

December 4, 2019

VIA EMAIL & U.S. MAIL

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

Re: Merger and Consolidation of
University of Maryland Shore Medical Center at Dorchester and
University of Maryland Shore Medical Center at Chestertown
Request for Exemption from Certificate of Need Review /
Request to Modify Existing Exemption from Certificate of Need Review

Dear Ms. Potter:

On behalf of Shore Health System, Inc. (“SHS”), doing business as University of Maryland Shore Medical Center at Easton (“UM SMC at Easton”) and University of Maryland Shore Medical Center at Dorchester (“UM SMC at Dorchester”), and University of Maryland Shore Regional Health, Inc. (“UM SRH”), doing business as University of Maryland Shore Medical Center at Chestertown (“UM SMC at Chestertown”) (collectively, the “Applicants”), enclosed are four copies of their response to the additional information question dated November 19, 2019.

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



Mallory Regenbogen

Enclosures

#685069
012516-0006

Ms. Ruby Potter
December 4, 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
Jeanne Marie Gawel, Program Manager
Roger L. Harrell, MHA, Health Officer, Dorchester County Health Department
Scott LeRoy, MPH, MS, Health Officer, Caroline County Health Department
Bill Webb, MPH, Health Officer, Kent County Health Department
Joseph A. Ciotola, Jr., M.D., Health Officer, Queen Anne's County Health Department
Fredia Wadley, MD, Health Officer, Talbot County Health Department
Kenneth D. Kozel, President & CEO, UM Shore Regional Health
William Huffner, M.D., Sr. V.P., Medical Affairs & Chief Medical 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
Donna Jacobs, Sr. V.P., Government, Regulatory and Community Health, UMMS
Sandra H. Benzer, Esq., Associate Counsel, UMMS
Brian Sturm, Senior Director, Financial and Capital Planning, UMMS
Darryl Mealy, V.P. of Construction & Facilities Planning, UMMS
Craig Wheelless, KPMG, LLC, Director, Health Care Advisory Services
Andrew L. Solberg, A.L.S. Healthcare Consultant Services

**University of Maryland Shore Medical Center at Dorchester and
University of Maryland Shore Medical Center at Chestertown
Request for Exemption
Acute Adult Psychiatric Services**

**Response to Additional Information Question
Dated November 19, 2019**

1. In order for MHCC staff to fully evaluate and explain the potential stabilizing effect that this project may have on UM SMC at Chestertown (as well as its impact on the Shore Regional Health system), please provide the following tables – in the modified, customized form described – from the hospital application tables package:
 - Two versions of Table F (statistical projections), for UM SMC at Chestertown alone; one should be a status-quo projection for the hospital without the consolidation of the acute psychiatric beds, and a second, alternate version, that assumes the integration of these beds.
 - Two versions of both Table G and H (revenue and expenses, uninflated and inflated, respectively); as above, one should be a “status quo” projection and the alternate version should assume integration of the acute psychiatric beds.
 - The same six tables for SMC-Easton alone, i.e., a Table F, G and H assuming the psychiatric beds remain part of the hospital in Easton as approved by the Commission in April; and alternate versions of Tables F, G and H assuming that the psychiatric beds are relocated to Chestertown instead.

Please be sure to include a thorough listing of your assumptions.

[Applicant Response](#)

For illustration purposes, **Exhibit 14** presents Tables F, G and H for UM SMC at Chestertown *with* and *without* the consolidation of acute psychiatric beds. **Exhibit 15** presents Tables F, G and H for UM SMC at Easton, *with* and *without* the consolidation of acute psychiatric beds. The tables for UM SMC at Easton with the consolidation of acute psychiatric beds also include the consolidation of MSGA beds from UM SMC at Dorchester as approved by the MHCC in April 2019.

As presented in **Exhibit 14**, the income (loss) from operations for UM SMC at Chestertown in fiscal year 2019 was (\$7.8) million, while UM SMC at Chestertown had an operating profit of \$7.5 million in fiscal year 2018. The operating loss beginning in fiscal year 2019 is driven predominantly by the HSCRC’s approved shift of approximately \$10.0 million of UM SRH’s Global Budget Revenue (“GBR”) from UM SMC at Chestertown to UM SMC at

Easton in fiscal year 2019 to reflect changes in hospital utilization.¹ Due to HSCRC's reimbursement policies under the GBR system, UM SMC at Chestertown and UM SMC at Dorchester were unable to charge up to their GBR caps based on recent utilization levels. Accordingly, UM Shore Regional Health ("UM SRH") was required to combine its GBR caps with that of UM SMC at Easton and transfer a portion of the UM SMC at Chestertown cap to Easton in order to retain this revenue. The combined revenue provided under UM SRH's consolidated GBR cap covers UM SRH's expenses supporting system-wide, regional services. Overhead expenses typically follow revenue by facility, but some overhead is fixed as a percentage and does not decline in proportion to revenue shift. Therefore, UM SMC at Chestertown incurs some overhead, which does not flex with revenue or volumes.

