



MEMORANDUM

TO: Commissioners

FROM: Wynnee Hawk Chief, Certificate of Need

DATE: March 17, 2022

SUBJECT: Alcohol and Drug Intermediate Care Facility Certificate of Need Hygea, Inc.
Docket No. 21-03-2450

Enclosed is the staff report and recommendation for a Certificate of Need (CON) application filed by Hygea, Inc., to establish a 50-bed Track One Intermediate Care Facility (ICF) for adults in Baltimore County, Maryland. The facility will offer American Society of Addiction Medicine (or ASAM) Level 3.7 medically monitored inpatient services and withdrawal management. The applicant states that the primary driver of the project is a need for more ICF beds in the Central Planning Region of Maryland as evidenced by the State Health Plan bed need formula projections for 2027 which yield a need for 23-65 beds. In addition to the bed need formula, the analysis of need also included a review of the Governor's Heroin and Opioid Emergency Task Force and the impact of the COVID-19 pandemic on substance use and drug overdoses. The applicant also provided evidence of long wait times for treatment and the rise of unintentional intoxication deaths in Maryland.

The applicant will be working with Middle River Ventures, real estate developers that will become the applicant's landlord. Middle River Ventures will absorb all of the costs related to the land and construction of the facility. The applicant's lease will include 7.27 acres with a new two-story 29,308 square foot facility. Hygea Detox proposes to enter a 12-year lease for the facility and surrounding land. The total project is over 11 million, however the applicant's portion of the total cost for this project is \$482,840 and will be funded with a business loan.

During the review process staff found issues that warranted conditions for this CON. Two conditions will require follow up by the applicant prior to first use of the facility and one condition will require reporting to the Commission for five years for compliance. These conditions listed below are included in the staff report:

1. Hygea Inc. shall document the provision of a minimum of 15% of patient days to indigent and gray area patients, as defined at COMAR 10.24.14.08B(9) and (11), by submitting annual reports auditing its total

days and the provision of days to indigent and gray area patients as a percentage of total days. Such audit reports shall be submitted to the Commission following each fiscal year, from the project's inception and continuing for five years thereafter;

2. Hygea Inc. must receive preliminary accreditation for the Level 3.7 services it will provide, including withdrawal management and post-withdrawal treatment programming, by the Commission on the Accreditation of Rehabilitation Facilities (CARF) prior to First Use Approval by the Commission and must timely receive final accreditation by CARF; and

3. Hygea Inc. shall document referral agreements, prior to First Use approval by the Commission, demonstrating that at least 15 percent of its annual patient days, required by COMAR 10.24.14.08, will be incurred by the indigent or gray area populations, including days paid under a contract with the Behavioral Health Administration or a jurisdictional alcohol or drug abuse authority, or the Medical Assistance program; [COMAR 10.24.14.05K(2)].

Staff concludes that Hygea's application for a Certificate of Need for a 50-bed Track One Intermediate Care Facility for adults in Baltimore County, Maryland meets the general CON criteria as well as the specific standards in the State Health Plan chapter governing ICF's. The project is needed, is viable and will not have an adverse impact on other providers. Therefore, staff recommends that the Commission **APPROVE** the project.



IN THE MATTER OF
HYGEA DETOX, INC.
Docket No. 21-03-2450.

BEFORE THE
MARYLAND HEALTH
CARE COMMISSION

STAFF REPORT AND RECOMMENDATION

March 17, 2022

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I. INTRODUCTION

A. Background

Hygea Detox Inc. (Hygea) proposes to establish an alcoholism and drug abuse intermediate care facility (ICF) in Baltimore County. The Maryland Health Care Commission (Commission) uses this term in the State Health Plan (SHP) to mean withdrawal management (WM), commonly referred to as “detoxification” services, and treatment services defined by the American Society of Addiction Medicine (ASAM) as “medically monitored intensive inpatient services.” Using the ASAM taxonomy for levels of care in WM and treatment services for substance use disorders, this type of facility is defined as Level 3.7. (See Figure 1.)

Figure 1: Continuum of Care



Source: ASAM

A Certificate of Need (CON) is only required for WM and treatment facilities providing Level 3.7 services and/or ASAM Level 4.0 (hospital-level) medically managed intensive inpatient services. The Maryland Health Care Commission (the Commission) does not regulate the spectrum of lower-level withdrawal management and treatment programs (Level 3.5 and below), which include both outpatient programs and residential facilities. A CON is required to establish or relocate an ICF, or to establish, relocate, or add beds to a hospital-level alcoholism and drug abuse treatment service. Once established, a licensed and operating ICF may add beds without CON review and approval. This latter feature became an effective change in the scope of CON regulation in 2019. Bed additions by ICFs required CON review and approval prior to this change in the law.

Because the change eliminated the Commission’s control of the inventory of ICF beds, it made the bed need projection standard in the SHP obsolete, which will be discussed later in this report.

B. The Applicant

Robby Stempler is the owner of Hygea and the proposed operator of the facility. (DI #21, Exh. 3). Mr. Stempler is the CEO and owner of Malibu Detox, LLC in Topanga, California which operates three separate locations. Malibu Detox has been in operation since 2016 providing medically supervised detoxification, residential treatment, and aftercare programs. (DI #4, p.9). The three California based facilities are all Joint Commission approved and contract with major health insurance providers.¹

The Project

Hygea is proposing a 50-bed Track One ICF for adults aged 18 and over (DI #11, p.1) to be located at 1210 Middle River Road in Baltimore (eastern Baltimore County). A Track One ICF, as defined in the SHP, primarily serves patients with private insurance and personal financial resources.

Although all services will be medically managed, withdrawal services have specific features described in the figure below.

Figure 2: ASAM Level 3.7-WM Care²

Level 3.7-WM: Medically Monitored Inpatient Withdrawal Management

- Services are delivered in a freestanding withdrawal management center with inpatient beds
- Services are provided 24 hours daily with observation, monitoring, and treatment
- Services include specialized clinical consultation; supervision for cognitive, biomedical, emotional, and behavioral problems; medical nursing care; and direct affiliation with other levels of care

Source: The ASAM Criteria - American Society of Addiction Medicine

<http://asamcontinuum.org/knowledgebase/what-are-the-asam-levels-of-care/>.

A Track One facility is required to provide no less than 15 percent of the facility’s annual patient days to the indigent and gray area population. [COMAR 10.24.14.04.] “Indigent” patients are those who qualify for services under the Maryland Medicaid program. [COMAR 10.24.14.08B(11)] “Gray area” patients do not qualify for Medicaid services but have an annual income (from any source) that is no more than 180 percent of the current Federal Poverty Index

¹ <https://malibudetox.com/>

² <https://www.medicaid.gov/state-resource-center/innovation-accelerator-program/iap-downloads/reducing-substance-use-disorders/asam-resource-guide.pdf>

and have no insurance for alcohol and drug abuse treatment services. [COMAR 10.24.14. 08.B(9)] Hygea does not propose to be certified for participation in the Medicare or Medicaid programs.

Development of the project will involve Middle River Ventures, which will own the 7.3-acre site and construct the two-story, 29,308 square foot (SF) facility. (DI #4, p.8). Hygea will lease the facility from Middle River Ventures for a 12-year term. (DI #11, p.13).

The ground floor of the facility (the upper of two levels on the sloping site) will consist of a reception area, an outdoor patio, 27 patient rooms (275 SF each), nurse's stations, and a medication center. The lower level of the facility will house administrative offices, staff break and locker rooms, an exam room, therapy and group rooms, a lounge, a game room, and a library. It will also include the dining room, kitchen, laundry, janitorial, supply and utility rooms, and a receiving bay. (DI #4, p.5).

The total estimated project cost is \$11,464,672. As noted, Middle River Ventures will fund most of this expenditure. The applicant will contribute \$482,840 for equipment and furnishings, working capital, and consulting expenses. The applicant proposes to borrow these funds. (DI #4, p.4). The following Table I-1 details the applicant's project budget. (DI #16, Table B). The overall project budget that includes construction costs incurred by Middle River Ventures can be found at Appendix 4. A floor plan of the proposed facility can be found in Appendix 5.

