be required 1.25 patients a day, which annualizes to approximately 456 patients a year.

(5) EMS transport times in the jurisdictions affected by the proposed hospital conversion and the potential for extended transport and out-of-service times resulting from the proposed conversion to a freestanding medical facility, relative to the current pattern of transport times.

EMS Average Transport *Times from Somerset, Wicomico, and Worcester
EMSOPS by Destination Category

Calendar Years 2016, 2017, and 2018			
Source: eMEDS®			
Maryland EMSOP	CY 2016	CY 2017	CY 2018
Somerset County	0:14:33	0:14:15	0:14:13
McCready Memorial Hospital - 332	0:06:30	0:06:25	0:06:38
Peninsula Regional Medical Center - 408	0:16:38	0:16:19	0:16:10
Other Facility	0:11:50	0:15:21	0:15:33
Wicomico County	0:08:22	0:08:33	0:08:36
McCready Memorial Hospital - 332			0:34:00
Peninsula Regional Medical Center - 408	0:08:15	0:08:26	0:08:27
Other Facility	0:15:53	0:15:07	0:16:06
Worcester County	0:17:04	0:16:57	0:16:59
McCready Memorial Hospital - 332	0:25:14	0:23:23	0:23:43
Peninsula Regional Medical Center - 408	0:26:50	0:26:39	0:26:55
Other Facility	0:12:42	0:12:51	0:12:35

* Average of Time Difference : Left Scene - Arrived at Destination (h:mm:ss)

(6) Commercial ambulance services availability and response times in the jurisdictions affected by the proposed hospital conversion.

Historically, LifeStar and East Coast have been the primary commercial services providing transports from McCready to other facilities, primarily Peninsula Regional Medical Center. In 2018, 257 patients were transferred from McCready Hospital. The average time from dispatch to arrival at McCready was 59 minutes. Peninsula Regional Medical Center has amended the contract with LifeStar to require a 30 minute response time for emergent patients and a 60 minute response time for non-emergent patients.

(7) The number of general hospitals likely to be affected by the proposed hospital conversion and the distance to the closest general hospital ED for appropriate patients if the hospital converts to a freestanding medical facility relative to current patterns of hospital use.

The Applicants provided the following list of the hospitals that may be affected by the conversion of McCready Hospital and the distance from McCready Health Pavilion to these hospitals:

- Peninsula Regional Medical Center-30 miles
- Atlantic General Hospital-40 miles

It should be noted, however, that the Centers for Medicare & Medicaid Services require freestanding medical facilities to transfer patients to the “parent hospital” in order to maintain provider based status and receive reimbursement, in this case the Peninsula Regional Medical Center.

As a result, the hospital that will be most affected by the conversion will be Peninsula Regional Medical Center.

(8) The expected additional ED visit volume and associated increases in admission and observation patient volumes for the general hospitals likely to be affected by the proposed hospital conversion.

The applicants reported that 141 (2.6%) ED patients at McCready Hospital were admitted to that facility in FY 2019. The Maryland Health Care Commission reported that 180 (8%) ED patients at McCready Hospital were admitted to that facility in CY2018, a decline from 291 in CY2012. In the future, these patients will be required to be transferred for admission primarily to the parent hospital, Peninsula Regional Medical Center. In FY2019, PRMC had 90,032 ED visits, 13% of which (11,578) resulted in inpatient admissions.

The Applicants provided the following information in support of their application.

“...in fiscal year 2018, 85% of McCready Hospital’s emergency department visits came from residents of 4 zip codes in Somerset County (Crisfield, Marion Station, Princess Anne, Westover/Kingston). Within this service area, there are no other acute general hospitals. The nearest acute general hospitals are Peninsula Regional Medical Center, which is approximately 30 miles from McCready Hospital, and Atlantic General Hospital approximately 40 miles from McCready Hospital. In fiscal year 2018 McCready Hospital had 5,245 emergency department visits. Peninsula Regional Medical Center and McCready Hospital project 4,709 emergency department visits in each year at McCready Health Pavilion.” Additionally, the applicants reported that the emergency department use rate by population at McCready Hospital declined slightly from 220 per 1,000 in FY 2017 to 205 per 1,000 in FY2018.

Recent diversion utilization at the converting hospital and other general hospitals likely to be affected by the proposed hospital conversion and the potential impact of the proposed conversion on diversion utilization.