Under the new combined GBR for UM SRH (which includes UM SMC at Chestertown, UM SMC at Dorchester and UM SMC at Cambridge beginning in FY2022, UM SMC at Easton and UM Shore Emergency Center at Queenstown), UM SMC at Chestertown is projected to continue incurring operating losses. However, UM SRH, as a whole, will be profitable. UM SMC at Chestertown's loss in fiscal year 2019, combined with the operating profit of \$8.9 million at UM SMC at Easton in fiscal year 2019 (see Exhibit 15 Table H with and without the psychiatric beds), and \$5.3 million of operating profits from UM SMC at Dorchester in fiscal year 2019, resulted in the combined operating profit for UM SRH of \$6.4 million. (See Responses to Additional Information Questions Dated October 11, 2019 and October 18, 2019 (submitted November 4, 2019), Exhibit 10 Table H). With an additional \$2.7 million of non-operating income, UM SRH (shown in Exhibit 10 Table H as "Shore Health System + Chestertown") had \$9.1 million net income in fiscal year 2019.

Beginning in fiscal year 2022, the consolidation of acute psychiatric beds at UM SMC at Chestertown is expected to reduce the projected operating loss at UM SMC at Chestertown by approximately \$600,000. (See **Exhibit 14**, compare the operating income in Table H with and without psychiatric beds). This contribution is driven by the shift of \$5.3 million of GBR from UM SMC at Dorchester, which is expected to drive \$4.3 million of net patient revenue at UM SMC at Chestertown, less the addition of \$3.7 million of operating expenses. The addition of \$3.7 million of operating expenses at UM SMC at Chestertown in fiscal year 2022 is \$200,000 less than the \$3.9 million of additional operating expenses that would be required to consolidate the acute psychiatric beds at UM SMC at Easton. This reduction in operating expenses is driven predominantly by the need for four (4) fewer FTEs at UM SMC at Chestertown than at UM SMC at Easton due to the projection of fewer inpatient psychiatric patient days at UM SMC at Chestertown.

Due to the additional staff who would need to be hired at UM SMC at Easton, the financial contribution of the acute psychiatric beds at UM SMC at Easton is only expected to equal approximately \$400,000 in fiscal year 2022. As presented in **Exhibit 15** Table H, the projected operating income for UM SMC at Easton with the consolidation of acute psychiatric beds is projected to equal \$15.1 million in fiscal year 2022 while the projected operating

¹ In addition, UM SMC at Chestertown incurred an increase in physician practice related expenses in fiscal year 2019.

income for UM SMC at Easton without the consolidation of acute psychiatric beds is projected to equal \$14.7 million in fiscal year 2022.

Based on the financial projections of UM SMC at Chestertown and UM SMC at Easton presented in **Exhibits 14** and **15**, the financial contribution of consolidating the acute psychiatric beds is greater at UM SMC at Chestertown. The contribution of \$600,000 at UM SMC at Chestertown in fiscal year 2022 is greater than the loss of \$400,000 at UM SMC at Easton. Moreover, UM SMC at Easton with or without the psychiatric beds is expected to be profitable, so the additional revenue is more significant for UM SMC at Chestertown, and will help to spread its additional overhead costs over a larger patient and provider base.

As noted in the Applicants' Response 21, Subpart 2 to the Additional Information Questions Dated October 11, 2019 (submitted November 4, 2019), UM SMC at Chestertown provides critically important inpatient and outpatient services to residents in its service area. The proposed relocation of the psychiatric unit from UM SMC at Dorchester to UM SMC at Chestertown is projected to have a positive impact on the financial performance of UM SMC at Chestertown by spreading its fixed costs over a broader patient and provider base, which is important given the recent revenue shift as part of UM SRH's new combined GBR. Finally, the relocation of psychiatric beds to UM SMC at Chestertown is projected to have a slightly greater impact on the financial margins of UM SMC at Chestertown than it would if the beds were relocated to UM SMC at Easton.

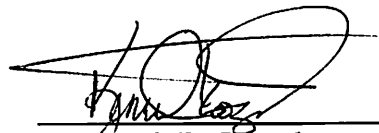
Table of Exhibits

Exhibit	Description
14	Tables F, G, and H —UM SMC at Chestertown— <i>with</i> and <i>without</i> consolidation of acute psychiatric beds
15	Tables F, G, and H —UM SMC at Easton— <i>with</i> and <i>without</i> consolidation of acute psychiatric beds

I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Additional Information Question dated November 19, 2019 and its attachments are true and correct to the best of my knowledge, information, and belief.

December 4, 2019

Date




Kenneth D. Kozel
President & CEO
UM Shore Regional Health

I hereby declare and affirm under the penalties of perjury that the facts stated in this Response to Additional Information Question dated November 19, 2019 and its attachments are true and correct to the best of my knowledge, information, and belief.

December 4, 2019

Date



JoAnne Hahey *CPA*
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 Question dated November 19, 2019 and its attachments are true and correct to the best of my knowledge, information, and belief.

December 4, 2019

Date



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

EXHIBIT 14

**TABLES FOR
CHESTERTOWN
WITHOUT PSYCH**

TABLE F. STATISTICAL PROJECTIONS - UM SMC AT CHESTERTOWN "WITHOUT" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. 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. See additional instruction in the column to the right of the table.

