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August 6, 2018

Via Email and Overnight Delivery

Kevin McDonald, Chief
Certificate of Need Division
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

**Re: Adventist HealthCare Shady Grove Medical Center
Adventist HealthCare Washington Adventist Hospital
Amendment to Request for Determination of Exemption from Certificate of
Need Review**

Dear Mr. McDonald:

On June 28, 2018, we submitted on behalf of Adventist HealthCare, Inc. (“AHC”) a request for a determination of exemption from certificate of need (“CON”) review (the “Request”). We filed the Request pursuant to COMAR 10.24.01.04 governing an “Exemption From Certificate of Need Review” for the merger, consolidation and relocation of 29 acute, general hospital beds used for psychiatric service (the “Beds”) between two AHC hospitals, to a single location under an acute general hospital license within the AHC merged asset system.

We wish to advise the Maryland Health Care Commission (the “Commission”) of a change in the number of the Beds. At the time the Request was filed, the Beds represented 29 of the 39 acute psychiatric beds that were licensed under Adventist HealthCare Washington Adventist Hospital (“WAH”) in Takoma Park. As a result of the most recent annual recalculation of the acute hospital licensed beds at WAH, WAH has 26 acute general hospital beds used for inpatient psychiatric services. Accordingly, the Request envisions the relocation of 16 of these beds.

The Beds will still be moved to Adventist HealthCare Shady Grove Medical Center (“SGMC”) in Rockville and added to 117 acute general psychiatric hospital beds. This would result in a total of 133 acute general psychiatric beds at SGMC. This represents a consolidation

of services, but not a change in legal entities. For ease of reference, the proposed merger, consolidation and relocation addressed in this Request will be referred to as the “Consolidation.”

The remaining 10 of WAH’s 26 acute general psychiatric hospital beds will stay a part of WAH and be relocated to the new White Oak campus, pursuant to a separate “Project Change After Certification” request filed at the same time as this Consolidation Request. This plan is not changed so that Project Change filing need not be amended. The Project Change plans to preserve geographic access to acute general hospital beds with a psychiatric focus for the projected service area of WAH when it moves to its White Oak campus, approximately six miles from its current location. WAH will continue to operate its current 26 adult psychiatric beds in Takoma Park until the hospital moves to its White Oak campus in the summer of 2019.

Sustaining a Vital Health Care Service

This Request is part of an overall effort by AHC to ensure the continued viability of its behavioral health services, a vital part of the region’s health care infrastructure. AHC remains the largest provider of behavioral health services in Montgomery County and one of the larger providers of these services in Maryland. Adventist Behavioral Health (“ABH”) in Rockville is integrated into Adventist HealthCare Shady Grove Medical Center (“SGMC”).

Financial Overview

Documents accompanying the original Request (Exhibit 1: Tables I, J and K) reflect the financial impact of relocating the patient volume from WAH into the psychiatric service at SGMC. While the Beds being relocated are changing from 29 beds to 16 beds, these Tables do not change. In the Request already filed, we explained that this transition is expected to move 768 admissions and 4,638 patient days (12.7 ADC) from WAH to SGMC. These patient days will be handled within the 16 Beds. Thus, the salaries, benefits and all other related expenses continue to total approximately \$4.4 million, which includes new depreciation expenses of \$341,820 related to renovation of space to accommodate the additional patients. This relocation will result in transitioning a portion of the current WAH Global Budget of \$6.2 million in charges, or approximately \$5.3 million in net revenue (in today’s dollars) annually, to SGMC.¹

¹ The psychiatric services within WAH received a Global Budget amount of \$11.3 million in CY 2017. Of this amount \$1.2 million is related to outpatient services and \$10.1 million is related to inpatient services. As the outpatient services are expected to relocate when WAH moves to White Oak, 100% of this amount is expected to be included in the WAH global budget. The recommended relocation of the psychiatric beds to White Oak and Rockville will result in the inpatient global revenue of \$10.1 million to be split between WAH and SGMC based on the expected patient utilization. This breakdown is expected to be \$3.9 million to WAH and \$6.2 million to SGMC in 2017 dollars.

The total capital cost for converting this space, previously used for residential treatment services, into an inpatient unit will continue to be approximately \$3.4 million because the same area will need to be renovated to accommodate the transfer of patient capacity from Takoma Park.

As noted in the attached Table J, the net financial impact of these changes to SGMC is expected to be approximately \$888,000 in calendar year 2020. The 16 Beds from WAH will transition midway through 2019, and 2020 is the first full year the Beds will be operational at SGMC.