It is projected that Middle River Ventures will complete construction within 12 months from the completion of planning and permitting for the proposed project. (DI #4, p.5). The applicant provided the following estimated budget for its portion of the proposed project:

**Table I-1: Project Budget Estimate
Hygea Detox Contribution**

	Use of Funds	
	Capital Costs	
Movable Equipment (Beds, Nurse Station, Furnishings)		\$372,840
	Financing Cost and Other Cash Requirements	
Other Working Capital		\$50,000
CON Application Assistance		\$60,000
Total		\$482,840
Total Uses of Funds		\$482,840
	Sources of Funds	
Business Loan		\$482,840
Total Sources of Funds		\$482,840

Source: (DI #16, Table B).

C. Summary of Staff Recommendation

Staff recommends project approval based on its conclusion that the proposed project complies with the applicable State Health Plan standards. Staff also concludes that the applicant has demonstrated the need for the project, its cost effectiveness, and its viability. Staff also concludes that the impact of the project is positive, primarily because it will improve the availability and accessibility of ASAM Level 3.7 alcohol and drug abuse treatment services in Baltimore County and surrounding areas. Staff recommends that, if the Commission awards a CON for this project, conditions be included regarding the provision of care to the indigent and gray area population, accreditation, and referral agreements.

II. PROCEDURAL HISTORY

A. Record of the Review

Please see Appendix 1, Record of the Review.

B. Interested Party in Review

There are no interested parties in this Review.

C. Local Government Review and Comment

John A. Olszewski Jr., the Baltimore County Executive, and Eric Bromwell, the Opioid Strategy Coordinator for Baltimore County submitted comments in support of the proposed project.

D. Other Support and Opposition to the Project

Hygea submitted letters supporting the project from public officials and representatives of both substance abuse treatment programs and counseling and court diversion programs, as follows: (DI #4, Exh.8).

Area Hospitals

- Neil Meltzer, President and CEO, LifeBridge Health, Inc.

Public Officials

- C.A. Dutch Ruppersberger, Member of Congress

Other substance abuse treatment providers

- Sam Bierman, Chief Executive Officer, Maryland Addiction Recovery Center
- Jennifer Weiss Wilkerson, Vice President and Chief Strategy Officer, Sheppard Pratt

- Alex Denstman, Joint Chief Executive Officer, Ashley Addiction Treatment
- Bruce T. Taylor, M.D. Distinguished Life Fellow, American Psychiatric Association
- Warrie Boyd, Executive Director, New Points
- Thomas C.C. Bond, III, Founder and Chief Executive Officer, Summit Community Health Inc.
- Toni Torsch, Director, Daniel Carl Torsch Foundation

III. REVIEW AND ANALYSIS

A. STATE HEALTH PLAN

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

The relevant State Health Plan chapter is COMAR 10.24.14 (the ICF Chapter). The ICF Chapter, at Regulation .05, includes the following “Certificate of Need Approval Rules and Review Standards for New Substance Abuse Treatment Facilities and for Expansions of Existing Facilities.”

.05A. Approval Rules Related to Facility Size. Unless the applicant demonstrates why a relevant standard should not apply, the following standards apply to applicants seeking to establish or to expand either a Track One or a Track Two intermediate care facility.

- **The Commission will approve a Certificate of Need application for an intermediate care facility having less than 15 beds only if the applicant dedicates a special population as defined in Regulation .08.**
- **The Commission will approve a Certificate of Need application for a new intermediate care facility only if the facility will have no more than 40 adolescent or 50 adult intermediate care facility beds, or a total of 90 beds, if the applicant is applying to serve both age groups.**
- **The Commission will not approve a Certificate of Need application for expansion of an existing alcohol and drug abuse intermediate care facility if its approval would result in the facility exceeding a total of 40 adolescent or 100 adult intermediate care facility beds, or a total of 140 beds, if the applicant is applying to serve both age groups.**

Hygea seeks to establish a new 50-bed Track One ICF facility for adults. The bed capacity proposed is in compliance with this rule.

.05B. Identification of Intermediate Care Facility Alcohol and Drug Abuse Bed Need.

(1) An applicant seeking Certificate of Need approval to establish or expand an intermediate care facility for substance abuse treatment services must apply under one of the two categories of bed need under this Chapter:

(a) For Track One, the Commission projects maximum need for alcohol and drug abuse intermediate care beds in a region using the need projection methodology in Regulation .07 of this Chapter and updates published in the *Maryland Register*.

The applicant states that the bed need methodology is an old forecast model for determining need. (The rule has been in place since 2002.) The applicant states that the bed need methodology likely understates bed need because substance abuse (and related deaths) have grown to be a national crisis in the last two decades. (DI #4, p.33).

Staff agrees with the applicant that this bed need projection methodology has become obsolete, but not primarily because of its age. The steps and assumptions, which are updatable, are not illogical as a forecasting model. Its obsolescence is primarily caused by the changes made to the scope of CON regulation in 2019 legislation, changes supported by the Commission. The Commission no longer has the authority to limit ICF bed supply by comprehensively regulating changes in such bed supply, in the way, for example, that the Commission controls hospital and nursing home bed capacity. The inventory of beds has increased significantly since the law freed existing ICFs to add any number of ICF beds without CON approval.

It is notable that, following the methodology, Hygea calculated a net bed need range of 70-113 beds for the target year 2025 for the Central Maryland region for which the project is proposed. The target year is five years from the base year. (DI #4, pp. 13-14).³

Staff performed the same calculation for the Central Maryland planning region, using 2022 as the base year, an updated ICF bed inventory and a more accurate report of Medicaid recipients for the 2020 calendar year. The Commission staff calculation resulted in a slightly lower net bed need range of 23-65 beds for the target year of 2027. Thus, despite its obsolescence, the projection methodology still produces a range of net bed need that would support the proposed project.

³ Hygea used the Maryland Department of Planning's population projection series

**Table III-1: Track One ICF Bed Need
Central Maryland**

	Base Year 2022	Target Year 2027
Projected Adult Population (18 years and older) – Projected 2020 ^[1]	2,032,365	2,070,139
Indigent Adult Population (18 years and older) - Central Maryland ^[2]	436,346	436,346
(a) Non-Indigent Population	1,596,019	1,633,793
(b) Estimated Number of Substance Abusers (a*8.64%)	137,896	141,160
(c1) Estimated Annual Target Population (b*25%)	34,474	35,290
(c2) Estimated Number Requiring Treatment (c1*95%)	32,750	33,525
(d) Estimated Population requiring ICF/CD (12.5%-15%)		
(d1) Minimum (c2*0.125)	4,094	4,191
(d2) Maximum (c2*0.15)	4,913	5,029
(e) Estimated Range requiring Readmission (10%)		
(e1) Minimum (d1*0.1)	409	419
(e2) Maximum (d2*0.1)	491	503
Total Discharges from out-of-state	N/A	N/A
(f) Range of Adults Requiring ICF/CD Care		
Minimum (d1+e1+out of state)	4,503	4,610
Maximum (d2+e2+out of state)	5,404	5,532
(g) Gross Number of Adult ICF Beds Needed		
(g1) Minimum = ((f*14 ALOS)/365)/0.85	203	208
(g2) Maximum = ((f*14 ALOS)/365)/0.85	244	250
(h) Existing Track One Inventory ICF/CD beds ⁽⁴⁾	144	144
(i) Net Private ICF/CD Bed Need		
Minimum (g1-h)	18	23
Maximum (g2-h)	59	65

Based on COMAR 10.24.14.07(B)(7), Method of Calculation for Private Beds.