Hospital	CY17	CY18	CY19*	CY2017	CY2018	2019*	CY2017	CY2018	2019*	CY17	CY18	CY19*
	Yellow	Yellow	Yellow	Red	Red	Red	ReRoute	ReRoute	ReRoute	Bypass	Bypass	Bypass
AGH	0	0	0	0	0	0	0	0	36.3	N/A	N/A	N/A
McCready	15	0	0	0	0	0	0	0	0	N/A	N/A	N/A
PRMC	0	0	0	0	0	0	0	0	0	0	1.74	0.56

***1/1/19-9/25/19** Data Source: MIEMSS County Hospital Alert Tracking System (*CHATS*)

Neither McCready Hospital nor Peninsula Regional Medical Center utilize yellow or red alert often, in fact since 2017 McCready only utilized 15 hours of yellow alert. Additionally, Peninsula Regional Medical Center which is a trauma center seldom utilizes trauma bypass.

(10) The size, scope, configuration, services, and staffing of the proposed project.

The project will be developed in two phases. In Phase One, McCready Health Pavilion will be operated in the existing hospital building, in which existing outpatient services will be consolidated on the first floor to ensure efficient FMF operations. Much of the existing hospital space will be vacated as acute inpatient and surgical services will be transferred to PRMC or other facilities as required for each patient's health care needs.

On the first floor, McCready Hospital's emergency department and behavioral health clinic will remain in their current locations. Clinic services, including physical therapy, speech therapy, and family medicine primary care will also be consolidated and also housed on the first floor. The existing surgical suite on the first floor will be closed and surgical services will be transitioned to PRMC. PRMC will incur \$215,000 in capital costs to: (1) develop an airborne infection isolation room at a cost of \$70,000; (2) modify toilet facilities to remove barriers and ensure compliance with ADA standards at a cost of \$100,000; and (3) replace the nurse call system at a cost of \$45,000.

In sum, in Phase One, McCready Health Pavilion will consist of:

1. An emergency department for up to six patients, including an airborne infection isolation room, resuscitation room, and a human decontamination room;
2. Two observation beds adjacent to the emergency department;
3. An outpatient behavioral health facility with a group room, three consultation rooms, and three private offices;

4. A diagnostic imaging suite with radiography, computed tomography or CT, ultrasound, and a PACS reading room;
5. A laboratory with specimen collection areas for blood and urine as well as space for selected analyzers;
6. Outpatient Rehabilitation Medicine with gym space and two exam/private treatment rooms;
7. A regulated clinic with exam rooms and support spaces to accommodate up to four providers simultaneously; and
8. Administration, staff, and support spaces.

The second floor of the existing hospital building, which presently comprises McCready Hospital's inpatient unit and pharmacy, will be closed. Services currently provided at McCready Hospital that would not be available at McCready Health Pavilion include inpatient services, surgical services, electrocardiography, occupational therapy, and magnetic resonance imaging.

In Phase 2, the McCready Health Pavilion will relocate to a new building. The new facility will include the following features: Phase Two of McCready Health Pavilion will follow construction of a new FMF facility. Peninsula Regional Medical Center intends to complete the construction of McCready Health Pavilion within approximately 33 months following MHCC approval of the request for exemption from CON review. Once the new FMF facility is built, it will continue to maintain an array of rate regulated outpatient services, including emergency and observation services, associated ancillary services including imaging and laboratory services, a family medicine primary care clinic, and a behavioral health clinic. Speech and physical therapy, infusion, and laboratory blood draw services will also be provided at the FMF. The facility will include the following features:

1. An emergency department with one triage room at 140 square feet, three treatment rooms, each at 140 square feet, one resuscitation room at 250 square feet, two secure holding rooms, each being 80 square feet, two patient toilets, one staff toilet, as well as related staff and support spaces; including an ambulance entrance and decontamination facilities;
2. A two bed observation unit with each patient room being approximately 120 square feet each;
3. A regulated clinic with eight exam rooms at 120 square feet each, and related staff and support spaces;
4. A diagnostic imaging suite with x-ray, CT, and related staff and support spaces;

5. Space for outpatient behavioral health services with two consultation rooms at 100 square feet each, one group therapy room at 200 square feet, and related staff and support spaces;
6. A rehabilitation space for physical therapy with an open gym at 1,418 square feet, two private therapy rooms at 110 square feet each, and related staff and support spaces;
7. A laboratory and automated medication dispensing system; and
8. Administration and staff support spaces.

