

January 22, 2019

**VIA EMAIL & HAND DELIVERY**

Ms. Ruby Potter  
Health Facilities Coordination Officer  
Maryland Health Care Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215

Re: Request for Certificate of Exemption from CON Review  
Conversion of University of Maryland  
Shore Medical Center at Dorchester to Freestanding Medical Facility

Dear Ms. Potter:

On behalf of Shore Health System, Inc. *d/b/a* University of Maryland Shore Medical Center at Dorchester and University of Maryland Shore Medical Center at Easton (collectively, the "Applicant"), we are submitting four copies of its Responses to FMF Completeness Question 7 dated November 29, 2018. A Word version of the submission will be provided to Commission Staff under separate email.

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

Sincerely,



Thomas C. Dame

Sincerely,



Mallory Regenbogen

TCD/MMR:vtl  
Enclosures

Ms. Ruby Potter  
January 22, 2019  
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cc: Kevin McDonald, Chief, Certificate of Need  
Paul Parker, Director, Center for Health Care Facilities Planning & Development  
Suellen Wideman, Esq., Assistant Attorney General  
Roger L. Harrell, MHA, Health Officer, Dorchester County Health Department  
Scott LeRoy, MPH, MS, Health Officer, Caroline County Health Department  
Fredia Wadley, MD, Health Officer, Talbot County Health Department  
Pat Gainer, Acting Co-Executive Director, Maryland Emergency Medical Services  
Systems  
Kenneth D. Kozel, President & CEO, UM Shore Regional Health  
Robert Frank, Sr. Regional V.P., Operations, UM Shore Regional Health  
William Huffner, M.D., Sr. V.P., Medical Affairs & Chief Medical Officer, UM Shore  
Regional Health  
Ruth Ann Jones, Sr. V.P., Patient care Services & Chief Nursing Officer, UM Shore  
Regional Health  
Patti Willis, Sr. V.P., Strategy & Communications, UM Shore Regional Health  
JoAnne Hahey, Chief Financial officer, UM Shore Regional Health  
Brian Leutner, MBA, Executive Director, UM Shore Medical Center at Dorchester  
Michael Wood, Sr. Director of Reimbursement, UMMS  
Alison Brown, Sr. V.P. & Chief Strategy Officer, UMMS  
Megan Arthur, Senior Vice-President & General Counsel, UMMS  
Sandra H. Benzer, Esq., Associate Counsel, UMMS  
Josh Repac, Berkeley Research Group, LLC  
Craig Wheelless, Director, Health Care Advisory Services, KPMG, LLP  
Andrew L. Solberg, A.L.S. Healthcare Consultant Services

**UM Shore Regional Health  
Conversion of UM Shore Medical Center at Dorchester  
to a Freestanding Medical Facility**

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**UM Shore Regional Health's Responses to  
November 29, 2018 Completeness Questions**

7. **With regard to standard 8(f), since the response to each subpart was not lodged under the standard's provision, it is difficult for staff to find the responses to subparts (ii) and (iii). Please provide them in this response.**

*Applicant Response*

State Health Plan standard 8(f)(ii) states that: "The utilization projections for rate-regulated outpatient services under Health-General Article §19-201(d)(ii) and (iv) and COMAR 10.37.10.07-2 are consistent with the observed historic trends by the population in the FMF's projected service area."

As presented in the updated projections of emergency department visits and observation cases, demand for both services appeared to stabilize in fiscal year 2018. Emergency department visits had declined in prior years, but fiscal year 2018 visits remained relatively consistent with the prior year, providing a basis for concluding that the declines in previous years have leveled off and, beginning in fiscal year 2019, will increase 0.2% a year with population growth. Observation cases have increased in prior years including a 21.6% increase in fiscal year 2017. Fiscal year 2018 visits continued to increase from the prior year by 6.0%. As the majority of observation cases come through the emergency department, the 0.2% annual growth in emergency department visits is also applied to the projection of observation cases. This is a conservative assumption, though, as observation cases have grown at a greater rate than emergency department visits in the last two fiscal years. The continued trend of declining inpatient cases and growth of observation cases may result in greater growth in observation cases than is currently projected.