Sources:

[1] Population interpolated from *Maryland Department of Planning, Historical and Projected Total Population Projections for Maryland Jurisdictions* December 2020 and United States Census Bureau QuickFacts Maryland Population Estimates July 1, 2021 (used to determine % of the population 18 and older).

[2] Data from Maryland Medical Assistance Program - Medical Assistance recipients for population age 18 years and older for CY 2020. [Appendix 4]

To further demonstrate need outside of the bed need calculation, the applicant points to the creation of the Governor's Heroin and Opioid Emergency Task Force which was established in Maryland in February 2015. The goals of the task force continue to be the prevention, reduction and treatment of heroin and opioid abuse. The Task Force gathers information throughout Maryland to determine the impact of drug abuse on communities. This information is used in the creation of policy, regulations, and legislation to improve access to treatment, create awareness of substance abuse issues, and fight drug related crime⁴.

The applicant also includes information from the Maryland Opioid Operational Command Center reporting a rise from 596 unintentional intoxication deaths in 2007 to 2025 deaths in 2020 as well as a rise in drug and alcohol related intoxication deaths in every jurisdiction of the Central Planning Region of Maryland between 2007 and 2019 (DI #4, p.33). The applicant also cites the 2018 Maryland House Bill 384 which presented a survey of Maryland ICFs, in which 12 out of 17 providers reported wait times for alcohol and drug treatment of two or more weeks (DI #4, p.33). Lastly, the applicant cites the Commission decision in Ashley Inc., Docket 13-12-2340 which reports wait times of 4.96 days for withdrawal management. (DI #4, p.33).

In addition to the data cited by the applicant, the COVID-19 pandemic has changed the landscape of health care including addictions treatment. The National Institute of Health (NIH) has published research documenting the increases in substance use and drug overdoses in the United States since the inception of the COVID-pandemic. According to NIH, the pandemic has had a particularly negative impact on people with substance use disorders and those in recovery because they are at an increased risk for poor outcomes from COVID-19⁵.

Staff concludes that the application is consistent with this standard, while also noting that that use of a bed need projection standard of this type without bed inventory controls is not a rational approach to consideration of project need.

.05C. Sliding Fee Scale. An applicant must establish a sliding fee scale for gray area patients consistent with the client's ability to pay.

Hygea states that it will establish a sliding fee scale for gray area patients that is consistent with the patient's ability to pay. This includes financial assistance for those who are "uninsured, under insured, or otherwise unable to pay for medically necessary care." (DI #4, p.15). The applicant based its sliding fee scale on review of the last five Level One providers with CONs approved by the Commission. (DI #11, p.2). To document eligibility for the sliding fee scale, the patient will need to supply evidence of their financial situation. The applicant states that it will

⁴ <https://msa.maryland.gov/msa/mdmanual/26excom/defunct/html/20heroin.html>

⁵ <https://nida.nih.gov/drug-topics/comorbidity/covid-19-substance-use>

track all applications for financial assistance and make decisions promptly, following up each decision with a letter of final determination. (DI #4, p.15). Hygea states that it will utilize the sliding fee schedule below.

Figure 3: Proposed Sliding Fee Schedule

Income level is	< 100% of Federal Poverty level (FPL)	75% discount
Income level is	< 150% but > 100% of FPL	50% discount
Income level is	< 200% but > 150% of FPL	25% discount

Source: (DI #4, p.15).

Staff concludes that the applicant complies with this standard.

.05D. Provision of Service to Indigent and Gray Area Patients.

(1) Unless an applicant demonstrates why one or more of the following standards should not apply or should be modified, an applicant seeking to establish or to expand a Track One intermediate care facility must:

(a) Establish a sliding fee scale for gray area patients consistent with a client's ability to pay.

The applicant documented that it would utilize a sliding fee scale, as discussed immediately above.

(b) Commit that it will provide 30 percent or more of its proposed annual adolescent intermediate care facility bed days to indigent and gray area patients; and

The applicant will not serve adolescents.

(c) Commit that it will provide 15 percent or more of its proposed annual adult intermediate care facility bed days to indigent or gray area patients.

The purpose of this standard is to require Track One ICFs to serve a minimum percentage of indigent and gray area patients. The standard requires applicants to establish a sliding fee scale for gray area patients consistent with a client's ability to pay and by requiring that applicants commit to providing a specific percentage of its bed days to indigent and gray area patients. Applicants may demonstrate why one or more of the requirements should not apply. The standard also offers applicants the opportunity to propose an alternative to providing the minimum required indigent and gray area patient days so long as the availability of ICF services for indigent or gray area patients in the applicant's health planning region increases. Applicants can base this alternative on consideration of specific population needs and financial feasibility.

Hygea commits to providing at least 15 percent of its proposed annual facility bed days to indigent or gray area patients. (DI #4, p.16). To ensure that this target is met, the applicant stated that it will track its provision of care through an electronic medical records system. (DI #11, p.2). The applicant will monitor this information quarterly. If, after the first six months of operation, the level of indigent or gray area care falls below 15 percent, the applicant states that it will reach out to its partners for referrals and seek out new referral partners, if needed. (DI #11, p.2). In addition, Hygea states that it will review its process annually and make any needed changes. (DI #11, p.3).

Hygea states that, as a condition of CON approval, it will submit annual reports to the Commission which provide an audit of the applicant's total days of care provided to indigent and gray area patients. (DI #55, p. 6). These reports will be submitted at the end of each fiscal year starting with the commencement of operations and continuing for five years.

Staff recommends that the Commission find the application in compliance with this standard and recommends that an approval of the application be conditioned, as follows:

Hygea Inc. shall document the provision of a minimum of 15% of patient days to indigent and gray area patients, as defined at COMAR 10.24.14.08B(9) and (11), by submitting annual reports auditing its total days and the provision of days to indigent and gray area patients as a percentage of total days. Such audit reports shall be submitted to the Commission following each fiscal year, from the project's inception and continuing for five years thereafter.

Subsections .05D (2), (3), and (4) of this standard are only applicable to existing ICFs.

.05E. Information Regarding Charges. An applicant must agree to post information concerning charges for services, and the range and types of services provided, in a conspicuous place, and must document that this information is available to the public upon request.

Hygea states that it will post information regarding the range and types of services provided and a statement of charges. The applicant also states that it will provide this information to the public upon request. (DI #4, p. 16). The applicant provided a list of its charges which included charges for detoxification and urinalysis. (DI #11, Exh.10).

Staff concludes that the applicant complies with this standard.

.05F. Location. An applicant seeking to establish a new intermediate care facility must propose a location within a 30-minute one-way travel time by automobile to an acute care hospital.

Hygea states that the location of the proposed facility at 1210 Middle River Road in Baltimore (Baltimore County) is approximately four to seven minutes from MedStar Franklin Square Hospital, which is within the required one-way travel time by automobile. (DI #4, p. 17).

Staff concludes that the facility location is consistent with this standard.

.05G. Age Groups.

- (1) An applicant must identify the number of adolescent and adult beds for which it is applying, and document age-specific treatment protocols for adolescents ages 12-17 and adults ages 18 and older.**

The applicant is applying for 50 adult beds and submitted all draft policies and procedures including treatment protocols for adult patients. (DI #4, Exh.5). Staff concludes the applicant has met this subpart. (DI #4, p.17).

- (2) If the applicant is proposing both adolescent and adult beds, it must document that it will provide a separate physical, therapeutic, and educational environment consistent with the treatment needs of each age group including, for adolescents, providing for continuation of formal education.**

The applicant will not serve adolescent patients.

- (3) A facility proposing to convert existing adolescent intermediate care substance abuse treatment beds to adult beds, or to convert existing adult beds to adolescent beds, must obtain a Certificate of Need.**

This standard is not applicable. Hygea proposes establishment of a new ICF.

.05H. Quality Assurance.

