

May 13, 2024

VIA EMAIL

Ms. Ruby Potter
ruby.potter@maryland.gov
mhcc.confilings@maryland.gov
Health Facilities Coordination Officer
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

**Re: Responses to Additional Information Requests Dated April 4, 2024 -
Conversion of Edward W. McCready Memorial Hospital to a Freestanding
Medical Facility, Docket No. 19-19-EX010**

Dear Ms. Potter:

On behalf of joint TidalHealth Peninsula Regional (“Peninsula Regional”), enclosed please find a supplement to Peninsula Regional’s response to additional information request number 6 dated April 4, 2024 regarding the Peninsula Regional’s Request for Post-Approval Project Change submitted on March 29, 2024.

We hereby certify that a copy of this submission has also been forwarded to the appropriate local health planning agency as noted below.

Please let us know if you have any questions.

Thank you,



Mallory Regenbogen



James Buck
Gallagher Evelius & Jones LLP
218 North Charles Street
Suite 400
Baltimore, MD 21201
410.727.7702
Counsel for TidalHealth

GALLAGHER

GALLAGHER EVELIUS & JONES
ATTORNEYS AT LAW

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Enclosures

cc: Ben Steffen, Executive Director
Wynee Hawk, Director, Center for Health Care Facilities Planning & Development
Jeanne Marie Gawel, Chief, Certificate of Need Program
Alexa Bertinelli, Esquire, Assistant Attorney General
Caitlin E. Tepe, Esquire, Assistant Attorney General
Danielle Weber, R.N., Somerset County Health Officer
Theodore Delbridge, M.D., Executive Director, Maryland Institute for Emergency Medical Services Systems
Pat Gainer, J.D., MPA, Deputy Director, Maryland Institute for Emergency Medical Services Systems
Steven Leonard, President and CEO, Tidal Health, Inc.
Stephanie Gary, Vice President and CFO, Tidal Health, Inc.
Christopher Hall, Vice President, Strategy and Business Development/Chief Business Officer, Tidal Health, Inc.

**CONVERSION OF EDWARD W. MCCREADY MEMORIAL HOSPITAL TO A
FREESTANDING MEDICAL FACILITY
Docket No. 19-19-EX010
Supplement to TidalHealth Peninsula Regional, Inc.'s Responses to Requests for
Additional Information Dated April 4, 2024**

- 6. Provide a revised revenue/expense table for the FMF including any HSCRC rate reduction due to the project change.**

Holder's Response:

TidalHealth Peninsula Regional supplements its April 26, 2024 response to the Commission's requests for additional information dated April 4, 2024 regarding TidalHealth Peninsula Regional's March 29, 2024 Request for Post-Approval Project Change, by attaching as **Exhibit 3** its actual revenues and expenses for the McCready Health Pavilion from its inception in March 2020 through the end of fiscal year 2024 (July 1, 2023 – June 30, 2024 annualized) in the form of hospital Certificate of Need, Table J (Revenue and Expense Tables Uninflated). As reflected in **Exhibit 3**, McCready Health Pavilion has consistently generated net losses from operations since opening. This is consistent with CON Tables J (Revenue and Expense Tables Uninflated) and Table K (Revenue and Expense Tables Inflated) submitted with the Modified Request for Exemption from Certificate of Need Review to convert Edward W. McCready Hospital to a freestanding medical facility submitted on October 24, 2019.

However, with the exception of the fiscal year ending June 30, 2022, the combined operations of TidalHealth Peninsula Regional and McCready Health Pavilion have generated combined operating income consistent with COMAR 10.24.19.04C(8)(f)(v) (establishing that “[w]ithin three years of opening, the combined FMF and parent hospital will generate net positive operating income.”). Attached as **Exhibit 4** are excerpts from TidalHealth Peninsula Regional's Consolidating Statements from Operations from its audited financial statements on file with the Health Services Cost Review Commission.¹ TidalHealth Peninsula Regional attributes the operating loss in the year ended June 30, 2022, largely due to the Covid-19 pandemic.

¹ Available at: <https://hscrc.maryland.gov/Pages/hsp-AFS.aspx>

I hereby declare and affirm under the penalties of perjury that the facts stated in TidalHealth Peninsula Regional's Supplement Response to Requests for Additional Information concerning TidalHealth Peninsula Regional's Request for Post-Approval Project Change and its attachments are true and correct to the best of my knowledge, information, and belief.

May 13, 2024

Date



Christopher Hall
Vice President, Chief Business Officer
Strategy and Business Development
TidalHealth, Inc.

I hereby declare and affirm under the penalties of perjury that the facts stated in TidalHealth Peninsula Regional's Supplement Response to Requests for Additional Information concerning TidalHealth Peninsula Regional's Request for Post-Approval Project Change and its attachments are true and correct to the best of my knowledge, information, and belief.