	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.				
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Indicate CY or FY								
4. NUMBER OF LICENSED BEDS								
a. General Medical/Surgical*	24	19	14	14	14	14	14	14
b. ICU/CCU	6	6	6	6	6	6	6	6
Total MSGA	30	25	20	20	20	20	20	20
c. Pediatric								
d. Obstetric								
e. Acute Psychiatric								
Total Acute	30	25	20	20	20	20	20	20
f. Rehabilitation								
g. Comprehensive Care								
h. Other (Specify/add rows of needed)								
TOTAL LICENSED BEDS	30	25	20	20	20	20	20	20
5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.								
a. General Medical/Surgical*	73.3%	64.2%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%
b. ICU/CCU	18.0%	18.3%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Total MSGA	62.2%	53.2%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%
c. Pediatric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
d. Obstetric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e. Acute Psychiatric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Acute	62.2%	53.2%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%
f. Rehabilitation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
g. Comprehensive Care	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
h. Other (Specify/add rows of needed)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL OCCUPANCY %	62.2%	53.2%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%
6. OUTPATIENT VISITS								
a. Emergency Department (IP and OP)	14,297	14,393	13,930	13,930	13,930	13,930	13,930	13,930
b. Same-day Surgery	2,553	2,359	2,045	2,045	2,045	2,045	2,045	2,045
c. Laboratory	1,422,180	1,356,907	1,311,903	1,311,903	1,311,903	1,311,903	1,311,903	1,311,903
d. Imaging	278,588	491,806	494,013	494,013	494,013	494,013	494,013	494,013
e. Other (Specify/add rows of needed)	14,730	56,063	52,324	52,324	52,324	52,324	52,324	52,324
TOTAL OUTPATIENT VISITS	1,732,348	1,921,528	1,874,216	1,874,216	1,874,216	1,874,216	1,874,216	1,874,216
7. OBSERVATIONS**								
a. Number of Patients	650	592	436	436	436	436	436	436
b. Hours	21,299	18,747	10,220	10,220	10,220	10,220	10,220	10,220

* Include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.

** Services included in the reporting of the "Observation Center", direct expenses incurred in providing bedside care to observation patients; furnished by the hospital on the hospital's premises, including use of a bed and periodic monitoring by the hospital's nursing or other staff, in order to determine the need for a possible admission to the hospitals as an inpatient. Such services must be ordered and documented in writing, given by a medical practitioner; may or may not be provided in a distinct area of the hospital.

**Table F –
 Statistcal Projection Assumptions for UM SMC AT CHESTERTOWN "WITHOUT" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER**

Projection is based on UM Shore Medical Center at Chestertown FY2019 actual and FY2020 budgeted utilization.	
Projection period reflects FY2021 – FY2024	
Inpatient Volumes	- Discharges and patient days are expected to remain constant from FY2019
Outpatient Volumes	- Outpatient volumes are expected to remain constant from FY2019

TABLE G. REVENUES & EXPENSES, UNINFLATED - UM SMC AT CHESTERTOWN "WITHOUT" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table G should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table F 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.

	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Indicate CY or FY								
1. REVENUE								
a. Inpatient Services	\$ 22,051	\$ 20,343	11,950	11,819	11,819	11,819	11,819	11,819
b. Outpatient Services	40,952	43,481	40,818	40,915	40,915	40,915	40,915	40,915
Gross Patient Service Revenues	63,003	63,824	52,768	52,734	52,734	52,734	52,734	52,734
c. Allowance For Bad Debt	2,777	2,660	2,201	2,170	2,170	2,170	2,170	2,170
d. Contractual Allowance	8,042	7,446	8,454	10,698	10,698	10,698	10,698	10,698
e. Charity Care	373	475	453	449	449	449	449	449
Net Patient Services Revenue	51,811	53,243	41,660	39,417	39,417	39,417	39,417	39,417
f. Other Operating Revenues (Specify/add rows if needed)	403	510	1,187	549	549	549	549	549
NET OPERATING REVENUE	\$ 52,214	\$ 53,753	\$ 42,847	\$ 39,966	\$ 39,966	\$ 39,966	\$ 39,966	\$ 39,966
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 18,097	\$ 15,995	\$ 15,485	\$ 13,430	\$ 13,430	\$ 13,430	\$ 13,430	\$ 13,430
b. Professional Fees	5,782	6,090	6,251	5,721	5,721	5,721	5,721	5,721
c. Interest on Current Debt	152	137	167	186	191	189	186	184
d1. Interest on Project Debt	-	-	-	-	-	-	-	-
e. Current Depreciation	4,338	4,133	4,192	4,044	4,603	4,585	4,704	4,829
f1. Project Depreciation	-	-	-	-	-	-	-	-
g. Current Amortization	-	-	-	-	-	-	-	-
h. Project Amortization	-	-	-	-	-	-	-	-
i. Supplies	6,191	4,897	3,696	3,769	3,769	3,769	3,769	3,769
j. Other Expenses (Purchased Services, Other Expense and Overhead & Shared Services)	11,488	15,007	20,806	20,455	20,455	20,455	20,455	20,455
TOTAL OPERATING EXPENSES	\$ 46,048	\$ 46,259	\$ 50,597	\$ 47,605	\$ 48,170	\$ 48,149	\$ 48,266	\$ 48,389
3. INCOME								
a. Income From Operation	\$ 6,166	\$ 7,494	\$ (7,750)	\$ (7,640)	\$ (8,204)	\$ (8,183)	\$ (8,300)	\$ (8,423)
b. Non-Operating Income/Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SUBTOTAL	\$ 6,166	\$ 7,494	\$ (7,750)	\$ (7,640)	\$ (8,204)	\$ (8,183)	\$ (8,300)	\$ (8,423)
c. Income Taxes								
NET INCOME (LOSS)	\$ 6,166	\$ 7,494	\$ (7,750)	\$ (7,640)	\$ (8,204)	\$ (8,183)	\$ (8,300)	\$ (8,423)