- (1) An applicant must seek accreditation by an appropriate entity, either the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO), in accordance with CFR, Title 42, Part 440, Section 160, the CARF, the Rehabilitation Accreditation Commission, or any other accrediting body approved by the Department of Health and Mental Hygiene. The appropriate accreditation must be obtained before a Certificate of Need-approved ICF begins operation and must be maintained as a condition of continuing authority to operate an ICF for substance abuse treatment in Maryland.**

The applicant states that before first use it will seek and maintain accreditation from an appropriate entity. (DI #4, p.18).

(2) A Certificate of Need-approved ICF must be certified by the Office of Health Care Quality before it begins operation and must maintain that certification as a condition of continuing authority to operate an ICF for substance abuse treatment in Maryland.

Hygea states that it will seek and maintain certification and licensure by the Maryland Department of Health once its CON is approved. (DI #4, p.18). The applicant's response meets this standard, but staff recommends that approval of the application be conditioned as follows:

Hygea Inc. must receive preliminary accreditation for the Level 3.7 services it will provide, including withdrawal management and post-withdrawal treatment programming, by the Commission on the Accreditation of Rehabilitation Facilities (CARF) prior to First Use Approval by the Commission and must timely receive final accreditation by CARF.

.05I. Utilization Review and Control Programs.

(1) An applicant must document the commitment to participate in utilization review and control programs, and have treatment protocols, including written policies governing admission, length of stay, discharge planning, and referral.

The applicant states that it will participate in utilization review and control programs. It also states that it will have treatment protocols including policies for admission, length of stay, discharge planning and referrals and has included these draft policies in its application. (DI #4, p.18).

(2) An applicant must document that each patient's treatment plan includes, or will include, at least one year of aftercare following discharge from the facility.

Hygea states that it has a commitment to aftercare following discharge as evidenced by an excerpt from its policy that states "each patient's treatment plan includes at least one year of aftercare following discharge from the facility, and available referral partners providing aftercare services, including evenings and weekend options, are provided during discharge." (DI #4, Exh.5, p.13).

Staff concludes that the application is consistent with the utilization review standard.

.05J. Transfer and Referral Agreements.

(1) An applicant must have written transfer and referral agreements with facilities capable of managing cases which exceed, extend, or complement its own capabilities, including facilities which provide inpatient, intensive and general outpatient programs, halfway

house placement, long-term care, aftercare, and other types of appropriate follow-up treatment.

The applicant provided transfer and referral agreements with other facilities that complement its own capabilities as shown in the table below.

(2) The applicant must provide documentation of its transfer and referral agreements, in the form of letters of agreement or acknowledgement from the following types of facilities:

- (a) Acute care hospitals;**
- (b) Halfway houses, therapeutic communities, long-term care facilities, and local alcohol and drug abuse intensive and other outpatient programs;**
- (c) Local community mental health center or center(s);**
- (d) The jurisdiction's mental health and alcohol and drug abuse authorities;**
- (e) The Alcohol and Drug Abuse Administration and the Mental Hygiene Administration⁶;**
- (f) The jurisdiction's agencies that provide prevention, education, driving-while-intoxicated programs, family counseling, and other services; and,**
- (g) The Department of Juvenile Justice and local juvenile justice authorities, if applying for beds to serve adolescents.**

Hygea states that in the application it included letters of agreement and acknowledgement with other facilities it had gathered, to date, as shown in the following table. (DI #4, pp.19-20).

⁶ These former components of the Maryland Department of Health are now included within the Behavioral Health Administration.

Table III-2: Hygea Transfer and Referral Agreements

Provider Category	Agreement or contact with:
Acute care hospitals	MedStar Franklin Square Medical Center Sinai Hospital of Baltimore
Halfway houses, therapeutic communities, long-term care facilities, local alcohol, and drug abuse intensive	Ashley Inc. Baltimore County Health Department Jennifer Wilson LCSWC, LCADC, LLC Maryland Addiction Recovery Center MedStar Franklin Square Medical Center New Points Sober Living Samaritan House Inc. Sheppard Pratt Health Systems Summit Community Health Inc.
Local community mental health center or center(s)	MedStar Franklin Square Medical Center Sheppard Pratt Health Systems Baltimore County Health Department
The jurisdiction's mental health and alcohol and drug abuse authorities	Baltimore County Health Department agreement stating that the Department will accept referrals from Hygea for those eligible for prevention, education, driving while intoxicated programs, family counseling and other substance use disorder and treatment services.
The Behavioral Health Administration of MDH (formerly the Mental Hygiene Administration with its division of Alcohol and Drug Abuse)	The Behavioral Health Administration prefers to engage with applicants after CON approval - the applicant will seek out a referral agreement if CON is granted.
The jurisdiction's agencies that provide prevention, education, driving-while-intoxicated programs, family counseling, and other services	Baltimore County Health Department

Source: (DI #4, pp. 19-20) and (DI #11, pp.3-4).

The applicant explains that, as shown in previous ICF applications, there are challenges in formalizing referral agreements prior to the opening of a program. It states that it will continue working to develop referral agreements with the Behavioral Health Administration with the goal of securing a contract before first use. (DI #4, p.20)

Staff concludes that Hygea has made a substantive effort to execute transfer and referral agreements, with some success, and recommends that the Commission find the application in compliance with this standard, with the following condition attached to any CON that is granted:

Hygea Inc. shall document referral agreements, prior to First Use approval by the Commission, demonstrating that at least 15 percent of its annual patient days, required by COMAR 10.24.14.08, will be incurred by the indigent or gray area populations, including days paid under a contract with the Behavioral Health

Administration or a jurisdictional alcohol or drug abuse authority, or the Medical Assistance program; [COMAR 10.24.14.05K(2)].

.05K. Sources of Referral.

- (1) An applicant proposing to establish a new Track Two facility must document to demonstrate that 50 percent of the facility’s annual patient days, consistent with Regulation .08 of this Chapter, will be generated by the indigent or gray area population, including days paid under a contract with the Alcohol and Drug Abuse Administration or a jurisdictional alcohol or drug abuse authority.**

Hygea seeks to establish a Track One facility. This sub-part of the standard is not applicable.

- (2) An applicant proposing to establish a new Track One facility must document referral agreements to demonstrate that 15 percent of the facility’s annual patient days required by Regulation .08 of this Chapter will be incurred by the indigent or gray area populations, including days paid under a contract with the Alcohol or Drug Abuse Administration or a jurisdictional alcohol or drug abuse authority, or the Medical Assistance program.**

Hygea included a reciprocal referral agreement with the Baltimore County Health Department which states that it will “dedicate an average of seven of its beds for patients referred from Baltimore County who are eligible for charity care.” (DI #4, Exh.6). It proposes to achieve this by admitting “appropriate patient referrals” from Baltimore County although this does not preclude the applicant from working with other providers who have “gray area” patients or utilizing these seven beds if Baltimore County does not have any referrals. (DI #4, Exh.6). This commitment alone could allow the facility to use up to 14 percent of its for indigent or gray area patients, just below the minimal level of commitment to admission of low-income and uninsured patients required for Track One ICFs

The applicant included five other referral agreements (Ashley Inc., Jennifer Wilson LCSWC LCADC LLC, The Maryland Addiction and Recovery Center, Samaritan House Inc., and Summit Community Health Inc.) stating its relationship with other providers will “expressly contemplate the referral of patients eligible for charity care.”⁷ (DI #4, p.20).

Staff concludes that the application is consistent with this standard.

⁷ Staff notes that the SHP rules referenced here by the applicant are not “charity care” rules, as that term is conventionally used with reference to health care facility services. It does require commitment by Track One ICFs to serve indigent (Medicaid-eligible) and other low-income households, when insurance coverage for ICF services is not available.

.05L. In-Service Education. An applicant must document that it will institute or, if an existing facility, maintain a standardized in-service orientation and continuing education program for all categories of direct service personnel, whether paid or volunteer.

The applicant provided a copy of its draft policies and procedures regarding staff training and development with its CON application. (DI #4, Exh.5). It also provided a description of each module. (DI #11, p.4). Hygea states that it will institute and maintain a standardized in-service orientation and continuing education program for all categories of direct service personnel. (DI #4, p.21). The applicant states that, currently, it does not plan to use any volunteers.

