



MEMORANDUM

TO: Bob Gallion, Associate Director, HSCRC
FROM: Moira Lawson, CON Analyst, MHCC
DATE: May 15, 2024
RE: **UMMC Construction of Addition for the Cancer Center
Docket No. 19-24-2438 – Second Change after CON Approval**

Applicant

The University of Maryland Medical Center (UMMC), located at 22 South Greene Street in Baltimore City, is an academic medical center serving as the teaching hospital for the University of Maryland School of Medicine and is the largest hospital within the 12-hospital University of Maryland Medical System, Inc. (UMMS). UMMC is the second largest hospital in the State, licensed to operate 806 acute care beds in FY 2020.¹ The hospital allocates 668 of these licensed beds to medical/surgical/gynecological/addictions (MSGA) services, 35 for obstetric services, 59 for pediatric services, and 44 for acute psychiatric care.²

Project Description

The Maryland Health Care Commission (MHCC or Commission) awarded a Certificate of Need (CON) authorizing the original project on August 20, 2020, to construct a nine-story addition on the east side of the North Hospital building at the corner of Greene and Baltimore streets in Baltimore City. The original approved project included the addition of 62 beds to the hospital’s existing physical bed capacity, approximately 155,000 square feet (SF) of new construction, and approximately 73,000 SF in renovations to contiguous existing space within

¹ Because of the Covid-19 State of Emergency, the Secretary of Health suspended the annual adjustment of licensed acute care hospital bed capacity. Thus, at this time, licensed acute care hospital bed capacity established in FY 2020 remains in effect for FY 2021, which began on July 1, 2020.

² MHCC Acute Care Hospital Inventory FY 2019
https://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_hospital/documents/acute_care/chcf_Licensed_Acute_Care_Beds_by_Hospital_and_Service_%20Maryland_FY2020.pdf.

the North Hospital. The Commission approved \$194,368,000 in total use of funds for the project, including \$184,493,169 in current capital expenditures and a budgeted inflation allowance of \$9,374,831 for total capital costs of \$193,868,000, and \$500,000 in financing costs and other cash requirements.

In August 2023, UMMC requested a project change to increase the total costs associated with the project to \$269,190,180, and to make changes in the physical plant design. UMMC stated that most of the project cost increase is a result of a project delay, specifically the rise in labor and material costs resulting from the COVID-19 pandemic. UMMC also stated that there were a number of enabling requirements that were not included in the original budget at a cost of \$4.9 million.

UMMC planned to pay for the additional capital costs using authorized bonds (\$50,965,495), related interest income (\$3,956,685), and increasing its philanthropy goal (\$20,000,000). According to the applicant, it has raised \$35 million in charitable contributions to date and fully expects to reach its target. UMMC plans the issuance of the bonds in CY 2024 and assumes a 5 percent borrowing rate in its projections. The applicant stated that \$100,000 in cash that was originally slated would not be used for the project.

Second Project Change Request

On April 26, 2024, UMMC submitted a second project change request post-CON approval. UMMC stated that due to a related CON Exemption request to add 4 floors of occupiable space to the top of the approved CON the Cancer project, changes would have to be made to the approved building. The mechanical penthouse, previously located on the 10th floor of the building would now be located on the 14th floor. Additionally, significant changes would be made to the renovated portions of the existing project.

With the structural changes to the new construction, UMMC stated there would be a \$18 million dollar increase in capital costs due to additional relocation and enabling costs that were not anticipated in the first project change. Additional funds needed for relocating services are shown in Table 1.

Table 1: Additional Funds

Relocation Items	Cost
Pediatric Specialty Care	\$325,000
Pediatric Surgery Office	\$621,000
Radiology Suite	\$1,279,067
Gift Shop, Pastoral Care, Outpatient Registration, Admissions	\$2,271,903
Cancer Infusion Services	\$5,280,000
Moves to connect to service elevators on North Hospital upper floors	\$3,200,000
South Entrance	\$4,005,000
Total	\$16,981,970



Additionally, UMMC expects to spend an additional \$1 million in miscellaneous costs associated with the construction of the Cancer Center, leading to a \$17,981,970 increase in capital costs.

UMMC seeks a modification of project costs to increase its total costs, including financing costs, by \$18,902,790, bringing the total project costs to \$288,092,970. If approved, UMMC will pay for the additional capital costs using cash (\$10 million) and authorized bonds (\$8,769,475) and related interest income (\$133,315). Unlike in either the original application, or in the second modification, UMMC does not say that they will not ask for a rate adjustment for this increase in project costs.

Please provide HSCRC's opinion on this project's viability/financial feasibility. It would be helpful to have your response by May 29, 2024. If you have any questions on this matter, please contact me at (410) 764-3232.

Moira Lawson, CON Analyst

cc: Wynee Hawk, Director, Center for Health Facility Policy and Planning
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