Table G –

Key Financial Projection Assumptions for UM SMC AT CHESTERTOWN "WITHOUT" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER (Does not include HSCRC Annual Update Factors & Expense Inflation)

<p>Projection is based on UM Shore Medical Center at Chestertown FY2019 actual and FY2020 budgeted financial performance including (1) a shift of approximately \$10M of Chestertown's GBR to Easton and (2) an increase in physician related expenses.</p>	
<p>Projection period reflects FY2021 – FY2024</p>	
Volumes	- Refer to historical and projected utilization in Table F
<p>Patient Revenue</p> <ul style="list-style-type: none"> • Gross Charges <ul style="list-style-type: none"> ○ Update Factor ○ Demographic Adjustment ○ Other Rate Adjustments • Revenue Deductions 	<ul style="list-style-type: none"> - 0.00% annual increase - 0.00% annual increase - 0.00% annual increase based on historical experience - Continuation of FY2020 deductions from revenue (contractual allowances, denials, charity, bad debts, assessments) as percentages of gross revenue - Continuation of FY2020 UCC pool receipts for are carried forward.
Other Operating Revenue	- 0.00% annual increase
<p>Expenses</p> <ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies ○ Purchased Services ○ Other Operating Expenses • Expense Variability with Volume Changes <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies & Drugs ○ Purchased Services ○ Other Operating Expenses • Interest Expense <ul style="list-style-type: none"> ○ Existing Debt • Depreciation and Amortization 	<ul style="list-style-type: none"> - 0.0% weighted average annual increase that reflects the following: <ul style="list-style-type: none"> - 0.0% - 0.0% - 0.0% - 0.0% - 0.0% - 80% - 0% - 80% - 50% - 0% - Continued amortization of existing Shore Health System debt and related interest that is allocated to UM SMC at Chestertown - 7 year useful life for new equipment and routine capital expenditures which range from \$5.1M to \$5.4M per year for FY2019 through FY2020.

TABLE H. REVENUES & EXPENSES, INFLATED - UM SMC AT CHESTERTOWN "WITHOUT" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. 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.

	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Indicate CY or FY								
1. REVENUE								
a. Inpatient Services	\$ 22,051	\$ 20,343	\$ 12,242	\$ 12,403	\$ 12,706	\$ 13,016	\$ 13,333	\$ 13,659
b. Outpatient Services	40,952	43,481	41,814	42,936	43,984	45,057	46,156	47,283
Gross Patient Service Revenues	63,003	63,824	54,056	55,339	56,689	58,073	59,490	60,941
c. Allowance For Bad Debt	2,777	2,660	2,255	2,278	2,333	2,390	2,449	2,508
d. Contractual Allowance	8,042	7,446	8,660	11,226	11,500	11,780	12,068	12,362
e. Charity Care	373	475	464	472	483	495	507	519
Net Patient Services Revenue	51,811	53,243	42,677	41,364	42,373	43,407	44,466	45,551
f. Other Operating Revenues (Specify/add rows if needed)	403	510	1,187	549	549	549	549	549
NET OPERATING REVENUE	\$ 52,214	\$ 53,753	\$ 43,864	\$ 41,913	\$ 42,922	\$ 43,956	\$ 45,015	\$ 46,100
2. EXPENSES								
a. Salaries & Wages (including benefits)	18,097	15,995	15,841	14,055	14,379	14,709	15,048	15,394
b. Professional Fees	5,782	6,090	6,414	6,023	6,179	6,340	6,505	6,674
c. Interest on Current Debt	152	137	167	186	191	189	186	184
d1. Interest on Project Debt	-	-	-	-	-	-	-	-
e. Current Depreciation	4,338	4,133	4,192	4,044	4,603	4,585	4,704	4,829
f1. Project Depreciation	-	-	-	-	-	-	-	-
g. Current Amortization	-	-	-	-	-	-	-	-
h. Project Amortization	-	-	-	-	-	-	-	-
i. Supplies	6,191	4,897	3,807	3,998	4,118	4,242	4,369	4,500
j. Other Expenses (Purchased Services, Other Expense and Overhead & Shared Services)	11,488	15,007	21,222	21,282	21,707	22,141	22,584	23,036
TOTAL OPERATING EXPENSES	\$ 46,048	\$ 46,259	\$ 51,643	\$ 49,588	\$ 51,177	\$ 52,206	\$ 53,395	\$ 54,616
3. INCOME								
a. Income From Operation	\$ 6,166	\$ 7,494	\$ (7,779)	\$ (7,675)	\$ (8,255)	\$ (8,250)	\$ (8,380)	\$ (8,516)
b. Non-Operating Income/Expense								
SUBTOTAL	\$ 6,166	\$ 7,494	\$ (7,779)	\$ (7,675)	\$ (8,255)	\$ (8,250)	\$ (8,380)	\$ (8,516)
c. Income Taxes								
NET INCOME (LOSS)	\$ 6,166	\$ 7,494	\$ (7,779)	\$ (7,675)	\$ (8,255)	\$ (8,250)	\$ (8,380)	\$ (8,516)