Staff concludes that the application is consistent with this standard.

.05M. Sub-Acute Detoxification. An applicant must demonstrate its capacity to admit and treat alcohol or drug abusers requiring sub-acute detoxification by documenting appropriate admission standards, treatment protocols, staffing standards, and physical plant configuration.

Hygea states that it will implement appropriate admission, treatment, and staffing protocols as well as a physical plant design that is in line with ASAM placement criteria, Joint Commission guidelines, national patient safety goals and standards in the industry. (DI #4, p.21). Design goals include locating the nurse's stations near patient rooms, designing rooms that can accommodate bedside dining, and separating out, by building floor, the activity spaces from the bedrooms. (DI #11, p.6 and Appendix 4 Facility Design Drawings). In addition, to avoid any negative impacts due to the transition from withdrawal management to subsequent care, the applicant states that all the beds in the facility will be set up for both 3.7 and 3.7 WM care. (DI #11, p.6). Lastly, the applicant also provided a copy of its draft policies and procedures that support the validity of the above-mentioned protocols and guidelines. (DI #4, Exh.5).

Staff concludes that the application is consistent with this standard.

.05N. Voluntary Counseling, Testing, and Treatment Protocols for Human Immunodeficiency Virus (HIV). An applicant must demonstrate that it has procedures to train staff in appropriate methods of infection control and specialized counseling for HIV-positive persons and active AIDS patients.

Hygea states that it will offer HIV testing and counseling with consent. The applicant will offer infection control training on an ongoing basis. (DI #4, p.21). The applicant provided a copy of its policies and procedures related to infection control. (DI #4, Exh.5).

Staff concludes that the application is consistent with this standard.

.05O. Outpatient Alcohol and Drug Abuse Programs.

- (1) An applicant must develop and document an outpatient program to provide, at a minimum: individual needs assessment and evaluation; individual, family, and group counseling; aftercare; and information and referral for at least one year after each patient's discharge from the intermediate care facility.**
- (2) An applicant must document continuity of care and appropriate staffing at off-site outpatient programs.**
- (3) Outpatient programs must identify special populations as defined in Regulation .08, in their service areas and provide outreach and outpatient services to meet their needs.**
- (4) Outpatient programs must demonstrate the ability to provide services in the evening and on weekends.**

The applicant will not provide outpatient services and will use referral agreements to work with other community providers who provide specialized services as indicated below in subpart (5). Hygea also commits to development of patient treatment plans that will include at least one year of aftercare following discharge from the facility. (DI #4, p.18).

- (5) An applicant may demonstrate that outpatient programs are available to its patients, or proposed patient population, through written referral agreements that meet the requirements of (1) through (4) of this standard with existing outpatient programs.**

The applicant states that it will not provide outpatient drug and alcohol treatment but will maintain written referral agreements with providers of outpatient services that provide alcohol and drug abuse treatment programs offering the services listed in subparts (1) through (4) above. (DI #4, p.22).

To date the applicant has signed outpatient agreements with many providers that work with the special populations defined in COMAR 10.24.14.08. (DI #11, p. 7). These providers include Ashley Inc., Jennifer Wilson LCSWC LCADC LLC, The Maryland Addiction and Recovery Center, MedStar Franklin Square Medical Center, New Points Sober Living, Samaritan Houses Inc., Sheppard Pratt Health System, Sinai Hospital of Baltimore, and Summit Community Health Inc. (DI #4, p.22). The applicant also states that it will continue to add to this list of outpatient providers so that it can offer its patients options upon discharge. In addition, the applicant's draft policy on aftercare states "the importance of aftercare will be emphasized during an exit interview with encouragement." (DI #4, Exh.5, p.13).

Staff concludes that the application is demonstrated consistency with this standard.

.05P. Program Reporting. Applicants must agree to report, on a monthly basis, utilization data and other required information to the Alcohol and Drug Abuse Administration's Substance Abuse Management Information System (SAMIS) program and participate in any comparable data collection program specified by the Department of Health and Mental Hygiene.

The Behavioral Health Administration, in 2015, contracted with Beacon Health Options to collect data only from publicly funded providers (Track Two), thus, Hygea's proposed Track One facility would not be required to report utilization data to the State. The applicant has expressed a willingness to participate in comparable data collection programs if one is created in the future. (DI #4, p.23).

The applicant shared recent (2020) quality data it collected for its Malibu Detox program via a survey of discharged patients 30 days post-discharge. The surveys showed that patient risk factors for substance abuse decreased 53 percent during treatment at the facility. In addition, average use factors themselves decreased by 87 percent during treatment. (DI #11, Exh.12).

Staff concludes that the application is consistent with this standard.

B. NEED

COMAR 10.24.01.08G(3)(b) Need. The Commission shall consider the applicable need analysis in the State Health Plan. If no State Health Plan need analysis is applicable, the Commission shall consider whether the applicant has demonstrated unmet needs of the population to be served and established that the proposed project meets those needs.

As discussed earlier in this report under the Need standard of the SHP, at COMAR 10.24.14.05B,⁸ the bed need projection methodology for Track One beds identifies (as calculated by Commission staff) a need for 23-65 additional ICF beds in the Central Maryland region for a target year of 2027. This proposal would add 50 Track One ICF beds in this region, within the net bed need range. However, use of a bed need projection standard, as also noted previously, has been inapt since 2019, when expansion of existing ICF bed capacity was deregulated.

The applicant provided additional information on the data indicating growth of substance abuse addiction in the U.S. and changes in the types of drug addiction and the lethality of drug addiction seen in recent years. Greater availability and accessibility of effective treatment of substance use disorders is a necessary part of the response to this health care problem.

⁸ Discussion of Identification of Intermediate Care Facility Alcohol and Drug Abuse Bed Need, *supra*, pp. 6-8.

Staff recommends that the Commission find that its consideration of the applicable need analysis in the State Health Plan indicates that changes in law have made the standard's usefulness very limited but, in this case, still supportive of the need for the project. Additionally, staff recommends a finding that the applicant has provided relevant information demonstrating the growing negative impact of substance use disorders as a basis for development of additional treatment options and capacity.

C. AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES

COMAR 10.24.01.08G(3)(c) Availability of More Cost-Effective Alternatives. The Commission shall compare the cost effectiveness of the proposed project with the cost effectiveness of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.

Hygea states that the objective of the project is to “provide Marylanders with excellent specialty care for chemical dependency.” (DI #4, p.25). The applicant also states that it “seeks to provide comprehensive addiction and dual diagnosis treatment to help individuals achieve long term recovery.” (DI #4, p.25).

In comparing alternatives to the proposed project, the applicant looked at three sites, two in Howard County and one in Baltimore County. The first Howard County site was a raw parcel of land similar in size to Middle River Road property but four times as expensive which would lead to higher costs for the applicant that would trickle down to possible higher costs for the patients. The site was also not zoned properly and required a new stormwater management system. (DI #4, p.25).

The second Howard County site contained an existing psychiatric facility which needed maintenance and improvements. In addition, the current landlord declined entering a long-term lease with hopes of developing it in the future on his own. (DI #4, p.26). The Baltimore County site on Middle River Road was selected because it was more cost effective than the two options in Howard County and it was already zoned appropriately. In addition, the applicant states that Baltimore County officials have been supportive of the proposed project to expand withdrawal management services in Baltimore County and surrounding areas. (DI #4, p.26).

The applicant also compared withdrawal management in an ICF versus other treatment options such as acute care hospitals. The applicant shares two research articles that show, in 2016 and 2017, a substance abuse disorder/opioid related hospital stay was \$955 and \$1,092 per patient day respectively whereas Hygea Detox's projected revenue per day is more cost effective at \$780 per patient day. (DI #4, p.27).