May 13, 2024

Date



Stephanie Gary
Vice President, Finance
Chief Financial Officer
TidalHealth, Inc.

EXHIBIT 3

TABLE J. REVENUES & EXPENSES, UNINFLATED - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table J should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table I and with the costs of Manpower listed in Table L. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY2020	FY2021	FY2022	FY2023	FY2024 Projecton (annualized through June 30, 2024)
1. REVENUE					
a. Inpatient Services					
b. Outpatient Services	\$ 1,685	\$ 5,559	\$ 5,788	\$ 5,921	\$ 6,033
Gross Patient Service Revenues	\$ 1,685	\$ 5,559	\$ 5,788	\$ 5,921	\$ 6,033
c. Allowance For Bad Debt	\$ -	\$ 112	\$ 146	\$ 161	
d. Contractual Allowance	\$ 277	\$ 719	\$ 716	\$ 737	\$ 1,133
e. Charity Care	\$ (105)	\$ 168	\$ 144	\$ 107	
Net Patient Services Revenue	\$ 1,513	\$ 4,560	\$ 4,782	\$ 4,916	\$ 4,900
f. Other Operating Revenues (Specify)					
NET OPERATING REVENUE	\$ 1,513	\$ 4,560	\$ 4,782	\$ 4,916	\$ 4,900
2. EXPENSES					
a. Salaries & Wages (including benefits)	\$ 1,992	\$ 4,408	\$ 4,585	\$ 4,279	\$ 4,260
b. Contractual Services		\$ 167	\$ 63	\$ 59	\$ 79
c. Interest on Current Debt					
d. Interest on Project Debt					
e. Current Depreciation	\$ 2	\$ 768	\$ 627	\$ 672	\$ 605
f. Project Depreciation					
g. Current Amortization					
h. Project Amortization					
i. Supplies	\$ 2,477	\$ 3,809	\$ 3,474	\$ 4,033	\$ 3,534
j. Other Expenses (Specify)					
TOTAL OPERATING EXPENSES	\$ 4,471	\$ 9,152	\$ 8,749	\$ 9,043	\$ 8,478
3. INCOME					
a. Income From Operation	\$ (2,958)	\$ (4,592)	\$ (3,967)	\$ (4,127)	\$ (3,578)
b. Non-Operating Income					
SUBTOTAL	\$ (2,958)	\$ (4,592)	\$ (3,967)	\$ (4,127)	\$ (3,578)
c. Income Taxes					
NET INCOME (LOSS)	\$ (2,958)	\$ (4,592)	\$ (3,967)	\$ (4,127)	\$ (3,578)

EXHIBIT 4

Peninsula Regional Health System, Inc

CONSOLIDATING STATEMENT OF OPERATIONS

Year ended June 30, 2020

(Dollar amounts in thousands)

	Peninsula Regional Medical Center	Peninsula Regional Medical Center Foundation	Peninsula Health Ventures	Peninsula Regional Clinically Integrated Network	Peninsula Surgery Center	Nanticoke Memorial Hospital	Nanticoke Physician Network	McCready Foundation	Delmarva Peninsula Insurance Company	Peninsula Regional Health System	Eliminations	Consolidated
Net assets without donor restrictions												
Revenue												
Patient service revenue	\$ 463,921	\$ -	\$ 3,053	\$ -	\$ 361	\$ 58,860	\$ 7,750	\$ 1,979	\$ -	\$ -	\$ -	\$ 535,924
Other revenue	19,992	-	3,312	911	23	11,135	1,061	642	(1,011)	-	(1,072)	34,993
Net assets released from restrictions	-	1,673	-	-	-	-	-	-	-	-	(1,673)	-
Total revenue	483,913	1,673	6,365	911	384	69,995	8,811	2,621	(1,011)	-	(2,745)	570,917
Expenses												
Salaries and wages	204,341	-	-	1,126	130	24,629	4,451	1,184	-	-	-	235,861
Supplies and other expenses	205,067	6	4,834	315	729	34,357	8,602	533	326	-	-	254,769
Employee benefits	48,831	-	-	103	10	7,712	1,930	151	-	-	(2,383)	56,354
Depreciation and amortization	29,793	-	201	-	305	4,633	42	303	-	-	-	35,277
Interest	5,258	-	71	-	-	1,019	-	144	-	-	-	6,492
Contributions to Hospital	-	1,673	-	-	-	-	-	-	-	-	(1,673)	-
Total expenses	493,290	1,679	5,106	1,544	1,174	72,350	15,025	2,315	326	-	(4,056)	588,753
(Loss) income from operations before other items	(9,377)	(6)	1,259	(633)	(790)	(2,355)	(6,214)	306	(1,337)	-	1,311	(17,836)
Other items												
Investment return	32,799	30	274	-	-	(1,217)	(2)	(18)	1,337	(192)	-	33,011
Other pension gains	2,978	-	-	-	-	-	-	-	-	-	-	2,978
Contributions received in acquisitions	-	-	-	-	-	105,030	93	6,160	-	-	-	111,283
Loss on extinguishment of debt	-	-	-	-	-	(4,142)	-	-	-	-	-	(4,142)
Total other items	35,777	30	274	-	-	99,671	91	6,142	1,337	(192)	-	143,130
Excess of revenue over expenses	26,400	24	1,533	(633)	(790)	97,316	(6,123)	6,448	-	(192)	1,311	125,294
Non-controlling interest elimination	-	-	(299)	-	-	-	-	-	-	-	-	(299)
Excess (deficit) of revenue over expenses attributable to Peninsula Regional Health System	\$ 26,400	\$ 24	\$ 1,234	\$ (633)	\$ (790)	\$ 97,316	\$ (6,123)	\$ 6,448	\$ -	\$ (192)	\$ 1,311	\$ 124,995