**Table H –
Key Financial Projection Assumptions for UM SMC AT CHESTERTOWN "WITHOUT" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER (Includes HSCRC Annual Update Factors & Expense Inflation)**

<p>Projection is based on UM Shore Medical Center at Chestertown FY2019 actual and FY2020 budgeted financial performance including (1) a shift of approximately \$10M of Chestertown's GBR to Easton and (2) an increase in physician related expenses.</p>	
<p>Projection period reflects FY2021 – FY2024</p>	
Volumes	- Refer to historical and projected utilization in Table F
<p>Patient Revenue</p> <ul style="list-style-type: none"> • Gross Charges <ul style="list-style-type: none"> ○ Update Factor ○ Demographic Adjustment ○ Other Rate Adjustments • Revenue Deductions 	<ul style="list-style-type: none"> - 2.0% annual increase - 0.29% annual increase - 0.15% annual increase based on historical experience - Continuation of FY2020 deductions from revenue (contractual allowances, denials, charity, bad debts, assessments) as percentages of gross revenue - Continuation of FY2020 UCC pool receipts for are carried forward.
Other Operating Revenue	- 0.0% annual increase
<p>Expenses</p> <ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies ○ Purchased Services ○ Other Operating Expenses • Expense Variability with Volume Changes <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies & Drugs ○ Purchased Services ○ Other Operating Expenses • Interest Expense <ul style="list-style-type: none"> ○ Existing Debt • Depreciation and Amortization 	<ul style="list-style-type: none"> - 2.5% weighted average annual increase that reflects the following: <ul style="list-style-type: none"> - 2.25% - 2.75% - 3.0% - 2.8% - 2.0% - 80% - 0% - 80% - 50% - 0% - Continued amortization of existing Shore Health System debt and related interest that is allocated to UM SMC at Chestertown - 7 year useful life for new equipment and routine capital expenditures which range from \$5.1M to \$5.4M per year for FY2019 through FY2020.

**TABLES FOR
CHESTERTOWN WITH
PSYCH**

TABLE F. STATISTICAL PROJECTIONS - UM SMC AT CHESTERTOWN "WITH" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. 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. See additional instruction in the column to the right of the table.

	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.				
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Indicate CY or FY								
1. DISCHARGES								
a. General Medical/Surgical*	1,465	968	477	477	477	477	477	477
b. ICU/CCU	252	286	272	272	272	272	272	272
Total MSGA	1,717	1,254	748	748	748	748	748	748
c. Pediatric								
d. Obstetric								
e. Acute Psychiatric	-	-	-	-	-	486	486	486
Total Acute	1,717	1,254	748	748	748	1,234	1,234	1,234
f. Rehabilitation								
g. Comprehensive Care								
h. Other (Specify/add rows of needed)								
TOTAL DISCHARGES	1,717	1,254	748	748	748	1,234	1,234	1,234
2. PATIENT DAYS								
a. General Medical/Surgical*	6,422	4,452	2,724	2,724	2,724	2,724	2,724	2,724
b. ICU/CCU	394	401	216	216	216	216	216	216
Total MSGA	6,816	4,853	2,940	2,940	2,940	2,940	2,940	2,940
c. Pediatric								
d. Obstetric								
e. Acute Psychiatric	-	-	-	-	-	3,402	3,402	3,402
Total Acute	6,816	4,853	2,940	2,940	2,940	6,342	6,342	6,342
f. Rehabilitation								
g. Comprehensive Care								
h. Other (Specify/add rows of needed)								
TOTAL PATIENT DAYS	6,816	4,853	2,940	2,940	2,940	6,342	6,342	6,342
3. AVERAGE LENGTH OF STAY (patient days divided by discharges)								
a. General Medical/Surgical*	4.4	4.6	5.7	5.7	5.7	5.7	5.7	5.7
b. ICU/CCU	1.6	1.4	0.8	0.8	0.8	0.8	0.8	0.8
Total MSGA	4.0	3.9	3.9	3.9	3.9	3.9	3.9	3.9
c. Pediatric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d. Obstetric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
e. Acute Psychiatric	0.0	0.0	0.0	0.0	0.0	7.0	7.0	7.0
Total Acute	4.0	3.9	3.9	3.9	3.9	5.1	5.1	5.1
f. Rehabilitation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
g. Comprehensive Care	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
h. Other (Specify/add rows of needed)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL AVERAGE LENGTH OF STAY	4.0	3.9	3.9	3.9	3.9	5.1	5.1	5.1

TABLE F. STATISTICAL PROJECTIONS - UM SMC AT CHESTERTOWN "WITH" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. 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. See additional instruction in the column to the right of the table.