To compare its projected operational costs with other Track One providers in Maryland, the applicant looked at the last five Track One ICF CON applications approved by the Commission (Three Recovery Centers of America Facilities, Maryland House Detox and Baltimore Detox) to make comparisons. The applicant's projected revenue per patient day of \$1,150 is lower than that projected by four of the five. (DI #4, p.26). In addition, the applicant projects net operating revenue per patient day of \$779.50, also ranking it below four of the five other projections. It provided a similar comparison of its net income forecast (\$194 per day), noting it is lower than the \$243 and \$355 per day forecast range of four of the previous five applications. The applicant states that its net income is lower due to its "robust" staffing model, with 8.4 direct and support staff hours per patient day, compared with the range of 6.3 to 6.9 direct and support staff hours per day provided by other facilities. (DI #4, p.27).

This is not a comparative review. Staff concludes that the applicant has demonstrated that its operational plan compares favorably, in terms of projected unit "cost," with other recent ICF plans of this type considered by the Commission. Information on the "effectiveness" of ICFs, in general, is lacking.

Staff believes that use of this criterion should be tailored to the particular facilities under consideration and the market and payment environment in which they will operate. Staff does not believe this criterion should be used as a basis for denying the development of Track One ICFs so long as the required commitment to the provision of service to low-income households is made. These types of ICFs, proprietary Track One ICFs, are primarily serving patients with insurance or substantial financial resources. Therefore, market forces and the facility's ability to obtain payment levels from these private sources adequate to sustain profitable operation, is likely to ultimately dictate the level of resource development that can be maintained. If overbuilding causes contraction of ICF capacity, by exit of the programs that are not cost-effective, this self-regulating process should be allowed to function. For this type of ICF, such contraction will not reduce capacity available to patients relying on public programs (Medicare/Medicaid) for treatment of substance abuse disorders.

D. VIABILITY OF THE PROPOSAL

COMAR 10.24.01.08G(3)(d) Viability of the Proposal. The Commission shall consider the availability of financial and nonfinancial resources, including community support, necessary to implement the project within the time frames set forth in the Commission's performance requirements, as well as the availability of resources necessary to sustain the project.

Availability of Financial Resources

The estimated cost of the proposed project is \$11,412,724, most of which will be funded by a real estate development entity that has agreed to lease the land and improvements to the applicant. It's part of the expenditure is \$482,840. The applicant's costs include \$372,840 in

moveable equipment, \$60,000 in legal fees related to the CON, and \$50,000 in working capital costs for start-up expenses related to land lease obligations and staffing. (DI #16, Table B Project Budget).

Hygea submitted a letter from Solomon and Nislow P.A. Certified Public Accountants stating that it had “considered the member’s cash flow and entities projections and there seems to be adequate availability of funds.” (DI #4, Exh.7). However, staff noted that this firm disclosed that it is the “accountant for the above-mentioned entity and its members.” (DI #4, Exh.7). Therefore, in a completeness question staff requested that the applicant clarify this relationship. In its completeness response the applicant provided a clarification letter stating that although they are the accountant for the applicant, they are also Certified Public Accountants (CPAs) and thus bound by the “Code of Professional Conduct of the American Institute of Certified Public Accountants.” (DI #11, Exh.13). The letter goes on to state that although they provide tax and accounting services to Mr. Stempler, they are not employed by him or Hygea Detox and consider themselves independent CPAs. (DI #11, Exh.13).

Projected Financial Performance

Hygea’s financial projections assume gross revenue of \$1,150 per day for its ICF services, yielding \$779.50 per day after contractual allowances and uncompensated care. (DI #4, p.26). Hygea expects to participate as a network provider with Blue Cross Blue Shield and other commercial third-party payers which will account for 95 percent of total income. (DI #4, Exh. 1, Table D. Revenues and Expenses). The facility is projected to achieve 85.4 percent occupancy by 2025. (DI #4, Exh.1, Table C Statistical Projections).

The applicant projects that it will generate income from operations immediately, as shown in the table below.

Table III-4: CY 2023-2025 Hygea Financial Projections Uninflated

Calendar Year	2023	2024	2025
Inpatient Services	\$14,680,210	\$17,849,150	\$17,925,510
Gross Patient Service Revenue	\$14,680,210	\$17,849,150	\$17,925,510
Allowance for Bad Debt	\$293,604	\$356,983	\$358,510
Contractual Allowance	\$2,233,945	\$2,716,175	\$2,727,795
Charity Care	\$2,202,032	\$2,677,373	\$2,688,827
Net Patient Service Revenue	\$9,950,629	\$12,098,619	\$12,150,378
NET OPERATING REVENUE	\$9,950,629	\$12,098,619	\$12,150,378
Salaries and Wages (including benefits)	\$4,719,062	\$5,263,420	\$5,263,420
Interest on Project Debt	\$200,000	\$200,000	\$200,000
Current Depreciation	\$400,000	\$400,000	\$400,000
Other Expenses	\$3,108,149	\$3,263,928	\$3,263,928
TOTAL OPERATING EXPENSES	\$8,427,211	\$9,127,348	\$9,127,348
Income From Operations	\$1,523,418	\$2,971,271	\$3,023,030

Source: (DI #4, Exh.1, Table D).

Work Force Projections

Hygea projects employment of 76 FTEs, none of which will be contractual, at a total cost of \$5,263,420 in salaries and benefits. It projects the ability to recruit for these positions without significant problems. (DI #4, Exh.1, Table G Workforce Information). The applicant states it is aware of staffing challenges for substance abuse treatment centers in Maryland and plans to offer “enriched” benefits and above market salaries to recruit. (DI #11, p.10). In addition, Hygea is currently developing relationships with college programs to recruit counselors as well as working with the professional boards and organizations to reach potential employees. (DI #11, p.10). A profile of the staffing plan is shown in the table below.

Table III-5: Hygea Center Workforce Table

Job Category	FTEs	Total Cost
Regular Employees		
Total Administration	13.0	\$896,000
Total Direct Care	53.0	\$3,185,000
Total Support	10.0	\$417,000
<i>Regular Employees - TOTAL</i>	76.0	\$4,498,000
<i>Payroll Taxes (Employer)</i>		\$765,420
<i>Total Personnel Cost</i>		\$5,263,420*

Source: (DI #4, Exh.1, Table G).

*Benefits are included in wage calculations at 15 percent

Community Support

As previously discussed in this Staff Report, this proposed project received letters of support from public officials, representatives of other substance use disorder treatment programs, and area hospitals supporting the ability of the applicant to develop a quality ICF program. (DI #4, Exh.8).

Relevant Information with respect to Project Viability

Robby Stempler, owner and operator of Hygea Detox, is the owner of Malibu Detox in California, as noted. Malibu Detox has performed well financially, based on revenue and expense statements filed by Mr. Stempler that show the 2020 and 2021 financial performance of Malibu Detox. Malibu Detox is a profitable business that experienced net income growth of 6.3 percent from 2020 to 2021. (DI #20, Exh.1 Table D).

Staff recommends that the Commission find the proposed project to be viable based on resource availability, documentation of project support, the applicant's financial and workforce projections, and the applicant's experience in operating a drug and alcohol rehabilitation center.

E. COMPLIANCE WITH CONDITIONS OF PREVIOUS CERTIFICATES OF NEED

COMAR 10.24.01.08G(3)(e) Compliance with Conditions of Previous Certificates of Need. An applicant shall demonstrate compliance with all terms and conditions of each previous Certificate of Need granted to the applicant, and with all commitments made that earned preferences in obtaining each previous Certificate of Need or provide the Commission with a written notice and explanation as to why the conditions or commitments were not met.

None of the entities involved in the proposed project have previously been granted a CON in Maryland.