In order to ensure the ability to treat emergency illnesses or injury 24/7 during both Phase One and Phase Two, McCready Health Pavilion's emergency department will be staffed in accordance with regulations issued by the Department of Health Office of Health Care Quality for FMFs and consistent with applicable guidance included in the most current edition of the *Emergency Department Design: A Practical Guide to Planning for the Future*, published by the American College of Emergency Physicians, and be staffed at all times with one physician trained in emergency medicine, a sufficient number of registered nurses and other professionals to provide advanced life support, a radiology technologist, and a laboratory technician. It will also have a full time Administrative Director, who will act as a liaison with Peninsula Regional Medical Center, and a Medical Director, who will provide clinical oversight of McCready Health Pavilion.

- (11) *Reasonable changes in the EMS system that are planned or can be made to maintain adequate and appropriate delivery of emergency care within the Statewide emergency medical services system if the hospital converts to a freestanding medical facility.*

No changes the EMS system are planned as a result of the conversion.

Summary and Discussion

The EMS Board is charged with determining whether the proposed conversion will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system. This determination is to be made on 11 specified factors. Each factor and MIEMSS findings are briefly summarized below:

- (1) *The EMS resources in the jurisdictions affected by the proposed hospital conversion, including staffing, equipment, and units.*

The primarily affected EMS jurisdiction is Somerset County. Wicomico and Worcester Counties will be minimally impacted. MIEMSS received no information that would indicate the need for additional EMS resources in these jurisdictions (staffing, equipment, and units) because of the proposed conversion.

(2) Any additional resources which will be provided by the hospital seeking to convert to augment the resources available in the affected jurisdiction.

Timely transfer of patients from the McCready FMF to an acute care hospital without creating a burden for the affected EMS jurisdiction is critical to ensure that conversion does not negatively impact the adequate and appropriate delivery of emergency care. Consistent current practice, the Applicants intend to use a commercial ambulance service for interfacility transport of patients. To that end, Peninsula Regional Medical Center has amended its contract with LifeStar to require a 30 minute response time for patients with emergency conditions and a 60 minute response time for nonemergency patients.

(3) The EMS call volume of affected jurisdictions by priority.

There is no evidence to suggest that the EMS call volume, per se, will be affected by the proposed conversion in the affected jurisdictions.

(4) The projected number of patients who could require transport to a general acute hospital rather than the proposed freestanding medical facility for appropriate medical care.

EMS Priority 1 patients and unstable Priority 2 patients, or those that would require admission for inpatient care, will require transport to an acute general hospital, rather than the McCready Pavilion FMF. The Applicants project approximately 1.25 patients per day or about 456 patients annually will require transfer to an acute care hospital, namely the parent hospital, Peninsula Regional Medical Center.

(5) EMS transport times in the jurisdictions affected by the proposed hospital conversion and the potential for extended transport and out-of-service times resulting from the proposed conversion to a freestanding medical facility, relative to the current pattern of transport times

As the McCready Health Pavilion will remain at McCready Hospital's current location in Phase I and within five miles in Phase II, MIEMSS does not project a significant change in the transport times for ambulance-transported patients.

(6) Commercial ambulance services availability and response times in the jurisdictions affected by the proposed hospital conversion.

Securing timely transfer of patients from the McCready Health Pavilion to other facilities (namely Peninsula Regional Medical Center) is key to ensuring high quality patient care; however, such transfers must not place a burden on the jurisdictional EMS Operational Programs for such interfacility transfers. The Applicants have amended a contract with a commercial ambulance company that includes a response time of 30 minutes for emergency patients and 60 minutes for nonemergency patients.

(7) The number of general hospitals likely to be affected by the proposed hospital conversion and the distance to the closest general hospital ED for appropriate patients if the hospital converts to a freestanding medical facility relative to current patterns of hospital use.

Although there are two (2) hospitals that could potentially be somewhat affected by the conversion, because of CMS payment constraints, in reality, the primary hospital to be affected is Peninsula Regional Medical Center which currently is 30 miles away.

(8) The expected additional ED visit volume and associated increases in admission and observation patient volumes for the general hospitals likely to be affected by the proposed hospital conversion.

Based on information provided by MHCC, an additional ED volume of patients requiring admission will be approximately 180 per year.

(9) Recent diversion utilization at the converting hospital and other general hospitals likely to be affected by the proposed hospital conversion and the potential impact of the proposed conversion on diversion utilization.