	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.				
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Indicate CY or FY								
4. NUMBER OF LICENSED BEDS								
a. General Medical/Surgical*	24	19	14	14	14	14	14	14
b. ICU/CCU	6	6	6	6	6	6	6	6
Total MSGA	30	25	20	20	20	20	20	20
c. Pediatric								
d. Obstetric								
e. Acute Psychiatric	-	-	-	-	-	12	12	12
Total Acute	30	25	20	20	20	32	32	32
f. Rehabilitation								
g. Comprehensive Care								
h. Other (Specify/add rows of needed)								
TOTAL LICENSED BEDS	30	25	20	20	20	32	32	32
5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.								
a. General Medical/Surgical*	73.3%	64.2%	53.3%	53.3%	53.3%	53.3%	53.3%	53.3%
b. ICU/CCU	18.0%	18.3%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Total MSGA	62.2%	53.2%	40.3%	40.3%	40.3%	40.3%	40.3%	40.3%
c. Pediatric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
d. Obstetric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
e. Acute Psychiatric	0.0%	0.0%	0.0%	0.0%	0.0%	77.7%	77.7%	77.7%
Total Acute	62.2%	53.2%	40.3%	40.3%	40.3%	54.3%	54.3%	54.3%
f. Rehabilitation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
g. Comprehensive Care	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
h. Other (Specify/add rows of needed)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL OCCUPANCY %	62.2%	53.2%	40.3%	40.3%	40.3%	54.3%	54.3%	54.3%
6. OUTPATIENT VISITS								
a. Emergency Department (IP and OP)	14,297	14,393	13,930	13,930	13,930	13,930	13,930	13,930
b. Same-day Surgery	2,553	2,359	2,045	2,045	2,045	2,045	2,045	2,045
c. Laboratory	1,422,180	1,356,907	1,311,903	1,311,903	1,311,903	1,311,903	1,311,903	1,311,903
d. Imaging	278,588	491,806	494,013	494,013	494,013	494,013	494,013	494,013
e. Other (Specify/add rows of needed)	14,730	56,063	52,324	52,324	52,324	52,324	52,324	52,324
TOTAL OUTPATIENT VISITS	1,732,348	1,921,528	1,874,216	1,874,216	1,874,216	1,874,216	1,874,216	1,874,216
7. OBSERVATIONS**								
a. Number of Patients	650	592	436	436	436	436	436	436
b. Hours	21,299	18,747	10,220	10,220	10,220	10,220	10,220	10,220

* Include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.

** Services included in the reporting of the "Observation Center", direct expenses incurred in providing bedside care to observation patients; furnished by the hospital on the hospital's premises, including use of a bed and periodic monitoring by the hospital's nursing or other staff, in order to determine the need for a possible admission to the hospitals as an inpatient. Such services must be ordered and documented in writing, given by a medical practitioner; may or may not be provided in a distinct area of the hospital.

**Table F –
 Statistcal Projection Assumptions for UM SMC AT CHESTERTOWN "WITH" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER**

Projection is based on UM Shore Medical Center at Chestertown FY2019 actual and FY2020 budgeted utilization.	
Projection period reflects FY2021 – FY2024	
Inpatient Volumes	<ul style="list-style-type: none"> - MedSurg discharges and patient days are expected to remain constant from FY2019 - Psych discharges and patient days are expected to shft from UM SMC at Dorchester beginning in FY2022 as described in detail in the Request for Exemption from CON Review and Request to Modify the Existing Exemption from Certificate of Need Review dated September 6, 2019
Outpatient Volumes	<ul style="list-style-type: none"> - Existing outpatient volumes are expected to remain constant from FY2019 - Intensive outpatient Psych services are expected to offered beginning in FY2022

TABLE G. REVENUES & EXPENSES, UNINFLATED - UM SMC AT CHESTERTOWN "WITH" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table G should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table F 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.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1. REVENUE								
a. Inpatient Services	\$ 22,051	\$ 20,343	11,950	11,819	11,819	16,628	16,628	16,628
b. Outpatient Services	40,952	43,481	40,818	40,915	40,915	40,915	40,915	40,915
Gross Patient Service Revenues	63,003	63,824	52,768	52,734	52,734	57,543	57,543	57,543
c. Allowance For Bad Debt	2,777	2,660	2,201	2,170	2,170	2,506	2,506	2,506
d. Contractual Allowance	8,042	7,446	8,454	10,698	10,698	11,183	11,183	11,183
e. Charity Care	373	475	453	449	449	554	554	554
Net Patient Services Revenue	51,811	53,243	41,660	39,417	39,417	43,300	43,300	43,300
f. Other Operating Revenues (Specify/add rows if needed)	403	510	1,187	549	549	549	549	549
NET OPERATING REVENUE	\$ 52,214	\$ 53,753	\$ 42,847	\$ 39,966	\$ 39,966	\$ 43,849	\$ 43,849	\$ 43,849
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 18,097	\$ 15,995	\$ 15,485	\$ 13,430	\$ 13,430	\$ 15,546	\$ 15,545	\$ 15,544
b. Professional Fees	5,782	6,090	6,251	5,721	5,721	5,748	5,748	5,748
c. Interest on Current Debt	152	137	167	186	191	189	186	184
d1. Interest on Project Debt	-	-	-	-	-	-	-	-
e. Current Depreciation	4,338	4,133	4,192	4,044	4,603	4,585	4,704	4,829
f1. Project Depreciation	-	-	-	-	-	220	220	220
g. Current Amortization	-	-	-	-	-	-	-	-
h. Project Amortization	-	-	-	-	-	-	-	-
i. Supplies	6,191	4,897	3,696	3,769	3,769	4,001	4,004	4,007
j. Other Expenses (Purchased Services, Other Expense and Overhead & Shared Services)	11,488	15,007	20,806	20,455	20,455	21,238	21,239	21,239
TOTAL OPERATING EXPENSES	\$ 46,048	\$ 46,259	\$ 50,597	\$ 47,605	\$ 48,170	\$ 51,527	\$ 51,646	\$ 51,771
3. INCOME								
a. Income From Operation	\$ 6,166	\$ 7,494	\$ (7,750)	\$ (7,640)	\$ (8,204)	\$ (7,678)	\$ (7,796)	\$ (7,922)
b. Non-Operating Income/Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SUBTOTAL	\$ 6,166	\$ 7,494	\$ (7,750)	\$ (7,640)	\$ (8,204)	\$ (7,678)	\$ (7,796)	\$ (7,922)
c. Income Taxes								
NET INCOME (LOSS)	\$ 6,166	\$ 7,494	\$ (7,750)	\$ (7,640)	\$ (8,204)	\$ (7,678)	\$ (7,796)	\$ (7,922)