Consistent with the methodology above, the other rate-regulated outpatient services are projected to grow in accordance with projected population growth within Dorchester's service area over the projection period. Refer below for historical outpatient visits for each rate-regulated outpatient service and projected visits through fiscal year 2024 (Table 31).

**Table 31**  
**UM SMC at Dorchester**  
**Historical and Projected Outpatient Visits**

	Historical		Projected at Dorchester			Projected at FMF		
	2017	2018	2019	2020	2021	2022	2023	2024
Emergency Department (IP and OP)	19,857	19,543	19,574	19,605	19,636	19,668	19,699	19,730
Observation Cases	737	781	782	783	784	785	786	787
Same-day Surgery OP Visits	479	349	350	350	351	-	-	-
Laboratory OP RVUs	1,323,333	1,181,428	1,183,305	1,185,186	1,187,069	1,188,955	1,190,845	1,192,737
Imaging OP RVUs	250,775	407,820	408,468	409,117	409,767	410,418	411,071	411,724
MRI OP RVUs	13,715	48,833	48,911	48,988	49,066	49,144	49,222	49,300
Infusion Visits	207	202	202	203	203	203	204	204
Pulmonary Rehab Visits	238	264	264	265	265	266	266	267
Cardiac Rehab Visits	286	392	393	393	394	394	395	396

Source: UM SMC Historical Annual Filings and Internal Data Set

State Health Plan standard 8(f)(iii) states that: “The revenue estimates for emergency services and other outpatient services specified by the HSCRC under Health-General Article §19-201(d)(iv) and COMAR 10.37.10.07-2 are consistent with utilization projections and the most recent HSCRC payment policies for FMFs.”

The presentation of projected revenues in Tables H and K reflect the utilization projections presented above and the 2019 Global Budget Revenue (“GBR”) assumptions related to update factors, demographic adjustments, revenue variability, and uncompensated care. Also incorporated into the revenue projections are assumptions related to the redistribution of the GBR with the transformation of UM SMC at Dorchester to an FMF. SHS will request that the HSCRC allow SHS to retain in its GBR cap 50% of the revenue at UM SMC at Dorchester related to patients that will seek care at other providers after the closing of UM SMC at Dorchester. Keeping this revenue will allow SHS to fund the capital costs and other strategic initiatives associated with the transformation of UM SMC at Dorchester and SHS. These assumptions are included with Tables H and K and are presented in greater detail.

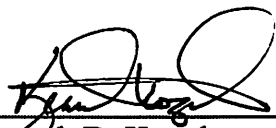
I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Additional Information Questions Dated December 12, 2018 and its attachments are true and correct to the best of my knowledge, information, and belief.

1/15/2019  
Date

JoAnne Hahey  
JoAnne Hahey, CPA  
Senior Vice President &  
Chief Financial Officer  
UM Shore Regional Health

I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Additional Information Questions Dated December 12, 2018, and its attachments are true and correct to the best of my knowledge, information, and belief.

1/15/19  
Date



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Kenneth D. Kozel  
President & CEO  
UM Shore Regional Health

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1/15/19

Date



Michael Wood  
Senior Director, Rate Setting, Reimbursement  
& Revenue Advisory Services  
UMMS

I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Additional Information Questions Dated December 12, 2018 and its attachments are true and correct to the best of my knowledge, information, and belief.

January 14, 2019  
Date



Patti Willis  
Senior Vice President, Strategy &  
Communications  
UM Shore Regional Health

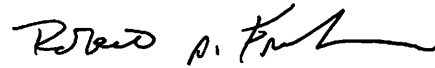


I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Additional Information Questions Dated December 12, 2018 and its attachments are true and correct to the best of my knowledge, information, and belief.

1-15-2019

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Date



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Robert Frank, MBA  
Senior Regional Vice President,  
Operations  
UM Shore Regional Health

I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Additional Information Questions Dated December 12, 2018 and its attachments are true and correct to the best of my knowledge, information, and belief.

1/14/19  
Date

Ruth Ann Jones  
Ruth Ann Jones, Ed.D.  
MSN, RN, NEA-BC  
Senior Vice President, Patient Care  
Services and Chief Nursing Officer  
UM Shore Regional Health