TidalHealth, Inc.

CONSOLIDATING STATEMENT OF OPERATIONS

Year ended June 30, 2021

(Dollar amounts in thousands)

	TidalHealth Peninsula Regional	TidalHealth Foundation	Peninsula Health Ventures	Peninsula Regional Clinically Integrated Network	TidalHealth Surgery Center	TidalHealth Nanticoke	TidalHealth Physician Network	McCready Foundation	Delmarva Peninsula Insurance Company	TidalHealth Medical Partners	TidalHealth	Eliminations	Consolidated
Net assets without donor restrictions													
Revenue													
Patient service revenue	\$ 471,629	\$ -	\$ 1,630	\$ -	\$ 2,664	\$ 131,340	\$ 3,041	\$ 6,319	\$ -	\$ 79,396	\$ -	\$ -	\$ 696,019
Other revenue	20,597	-	3,021	1,164	-	10,334	352	1,064	(5,525)	2,660	40	-	33,707
Net assets released from restrictions	-	356	-	-	-	-	-	-	-	-	-	(356)	-
Total revenue	492,226	356	4,651	1,164	2,664	141,674	3,393	7,383	(5,525)	82,056	40	(356)	729,726
Expenses													
Salaries and wages	168,268	-	589	1,208	1,438	44,924	1,435	4,900	-	74,098	-	-	296,860
Supplies and other expenses	190,609	9	2,751	424	1,652	77,366	3,030	3,661	(3)	41,035	134	-	320,668
Employee benefits	41,015	-	115	221	394	18,112	606	2,082	-	17,486	1	-	80,032
Depreciation and amortization	27,363	-	352	-	480	9,957	14	923	-	1,597	-	-	40,686
Interest	5,783	-	78	-	-	2,330	-	341	-	-	-	-	8,532
Contributions to Hospital	-	356	-	-	-	-	-	-	-	-	-	(356)	-
Total expenses	433,038	365	3,885	1,853	3,964	152,689	5,085	11,907	(3)	134,216	135	(356)	746,778
Income (loss) from operations before other items	59,188	(9)	766	(689)	(1,300)	(11,015)	(1,692)	(4,524)	(5,522)	(52,160)	(95)	-	(17,052)
Other items													
Investment return	90,917	19	67	-	-	8,978	-	112	5,522	-	(24)	-	105,591
Other pension gains	3,094	-	-	-	-	760	-	3	-	221	-	-	4,078
Loss on extinguishment of debt	(3,660)	-	-	-	-	-	-	-	-	-	-	-	(3,660)
Total other items	90,351	19	67	-	-	9,738	-	115	5,522	221	(24)	-	106,009
Excess of revenue over expenses	149,539	10	833	(689)	(1,300)	(1,277)	(1,692)	(4,409)	-	(51,939)	(119)	-	88,957
Non-controlling interest in earnings of controlled subsidiary	-	-	67	-	-	-	-	-	-	-	-	-	67
Excess (deficit) of revenue over expenses attributable to TidalHealth, Inc.	\$ 149,539	\$ 10	\$ 900	\$ (689)	\$ (1,300)	\$ (1,277)	\$ (1,692)	\$ (4,409)	\$ -	\$ (51,939)	\$ (119)	\$ -	\$ 89,024

TidalHealth, Inc.