F. IMPACT ON EXISTING PROVIDERS AND THE HEALTH CARE DELIVERY SYSTEM

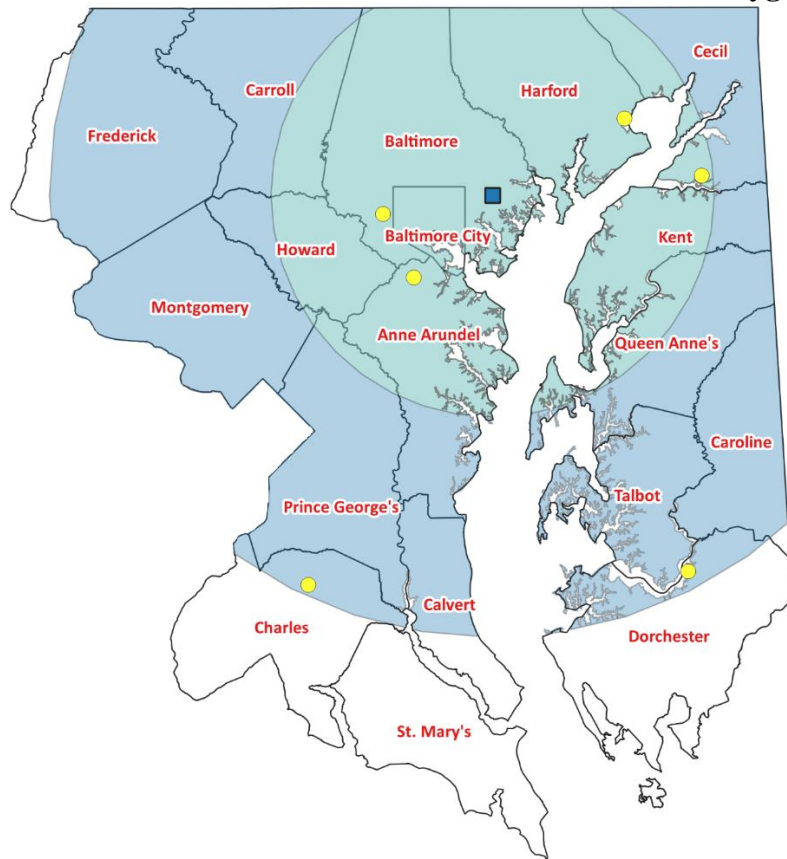
COMAR 10.24.01.08G(3)(f) Impact on Existing Providers and the Health Care Delivery System. An applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the health planning region, including the impact on geographic and demographic access to services, on occupancy, on costs and charges of other providers, and on costs to the health care delivery system.

Hygea states that, because its proposed project is designed to address unmet needs for services among Central Maryland residents, there should be no negative impact on the volumes of any other existing Maryland ICF providers of inpatient withdrawal management services. (DI #4, p.31). The applicant has stated a commitment to providing the required minimum level of care to persons falling within the indigent or gray area range. It projects a payer mix similar to that of proprietary Track One ICFs. (DI #11, p.10).

The applicant provided information on the geographic distribution of Track One ICFs in the Central Maryland region. (See the following map.) Hygea identified Maryland House Detox as the nearest Track One ICF to its proposed site (21 miles away – the yellow circle in Anne Arundel County on the map) Baltimore Detox Center (western Baltimore County and Ashley Inc. (northern Harford County) were identified as the second nearest alternatives, with both approximately 26 miles from the Middle River site. (DI #4, p.32).

The map below displays the location of Track One ICFs (yellow circle) in central Maryland and some of the ICFs in contiguous regions. The colored circles represent straight line radii (30 and 60 mile) around the Hygea location (the green box in eastern Baltimore County). Providers with current inventory are shown on the map in yellow.

Figure 4
Track One ICFs Within a 30- and 60-Mile Radius of Hygea Site



As previously noted in the discussion of the Viability criterion, the applicant commented on staffing, an impact issue with respect to existing providers. Hygea states that it will be offering attractive employment benefits and above-market salary rates as a recruitment strategy and is developing relationships with several colleges as an alternate source for potential employees. It states that it is building relationships with the Board of Professional Counselors, the Board of Social Work and the Maryland Social Workers Association, as alternatives to more traditional avenues for staff recruitment. (DI #11, p.10).

Staff concludes that this project is likely to have an impact on future potential use of existing Track One ICFs in Maryland by serving patients who would otherwise use these existing facilities. To the extent that potential demand for existing ICFs is substantively reduced by Hygea's entry into the market, this could have an impact on those facility's cost and charges. Some sense of the concern, or lack of concern, of these existing facilities may be discerned from the fact that no interested parties filed opposing comments on this project, which has not usually been the

case with ICF projects. The project will have a positive impact on geographic access to services. To the extent that its entry into the Track One ICF market creates pricing competition, its impact on charges should be positive.

Staff recommends that the Commission find that the impact of this project is primarily positive.

IV. STAFF RECOMMENDATION

Based on its review and analysis of the Certificate of Need application, staff recommends that the Commission find that Hygea's proposed project complies with the applicable State Health Plan standards and that need for the Track One ICF project has been demonstrated. The project is a cost-effective alternative for providing Track One ICF services and should be viable. The impact of the project will primarily be positive. The applicant has committed to serve indigent and gray area patients at levels required by the SHP rule for Track One ICFs.

Accordingly, Staff recommends that the Commission **APPROVE** the application of Hygea Detox, Inc. for a Certificate of Need to establish the proposed ICF with the three conditions outlined in the above staff report concerning service to low-income households, accreditation, and referral agreements.

IN THE MATTER OF
HYGEA DETOX, INC.
Docket No. 21-03-2450.

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BEFORE THE
MARYLAND HEALTH
CARE COMMISSION

FINAL ORDER

Based on Commission Staff's analysis and conclusions, it is this 17th day of March 2022,

ORDERED that the application for a Certificate of Need submitted by Hygea Detox, Inc. to establish a 50-bed Track One Intermediate Care Facility for adults at 1210 Middle River Road Baltimore County, at an estimated cost to the applicant of \$482,840, be **APPROVED** subject to the following conditions:

1. Hygea Inc. shall document the provision of a minimum of 15% of patient days to indigent and gray area patients, as defined at COMAR 10.24.14.08B(9) and (11), by submitting annual reports auditing its total days and the provision of days to indigent and gray area patients as a percentage of total days. Such audit reports shall be submitted to the Commission following each fiscal year, from the project's inception and continuing for five years thereafter;
2. Hygea Inc. must receive preliminary accreditation for the Level 3.7 services it will provide, including withdrawal management and post-withdrawal treatment programming, by the Commission on the Accreditation of Rehabilitation Facilities (CARF) prior to First Use Approval by the Commission and must timely receive final accreditation by CARF; and
3. Hygea Inc. shall document referral agreements, prior to First Use approval by the Commission, demonstrating that at least 15 percent of its annual patient days, required by COMAR 10.24.14.08, will be incurred by the indigent or gray area populations, including days paid under a contract with the Behavioral Health Administration or a jurisdictional alcohol or drug abuse authority, or the Medical Assistance program; [COMAR 10.24.14.05K(2)].