The ability of receiving hospitals to accept and timely treat transferred patients from McCready Hospital is critical. Peninsula Regional Medical Center will receive most of the transferred patients. Peninsula Regional Medical Center seldom if ever utilizes diversion.

(10) The size, scope, configuration, services and staffing of the proposed project.

The size, scope, configuration, services and staffing planned for the McCready FMF are consistent with applicable guidance included in the most current edition of the *Emergency Department Design: A Practical Guide to Planning for the Future*, published by the American College of Emergency Physicians.

McCready Health Pavilion will be designed in accordance with the Facilities Guidelines Institute, Guidelines for Design and Construction of Hospitals 2018 Edition (“FGI Guidelines”), the 2015 National Fire and Protection Association 101 Life Safety Code, and the 2018 International Building Code. More specifically, McCready Health Pavilion will be designed considering the FGI Guidelines Part 2 – Hospitals, Section 2.2-3 Diagnostic and Treatment Facilities, and Section 2.3 – Specific Requirements for Freestanding Care Facilities.

(11) Reasonable changes in the EMS system that are planned or can be made to maintain adequate and appropriate delivery of emergency care within the Statewide emergency medical services system if the hospital converts to a freestanding medical facility.

MIEMSS does not anticipate that changes will need to be made to the EMS system as a result of the conversion.

Recommendation

MIEMSS recommends that the EMS Board make a determination that the conversion of McCready Hospital to a freestanding medical facility will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system.

Appendix 2

**State of Maryland
Department of Health**

Nelson J. Sabatini
Chairman

Joseph Antos, PhD
Vice-Chairman

Victoria W. Bayless

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John M. Colmers

James N. Elliott, M.D.

Adam Kane



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Executive Director

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Population Based
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Chris Peterson, Director
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Gerard J. Schmith, Director
Revenue & Regulation
Compliance

William Henderson, Director
Medical Economics &
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Health Services Cost Review Commission

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MEMORANDUM

TO: Kevin McDonald, Chief
Certificate of Need

FROM: Katie Wunderlich, Executive Director, Health Services Cost Review Commission
Jerry Schmith, Director, Hospital Revenue and Regulation Compliance, Health
Services Cost Review Commission

DATE: January 10, 2020

RE: Request for Exemption from Certificate of Need Review
Conversion of Edward W. McCready Memorial Hospital to a Freestanding
Medical Facility

On January 9, 2020, you asked that we provide comments on Edward W. McCready Memorial Hospital's (McCready) and Peninsula Regional Medical Center's (PRMC) request for an exemption from CON Review to convert McCready to an FMF.

Specifically, you requested that we comment on MHCC's standards that requires that the applicant confirm that it has:

- "receive[d] a determination from HSCRC, issued pursuant to COMAR 10.37.10.07-2D, regarding each outpatient service to be provided at the proposed FMF for which the applicants seek rate regulation;" and
- have "receive[d] approved rates from HSCRC for each rate-regulated outpatient service at the proposed FMF."

In response to those standards the applicants stated:

Throughout the process of selecting an FMF as the appropriate facility to deliver care to the residents of Somerset County, representatives of McCready and PRMC met with the HSCRC to discuss regulated service offerings as well as the corresponding Global Budget Revenue cap for McCready Health Pavilion. The financial projections are consistent with these discussions. Throughout this process, the HSCRC confirmed its

willingness to extend regulated service recognition to all services described in the Project Description and as set forth below:

- Primary Care Clinic*
- Behavioral Health Clinic*
- Emergency Department Services and Supporting Ancillaries*
- Observation Services and Supporting Ancillaries*
- Infusion*
- Imaging*
 - o Radiography*
 - o Computed Tomography (CT)*
 - o Ultrasound*

Further, the HSCRC has preliminarily agreed to GBR amounts for the FMF which was used for the financial projections.

The HSCRC staff has previously had discussions with PRMC and McCready regarding the merger and conversion of McCready to an FMF. The HSCRC staff had agreed to allow outpatient services that are currently being provided at McCready to continue to be regulated if MHCC approves the conversion to an FMF. The outpatient services identified above appear to be in line with those services currently being provided at McCready. However, the final rates that may be approved, if and when, that happens have not been finalized yet.

