

IN THE MATTER OF

HYGEA DETOX AT CAMP
MEADE, LLC

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BEFORE THE

MARYLAND HEALTH

CARE COMMISSION

DOCKET NO. 23-02-2468

**STAFF REPORT
REQUEST FOR PROJECT CHANGE
AFTER CERTIFICATE OF NEED APPROVAL**

I. INTRODUCTION

Background

Robby Stempler is the 100 percent owner of Hygea Healthcare, LCC, which is the sole member of Hygea Detox at Camp Meade (Hygea) and the proposed operator of the facility. On September 21, 2023, the Commission approved a CON for Hygea to establish a 16-bed Track One Intermediate Care Facility (ICF) for adults at 817 S. Camp Meade Road, Linthicum Heights, Anne Arundel County.

The building was previously the location of Maryland House Detox, which closed in early 2023. Camp Meade Investments, LLC¹ owns the site and the 5,851 square foot building, which it is leasing to Hygea for a 1-year term, with an option for an additional two five-year terms. The total approved project cost was \$136,781, of which \$127,038 was to be provided by the holder. Camp Meade Investments, LLC was to fund \$9,743 for minor renovations to the building. Both the landlord and the holder planned to fund the project with cash.

Requested Project Change Summary

On February 21, 2024, Hygea submitted a Request for Post-Approval Project Change to the Commission for approval of a \$114,844 increase (90%) in the project budget, bringing the total cost estimate to \$241,882. The cost overrun is attributed to some unanticipated costs.

First, after conducting a kitchen inspection, Hygea learned that the stove, countertop grill and several kitchen appliances needed to be replaced. Next, Hygea had planned on reusing the bedroom and living furniture from the previous owners, but upon recent inspection, learned the furniture was broken or non-functional. Hygea purchased captain beds with built in drawers underneath to optimize space. In addition, an EKG machine also needs to be replaced. The site also required \$2000 for fence repairs which will be paid for by the landlord and not included in applicant's capital costs. The project funding source, cash, remains unchanged. Hygea anticipates that all renovations will be completed by the end of March 2024, and it hopes to open the facility on May 1, 2024.

¹Mr. Stempler is the 100% owner of Camp Meade Investments, LLC.

II. APPLICABLE REGULATIONS

If an applicant seeks to make a permissible change from a project that has received CON approval, it requires approval from the Commission pursuant to COMAR 10.24.01.17. Any of the following proposed changes that would place the project at variance with its CON or other approval issued under this chapter, including any condition placed on the approval, shall be reviewed by the Commission:

- (1) A significant change in physical plant design;
- (2) A capital cost increase that exceeds the approved capital cost inflated by an amount determined by applying the Hospital Capital Market Baskets published by IHS Markit in Health Care Cost Review or other guidance approved by the Commission and posted on the Commission website from the application submission date to the date of the filing of a request for a project change;
- (3) A change in the financing mechanisms of the project; or
- (4) A change in the location of the project.

Hygea's project change requires Commission action because it would incur a capital cost inflated by an amount determined by applying the Hospital Capital Market Basket published by HIS Markit in Health Care Cost Review or other guidance approved by the Commission and posted on the Commission website from the applicant's submission date to the date of the filing of a request for a project change. COMAR 10.24.01.17B(2).

Under COMAR 10.24.01.17D(3), the Commission may approve the requested change, approve the change in part or with conditions, not approve the change with explanation, or require a complete CON review because of the scope of the requested change.

III. COST INCREASE AND FINANCIAL IMPACT OF THE REQUEST

Current Request Compared with the Original CON Approved Budget

Table 1 compares the September 2023 approved project costs with the applicant's February 2024 current cost estimate, reflecting the increased cost of fixed and movable equipment.