Table G – Key Financial Projection Assumptions for UM SMC AT CHESTERTOWN "WITH" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER (Does not include HSCRC Annual Update Factors & Expense Inflation)

<p>Projection is based on UM Shore Medical Center at Chestertown FY2019 actual and FY2020 budgeted financial performance including (1) a shift of approximately \$10M of Chestertown's GBR to Easton and (2) an increase in physician related expenses.</p>	
<p>Projection period reflects FY2021 – FY2024</p>	
Volumes	- Refer to historical and projected utilization in Table F
<p>Patient Revenue</p> <ul style="list-style-type: none"> • Gross Charges <ul style="list-style-type: none"> ○ Update Factor ○ Demographic Adjustment ○ Other Rate Adjustments ○ Variable Cost Factor ○ Redistribution of UM SMC at Dorchester GBR • Revenue Deductions 	<ul style="list-style-type: none"> - 0.00% annual increase - 0.00% annual increase - 0.00% annual increase based on historical experience - 100% variable cost factor associated with the inpatient Psychiatric services shifted to UM SMC at Chestertown in FY2022 - Shift of \$4.7M (uninflated) of inpatient Psych revenue from UM SMC at Dorchester to SMC at Chestertown in FY2022 - Continuation of FY2020 deductions from revenue (contractual allowances, denials, charity, bad debts, assessments) as percentages of gross revenue - Continuation of FY2020 UCC pool receipts for are carried forward.
Other Operating Revenue	- 0.0% annual increase
<p>Expenses</p> <ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies ○ Purchased Services ○ Other Operating Expenses • Expense Variability with Volume Changes <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies & Drugs ○ Purchased Services ○ Other Operating Expenses • Project Related Building Operating Expense • Interest Expense <ul style="list-style-type: none"> ○ Existing Debt ○ Project Debt • Depreciation and Amortization 	<ul style="list-style-type: none"> - 0.0% weighted average annual increase that reflects the following: <ul style="list-style-type: none"> - 0.0% - 0.0% - 0.0% - 0.0% - 0.0% - 80% - 0% - 80% - 50% - 0% - As UM SMC at Chestertown is an existing facility and this project will not add square feet to the facility, no incremental building operating costs (utilities, housekeeping, maintenance, security) are included - Continued amortization of existing Shore Health System debt and related interest that is allocated to UM SMC at Chestertown - No interest expense is expected to occur as this \$4.9M project will be funded 100% by Shore Health System operating cash - 30 year useful life for \$4.9M of renovations related to Psych beds - 7 year useful life for new equipment and routine capital expenditures which range from \$5.1M to \$5.4M per year for FY2019 through FY2020.

TABLE H. REVENUES & EXPENSES, INFLATED - UM SMC AT CHESTERTOWN "WITH" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. 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.

	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Indicate CY or FY								
1. REVENUE								
a. Inpatient Services	\$ 22,051	\$ 20,343	\$ 12,242	\$ 12,403	\$ 12,706	\$ 18,311	\$ 18,758	\$ 19,216
b. Outpatient Services	40,952	43,481	41,814	42,936	43,984	45,057	46,156	47,283
Gross Patient Service Revenues	63,003	63,824	54,056	55,339	56,689	63,368	64,915	66,498
c. Allowance For Bad Debt	2,777	2,660	2,255	2,278	2,333	2,760	2,827	2,896
d. Contractual Allowance	8,042	7,446	8,660	11,226	11,500	12,315	12,616	12,923
e. Charity Care	373	475	464	472	483	610	625	640
Net Patient Services Revenue	51,811	53,243	42,677	41,364	42,373	47,683	48,847	50,039
f. Other Operating Revenues (Specify/add rows if needed)	403	510	1,187	549	549	549	549	549
NET OPERATING REVENUE	\$ 52,214	\$ 53,753	\$ 43,864	\$ 41,913	\$ 42,922	\$ 48,232	\$ 49,396	\$ 50,588
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 18,097	\$ 15,995	\$ 15,841	\$ 14,055	\$ 14,379	\$ 17,026	\$ 17,417	\$ 17,816
b. Professional Fees	5,782	6,090	6,414	6,023	6,179	6,369	6,535	6,705
c. Interest on Current Debt	152	137	167	186	191	189	186	184
d1. Interest on Project Debt	-	-	-	-	-	-	-	-
e. Current Depreciation	4,338	4,133	4,192	4,044	4,603	4,585	4,704	4,829
f1. Project Depreciation						220	220	220
g. Current Amortization	-	-	-	-	-	-	-	-
h. Project Amortization	-	-	-	-	-	-	-	-
i. Supplies	6,191	4,897	3,807	3,998	4,118	4,503	4,642	4,785
j. Other Expenses (Purchased Services, Other Expense and Overhead & Shared Services)	11,488	15,007	21,222	21,282	21,707	22,989	23,449	23,919
TOTAL OPERATING EXPENSES	\$ 46,048	\$ 46,259	\$ 51,643	\$ 49,588	\$ 51,177	\$ 55,881	\$ 57,153	\$ 58,457
3. INCOME								
a. Income From Operation	\$ 6,166	\$ 7,494	\$ (7,779)	\$ (7,675)	\$ (8,255)	\$ (7,649)	\$ (7,757)	\$ (7,870)
b. Non-Operating Income/Expense								
SUBTOTAL	\$ 6,166	\$ 7,494	\$ (7,779)	\$ (7,675)	\$ (8,255)	\$ (7,649)	\$ (7,757)	\$ (7,870)
c. Income Taxes								
NET INCOME (LOSS)	\$ 6,166	\$ 7,494	\$ (7,779)	\$ (7,675)	\$ (8,255)	\$ (7,649)	\$ (7,757)	\$ (7,870)