CONSOLIDATING STATEMENT OF OPERATIONS

Year ended June 30, 2022

(Dollar amounts in thousands)

	TidalHealth	TidalHealth Peninsula Regional	TidalHealth Nanticoke	Combined TidalHealth Medical Partners	McCready Foundation	Peninsula Health Ventures	TidalHealth Surgery Center	Peninsula Regional Clinically Integrated Network	TidalHealth Foundation	Delmarva Peninsula Insurance Company	Eliminations	Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS												
Revenue												
Patient service revenue	\$ -	\$ 472,128	\$ 136,681	\$ 105,573	\$ 7,413	\$ 1,270	\$ 4,312	\$ -	\$ -	\$ -	\$ -	\$ 727,377
Other revenue	16	5,692	8,538	9,471	1,946	3,008	-	1,827	-	5,402	-	35,900
Net assets released from restrictions	-	-	-	-	-	-	-	-	412	-	(412)	-
Total revenue	16	477,820	145,219	115,044	9,359	4,278	4,312	1,827	412	5,402	(412)	763,277
Expenses												
Salaries and wages	-	190,790	64,251	108,380	7,077	823	2,022	1,180	-	-	-	374,523
Supplies and other expenses	23	185,736	67,996	50,505	3,443	2,576	3,238	400	4	239	-	314,160
Employee benefits	2	42,296	14,876	17,356	1,783	196	566	258	-	-	-	77,333
Depreciation and amortization	-	30,822	10,033	1,911	845	353	481	-	-	-	-	44,445
Interest	-	4,601	2,228	-	200	58	-	-	-	-	-	7,087
Contributions to Hospital	-	-	-	-	-	-	-	-	412	-	(412)	-
Total expenses	25	454,245	159,384	178,152	13,348	4,006	6,307	1,838	416	239	(412)	817,548
Income (loss) from operations before other item	(9)	23,575	(14,165)	(63,108)	(3,989)	272	(1,995)	(11)	(4)	5,163	-	(54,271)
Other items												
Investment return	(1,092)	(70,635)	(5,031)	-	(35)	64	-	-	(14)	(5,163)	-	(81,906)
Other pension gains	-	4,461	908	481	11	-	-	-	-	-	-	5,861
Total other items	(1,092)	(66,174)	(4,123)	481	(24)	64	-	-	(14)	(5,163)	-	(76,045)
(Deficiency in) excess of revenue over expenses	\$ (1,101)	\$ (42,599)	\$ (18,288)	\$ (62,627)	\$ (4,013)	\$ 336	\$ (1,995)	\$ (11)	\$ (18)	\$ -	\$ -	\$ (130,316)

TidalHealth, Inc.

CONSOLIDATING STATEMENT OF OPERATIONS

Year ended June 30, 2023

(Dollar amounts in thousands)

	TidalHealth	TidalHealth Peninsula Regional	TidalHealth Nanticoke	Combined TidalHealth Medical Partners	McCready Foundation	Peninsula Health Ventures	TidalHealth Surgery Center	Peninsula Regional Clinically Integrated Network	TidalHealth Foundation	Delmarva Peninsula Insurance Company	Eliminations	Consolidated
Net assets without donor restrictions:												
Revenue												
Patient service revenue	\$ -	\$ 493,388	\$ 144,329	\$ 121,162	\$ 7,791	\$ 1,558	\$ 4,512	\$ -	\$ -	\$ -	\$ -	\$ 772,740
Other revenue	3	6,972	1,518	6,562	776	3,352	75	3,572	-	10,318	(10,318)	22,830
Net assets released from restrictions	-	-	-	-	-	-	-	-	4,650	-	(4,650)	-
Total revenue	3	500,360	145,847	127,724	8,567	4,910	4,587	3,572	4,650	10,318	(14,968)	795,570
Expenses												
Salaries and wages	-	190,935	58,585	138,213	7,327	1,136	2,200	1,301	-	-	-	399,697
Supplies and other expenses	10	224,886	73,485	19,380	3,277	1,279	3,646	1,377	9	7,352	(10,318)	324,383
Employee benefits	782	40,798	13,791	20,513	1,751	102	525	235	-	-	-	78,497
Depreciation and amortization	-	28,405	7,675	1,911	624	353	467	-	-	-	-	39,435
Interest	-	4,431	2,203	-	195	41	-	-	-	-	-	6,870
Contributions to Hospital	-	-	-	-	-	-	-	-	4,650	-	(4,650)	-
Total expenses	792	489,455	155,739	180,017	13,174	2,911	6,838	2,913	4,659	7,352	(14,968)	848,882
(Loss) income from operations before other items	(789)	19,905	(9,892)	(52,293)	(4,607)	1,999	(2,251)	659	(9)	2,966	-	(53,312)
Other items												
Investment return	996	32,350	2,868	-	47	90	-	-	51	2,353	-	38,755
Other	-	2,547	416	332	12	-	-	-	-	-	-	3,307
Total other items	996	34,897	3,284	332	59	90	-	-	51	2,353	-	42,062
Excess of (deficiency in) revenue over expenses	\$ 207	\$ 45,802	\$ (6,608)	\$ (51,961)	\$ (4,548)	\$ 2,089	\$ (2,251)	\$ 659	\$ 42	\$ 5,319	\$ -	\$ (11,250)