MARYLAND HEALTH CARE COMMISSION

APPENDIX 1:
RECORD OF THE REVIEW

Record of the Review

Hygea Detox Inc. – Docket #21-03-2450

Item #	Description	Date
1	Commission staff acknowledged receipt of letter of intent	2/5/21
2	Commission staff published a request for additional letters of intent in Maryland Register	3/4/21
3	Commission staff received letters of support from Representative Ruppertsburger and Baltimore County Executive Olszewski	Various Dates
4	CON application was received	6/15/21
5	Commission staff requested that the Maryland Register publish notice of receipt of application	6/21/21
6	Commission staff acknowledged receipt of application	6/24/21
7	Commission staff requested that the Baltimore Sun publish notice of receipt of application	6/24/21
8	Commission staff sent first set of completeness questions	6/30/21
9	Applicant requests to extend completeness deadline to 7/30/21 and granted	7/15/21
10	Applicant requests to extend completeness deadline 7 days and granted	7/30/21
11	Completeness responses were received	8/6/21
12	Commission staff sent second set of completeness questions	8/11/21
13	Applicant requested call to clarify completeness responses	8/24/21
14	A revised second set of completeness questions were sent	9/1/21
15	Applicant requested a seven-day extension to respond to revised second completeness questions	9/17/21
16	Applicant submits response to second completeness	9/23/21
17	Commission Executive Director sent follow up to second completeness response	10/22/21
18	Applicant requested an extension to address Executive Director's follow up question	11/17/21
19	Commission staff granted extension	11/18/21
20	Applicant submits response to omitted questions in second completeness	12/17/21
21	Applicant submits revision to Exhibit 3 of application	12/30/21
22	Application Docketed	1/14/22

APPENDIX 2:
HILLTOP MEDICAID DATA

The Number of Medicaid Recipients Aged 18 and Older by County, CY 2020

County	CY 2020	CY 2020 Annual Ever Enrolled	December 2020 Month Aggregation
Allegany	15,657	16,251	15,271
Anne Arundel	62,474	64,387	60,543
Baltimore City	180,236	185,527	175,793
Baltimore County	132,406	135,509	128,391
Calvert	10,149	10,358	9,825
Caroline	7,381	7,544	7,116
Carroll	15,913	16,541	15,449
Cecil	17,429	17,834	16,917
Charles	21,773	22,322	21,145
Dorchester	8,688	8,841	8,440
Frederick	26,588	27,625	25,674
Garrett	5,930	6,113	5,782
Harford	30,467	31,297	29,565
Howard	30,763	31,719	29,686
Kent	3,441	3,540	3,356
Montgomery	119,661	123,718	115,369
Out of State	1,332	1,585	1,313
Prince George's	139,437	143,916	134,420
Queen Anne's	5,481	5,617	5,286
Somerset	5,845	5,982	5,656
St. Mary's	15,081	15,525	14,669
Talbot	5,487	5,657	5,316
Washington	29,379	30,152	28,458
Wicomico	22,271	22,743	21,555
Worcester	9,278	9,496	8,990
Total	922,547	949,799	893,985
Central	436,346		

APPENDIX 3:
PROJECT BUDGET INCLUDING CONSTRUCTION

Hygea Detox Project Budget Estimate Including Construction

	Use of Funds	
	<i>New Construction</i>	
Building		\$6,494,484
Closing Costs		\$228,500
Site Work		\$1,151,289
Architect/Engineering Fees		\$248,396
Permits (Building, Utilities, etc.)		\$117,684
Subtotal		\$8,240,353
	Other Capital Costs	
Movable Equipment (Beds, Nurse Station, Furnishings)		\$372,840
Contingency Allowance		\$770,220
Debt Service Reserve Fund		\$420,000
Subtotal		\$1,563,060
<i>Total Current Capital Costs</i>		<i>\$9,803,413</i>
Inflation Allowance*		\$0
<i>Land Purchase</i>		<i>\$475,000</i>
Total Capital Costs		\$10,278,413
	Financing Cost and Other Cash Requirements	
Loan Placement Fees		\$120,000
Other Working Capital		\$50,000
CON Application Assistance		\$60,000
Legal Fees		\$83,012
Developer Fee		\$375,000
3rd Party Leasing Fee**		\$323,204
Taxes and Insurance During Construction		\$123,094
Subtotal		\$1,134,310
Total Uses of Funds		\$11,412,724
	Sources of Funds	
Cash		\$1,220,242
Mortgage		\$9,709,642
Business Loan		\$482,840
Total Sources of Funds		\$11,464,672

Source: (DI #4 Table B and DI #11 Table B).

*Applicant declined to add in inflation allowance

**based on a market-based schedule of 3.5% of the tenet's rent over a 10-year term

The contingency cost in the above budget is calculated at 10 percent of hard costs, soft costs and site costs. The debt service reserve fund is calculated based on the portion of the construction loan outstanding each month. The interest rate on the loan may change, along with the pace of construction. The applicant calculated the debt service reserve using the following assumptions:

Hygea Detox Debt Service Reserve Assumptions

Fiscal Year	FY 1	FY2
Combined Loan	7.9 M	
Average Outstanding	50%	70%
Total Loan Outstanding	\$3.9 M	\$5.5 M
Interest Rate	4.5% interest only	
Interest Reserve Estimate	\$178,000	\$250,000

Source: (DI #11, p.12).

APPENDIX 4:
FLOOR PLAN

1. OUTLINE OF CANOPY ABOVE. BASIS OF DESIGN TO BE MAPES CANOPY - LUMISHADE, FRONT DRAINAGE.
2. DIMENSION TAKEN FROM EXTERIOR FACE OF WOOD STUD WALL. EXTERIOR FINISHES ARE TO ALIGN IN TRANSITION FROM WOOD STUD TO STAIN SHIFT WALL.
3. DIMENSION TAKEN FROM EXTERIOR FACE OF WALL TO ROUGH OPENING FOR WINDOW.
4. WALL TO ALIGN WITH DEMISING / CORRIDOR WALL BELOW.
5. ENCLOSURE FOR DUCTWORK FROM BELOW. SEE MEP DRAWINGS FOR DUCT SIZING (THIS UNIT ONLY).
6. CANOPY, BASIS OF DESIGN TO BE MAPES CANOPY - LUMISHADE, FRONT DRAINAGE.

7. ADA DOOR OPERATOR BOLLARD
8. FIRE SHUTTER
9. DIMENSION TAKEN TO EXTERIOR FACE OF CAST IN PLACE CONCRETE WALL. SEE WALL SECTIONS FOR WALL ASSEMBLY. SEE LEVEL 02 WOOD STUD DIMENSIONS EXTERIOR FGP SIDING TO ALIGN THROUGHOUT.
10. SEE MEP DWGS FOR LOCATION, SIZE AND SPECIFICATIONS OF HEAT PUMPS AND DASH EQUIPMENT.
11. SEE CIVIL DRAWINGS FOR RETAINING WALL INFORMATION
12. PROVIDE BLOCKING ABOVE OPENING FOR FUTURE ROLL DOWN DOOR.
13. RECESSED KNOB BOLL. INSTALLED 2'-0" AWAY FROM ADJACENT STOREFRONT AT 0'-0" AFF UNLESS DIRECTED OTHERWISE BY FIRE MARSHAL.

- B. DOOR FRAMES TO BE SET 4" FROM ADJACENT WALL AND FLOOR.
- C. PROVIDE APPROVED TRANSITION STRIPS AT ALL CHANGES IN FLOOR FINISH.
- D. COORDINATE AND PROVIDE COVERINGS IN WALLS FOR ALL NEW WALL FINISH ITEMS (E.G., BASE LINING, COLUMNS, ETC.). COORDINATE WITH OWNER FOR LOCATION, VERIFY APPROPRIATE BLOCKING FOR THE CONSTRUCTION TYPE AND WEIGHT OF WALL MOUNTED ITEM.
- E. "ALUM" INDICATES THAT NEW FINISH SURFACE SHALL BE IN LINE WITH EXISTING JAMB OR NEW ADJACENT FACE. ALSO NEW FINISHED SURFACES WITH EXISTING SURF.
- F. DASHED LINES OVER COUNTERS INDICATE OVERHEAD STORAGE CABINETS, UNO.
- G. PROVIDE DASH STOPPING EVERY 300 SF IN HORIZONTAL, CONCEALED ROOF SPODES, FRAMING TIGHT TO DECK BY 1/4" TYPE 1600 AS EACH JOINT. FOR ALL DESIGN.
- H. REMOVE ALL DEBRIS PROPERLY FROM SITE, NOTIFY OF DEBRIS LEGALLY - UPON DISCHARGE, WITH LOCATION AND EXTENT.
- I. GO TO VERIFY ALL PRECAUTIONS NECESSARY WHEN OPEN FLAMES OR TORCHES ARE BEING USED DURING CONSTRUCTION.

- [illegible]

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