Appendix 3

**ARCHITECTURE
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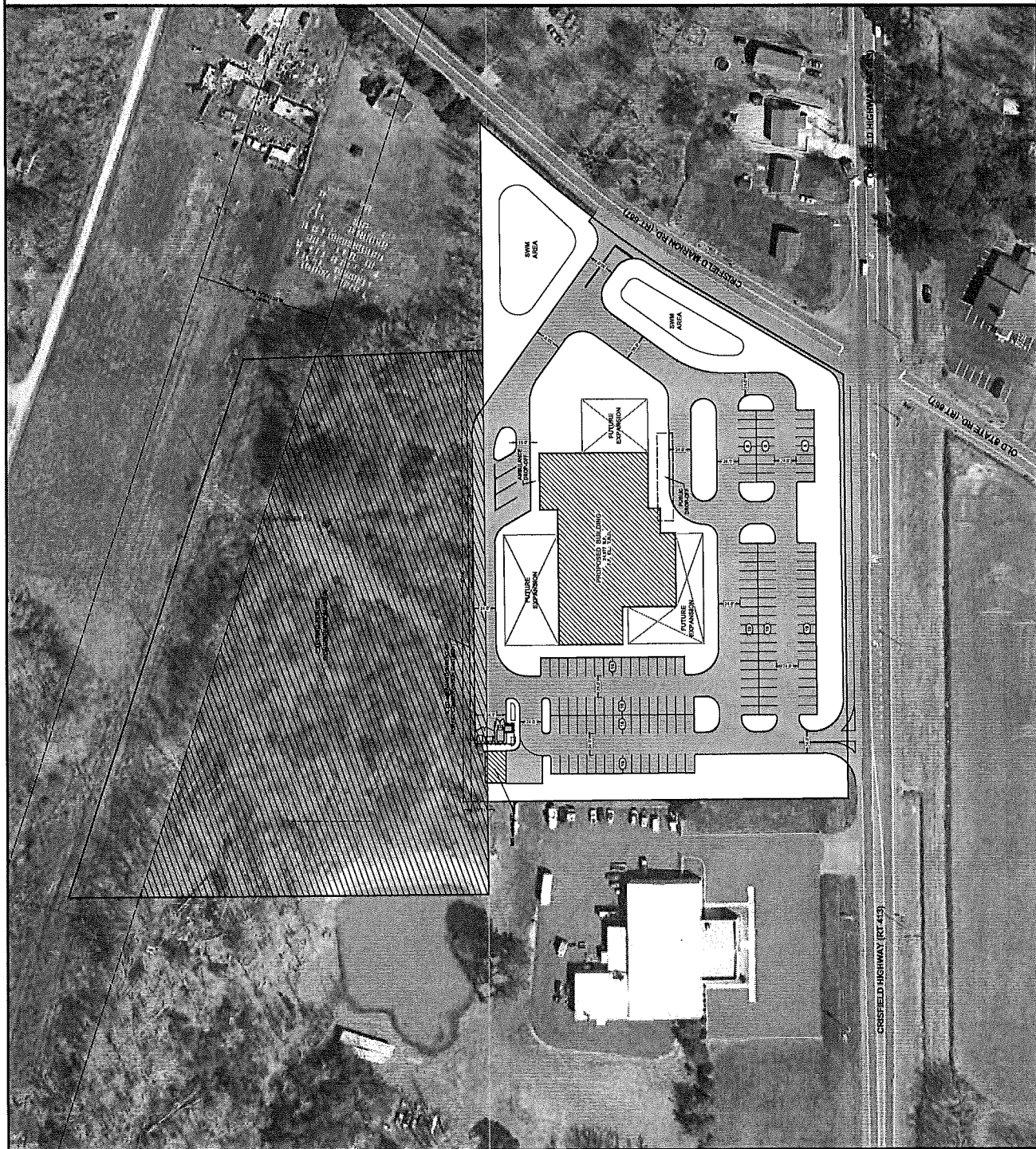
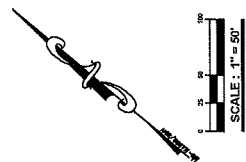
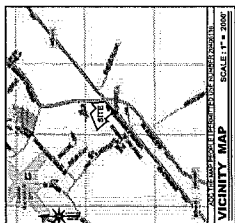
CRISFIELD HIGHWAY - RT. 413
HOPEWELL
SOMERSET COUNTY, MD
EIGHTH ELECTION DISTRICT

SHEET TITLE

CONCEPT PLAN

[illegible]

CP-1



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