Table 1: Comparison of Approved Project Budget and the Project Change Request

A. Uses of Funds				
	Approved Sept 2023	Proposed Budget February 2024	Variance	% Change
Renovation				
Building	\$34,870	\$34,870	\$0	0%
Fixed Equipment	\$27,310	\$61,164	\$33,854	124%
Permits	\$1,000	\$0	(\$1,000)	(100%)
Subtotal – Renovation	\$63,181	\$96,034	\$32,854	96.6%
Moveable equipment	\$8,857	\$90,848	\$81,991	926%
Total Current Capital Costs	\$72,038	\$186,882	\$114,844	159%
CON application assistance	\$55,000	\$55,000	\$0	\$0
Cost to Landlord*	\$9,743	\$11,743	\$2,000	21%
Hygea Total Uses of Funds	\$127,038	\$241,882	\$114,844	90%
B. Sources of Funds				
	Original	Currently Anticipated	Variance	% Change
Cash	\$127,038	\$241,882	\$114,844	90%
Total Sources of Funds	\$127,038	\$241,882	\$114,844	90%

Source: Project Budget, from original approved CON dated September 21, 2023, and the project change request letter dated February 21, 2024.

* Landlord costs are not included in the Hygea total use of funds as they are paid by a separate entity and have no impact on the project’s viability or financial feasibility.

The Change in Project Cost Exceeds the Inflation Allowance

Hygea’s budget projections for the project will require an additional expenditure of \$114,844. CON regulations provide for an inflation allowance calculated by applying the Hospital Capital Market Baskets published by IHS Markit in Health Care Cost Review. However, project cost increases that exceed that allowance are required to obtain Commission approval.

(https://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/2023_3rd_Qtr_cost_indexes%20cap_cost_modification_20231117.pdf)

Using the building cost inflation index noted above, the inflation allowance for this project is \$2,678, or 2.1 percent, well below the proposed cost increase. Thus, COMAR 10.24.01.17B(2) requires Commission authorization for the budget increase.

Impact on Financial Performance

This project change request includes a budget increase of \$114,844, which will be financed by cash. The applicant reports that the increased capital total cost of \$186,882 represents 6 percent of Hygea’s projected total operating expenses in 2026(the final year of projections), and therefore the Commission staff does not anticipate that this change will have an appreciable effect on Hygea’s financial viability.

IV. ANALYSIS AND RECOMMENDATION

The project approved by the Commission in 2023 permitted establishment of a 16-bed Track One ICF in Linthicum Heights, Anne Arundel County. Hygea now requests a \$114,884 increase in the project budget as a result of unanticipated costs for fixed and moveable equipment. There are no changes to the financing and the increased project cost is being funded with cash.

Staff concludes that there are no material changes to the nature of the project, the location, or the immediate capacity, and that this requested change would not alter the findings that the Commission made in 2023 concerning the need for and the positive impact of establishing the 16-bed ICF. For these reasons, staff recommends that the Commission approve the requested change to the project with the original conditions continuing to apply:

1. Hygea Detox at Camp Meade LLC 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 each July first following the issuance of first use approval and continuing for five years thereafter.;
2. Hygea Detox at Camp Meade LLC must receive preliminary accreditation for the Level 3.7 services it will provide, including withdrawal management and post-withdrawal treatment programming, by The Joint Commission (TJC) or another accrediting body approved by the Maryland Department of Health prior to First Use approval by the Commission, and must timely receive final accreditation by TJC or another approved accrediting body. [COMAR 10.24.14.05H]; and
3. Hygea Detox at Camp Meade LLC shall notify the Commission and the Behavioral Health Administration, in writing, within fifteen days after it receives notice that its accreditation has been revoked or suspended or should it lose its State license. If its accreditation has been revoked or suspended for reasons related to health or safety or it loses its State license, Hygea Detox at Camp Meade. LLC shall cease operation until the Behavioral Health Administration notifies the Commission that the deficiencies have been corrected. [COMAR 10.24.14.05H]
4. Hygea Detox at Camp Meade LLC shall document referral agreements, prior to First Use approval by the Commission, in the form of letters of agreement or acknowledgement from acute care hospitals, halfway houses, therapeutic communities, alcohol and drug abuse centers, community mental health centers, and mental health and alcohol and drug abuse authorities including local agencies that provide prevention, education, driving-while-intoxicated programs, and family counseling. [COMAR 10.24.14.05L].

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FINAL ORDER

Based on Commission staff’s analysis of this request for a project change after issuance of a Certificate of Need, it **ORDERED** on this 21st day of March 2024 that:

The request by Hygea Detox at Camp Meade, LLC, Inc. for a project change to its September 21, 2023, Certificate of Need to establish a 16-bed Intermediate Care Facility for adults in Linthicum Heights, Anne Arundel County has increased to a total project cost of \$241,882 is **APPROVED**. The original conditions continue to apply:

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