Merged Asset System

There is no change to the strong regulatory basis to support a CON exemption for the Consolidation of 16 of the WAH beds to SGMC. Our position in this regard has not changed.

Elements of the Consolidation

SGMC, located in Rockville, Maryland, is an acute general hospital, with an adjacent ABH facility on the same campus. AHC recently obtained Commission approval to consolidate all of ABH's psychiatric services, including 117 acute psychiatric beds, under SGMC's general acute hospital license. Of these 117 beds, 30 are allocated to children and adolescents and 87 are allocated to adults. It also provides outpatient behavioral health services.

The 16 Beds from WAH will be consolidated to SGMC when WAH relocates to White Oak in 2019. Following the Consolidation, (a) the Beds will be consolidated within and located at SGMC, and (b) all of the Beds will be located within the buildings in which SGMC provides inpatient psychiatric services, and (c) all of the buildings in which inpatient psychiatric services are provided will be part of SGMC. The relocated bed capacity will be added primarily in space previously used for Residential Treatment Center ("RTC") services (the "Cypress" Unit). Attached as Exhibit 22 is an amended chart detailing where the Beds will be located within existing space, including an internal realignment of a small number of existing inpatient psychiatric beds. All of the same space in the Request will be renovated.

Existing space can accommodate the Beds, as the SGMC buildings used for acute psychiatric services have an overall capacity for 164 inpatient beds, but will only house 133 beds after the Consolidation. The total capital cost of any renovations to consolidate the Beds at this location continues to be estimated to be approximately \$3.4 million, well below the capital

threshold for CON approval. The source of these funds will be cash from the SGMC annual operating budget.

The staff associated with the psychiatric services anticipated to be relocated from Takoma Park to SGMC includes staffing for the inpatient census of 12.7 (which has not changed and remains below 16 Beds) and dedicated security coverage for the entire facility housing the psychiatric services around the clock. The breakout for this staffing is highlighted in the following table.

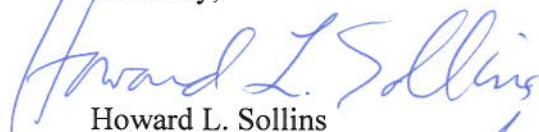
Job	FTEs
RN II	9.8
Psych Tech	9.8
USC/Receptionist	4.7
LCSW	1.6
Activities Therapist	1.0
Case Manager	1.6
Nurse Manager	1.0
Security	4.7
	34.2

Consolidating the Beds into SGMC on the Rockville campus will continue to ensure coordinated, efficient and effective services and new construction will not be needed to accomplish this.

COMAR 10.24.01.04B requires that a complete notice of intent to seek exemption from Certificate of Need review shall be filed with the Commission at least 45 days before the intended action. Information required to be provided and that was submitted in the Request, including in response to applicable State Health Plan standards, has not changed.

Thank you for attention to this matter. If you have any questions or require any additional material, we are happy to provide it.

Sincerely,


Howard L. Sollins



HLS/tjr
Enclosures
cc: Travis Gayles, MD, Health Officer
Montgomery County
Ben Steffen, Executive Director

Kevin McDonald, Chief
Maryland Health Care Commission
August 6, 2018
Page 5

cc: Ms. Ruby Potter
Health Facilities Coordination Officer
Robert E. Jepson, Vice President/Business Development
Washington Adventist Hospital
John J. Eller, Esquire

EXHIBIT 22

Unit	Service Type	Room Count	Bed Count	Current Licensed Beds	Future Licensed
Chesapeake	Adolescent General Psychiatric (13 to 18)	12	24	22	22
Shenandoah	Child General Psychiatric (7 to 13)	6	12	8	8
Potomac	Adult SPMI	12	24	22	18
Seneca	Adult General Psychiatric/Co-occurring	14	28	24	24
Montgomery	Adult Mood Disorders	7	14	12	14
Magnolia	Seniors (Geriatric Psychiatry)	10	14	13	14
Azalea	Adult General Psychiatric/Co-occurring	8	16	16	16
Cypress	Adult Psychiatric Beds	16	32	0	17
Total		85	164	117	133

EXHIBIT 23

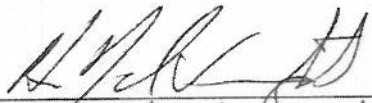
AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in this document are true and correct to the best of my knowledge, information and belief.

Signature: Robert Jepson
Printed Name: Robert Jepson Date: 7/30/18
Title: V. P. / Business Development

AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in this document are true and correct to the best of my knowledge, information and belief.

Signature: 
Printed Name: H. Marcel Wright Date: 7/31/18
Title: VP, Behavioral Health Services