**Table H – Key Financial Projection Assumptions for UM SMC AT CHESTERTOWN "WITH" SHIFT OF PSYCH BEDS FROM UM SMC AT DORCHESTER
(Includes HSCRC Annual Update Factors & Expense Inflation)**

<p>Projection is based on UM Shore Medical Center at Chestertown FY2019 actual and FY2020 budgeted financial performance including (1) a shift of approximately \$10M of Chestertown's GBR to Easton and (2) an increase in physician related expenses.</p>	
<p>Projection period reflects FY2021 – FY2024</p>	
Volumes	- Refer to historical and projected utilization in Table F
<p>Patient Revenue</p> <ul style="list-style-type: none"> • Gross Charges <ul style="list-style-type: none"> ○ Update Factor ○ Demographic Adjustment ○ Other Rate Adjustments ○ Variable Cost Factor ○ Redistribution of UM SMC at Dorchester GBR • Revenue Deductions 	<ul style="list-style-type: none"> - 2.0% annual increase in FY2020 – FY2024 - 0.29% annual increase in FY2020 – FY2024 - 0.15% annual increase in FY2020 – FY2024 based on historical experience - 100% variable cost factor associated with the inpatient Psychiatric services shifted to UM SMC at Chestertown in FY2022 - Shift of \$5.3M (inflated) of inpatient Psych revenue from UM SMC at Dorchester to SMC at Chestertown in FY2022 - Continuation of FY2020 deductions from revenue (contractual allowances, denials, charity, bad debts, assessments) as percentages of gross revenue - Continuation of FY2020 UCC pool receipts for are carried forward.
Other Operating Revenue	- 0.0% annual increase
<p>Expenses</p> <ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies ○ Purchased Services ○ Other Operating Expenses • Expense Variability with Volume Changes <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies & Drugs ○ Purchased Services ○ Other Operating Expenses • Project Related Building Operating Expense • Interest Expense <ul style="list-style-type: none"> ○ Existing Debt ○ Project Debt • Depreciation and Amortization 	<ul style="list-style-type: none"> - 2.5% weighted average annual increase that reflects the following: <ul style="list-style-type: none"> - 2.25% - 2.25% - 3.00% - 2.80% - 2.00% - 80% - 0% - 80% - 50% - 0% - As UM SMC at Chestertown is an existing facility and this project will not add square feet to the facility, no incremental building operating costs (utilities, housekeeping, maintenance, security) are included - Continued amortization of existing Shore Health System debt and related interest that is allocated to UM SMC at Chestertown - No interest expense is expected to occur as this \$4.9M project will be funded 100% by Shore Health System operating cash - 30 year useful life for \$4.9M of renovations related to Psych beds - 7 year useful life for new equipment and routine capital expenditures which range from \$5.1M to \$5.4M per year for FY2019 through FY2020.

EXHIBIT 15

**TABLES FOR EASTON
WITH MEDSURG AND
PSYCH**

TABLE F. STATISTICAL PROJECTIONS - UM SMC AT EASTON "WITH" SHIFT OF MEDSURG & PSYCH BEDS FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. 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. See additional instruction in the column to the right of the table.

	Three Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.				
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Indicate CY or FY								
1. DISCHARGES								
a. General Medical/Surgical*	5,971	5,491	5,521	5,553	5,585	6,708	6,751	6,796
b. ICU/CCU	186	171	172	173	174	208	209	210
Total MSGA	6,157	5,662	5,693	5,726	5,760	6,915	6,960	7,006
c. Pediatric	106	77	76	76	75	75	74	74
d. Obstetric	1,057	1,092	1,118	1,144	1,171	1,199	1,227	1,256
e. Acute Psychiatric	0	0	0	0	0	552	553	554
Total Acute	7,320	6,831	6,888	6,946	7,006	8,741	8,814	8,890
f. Rehabilitation	357	353	357	362	366	371	376	381
g. Comprehensive Care								
h. Other (Specify/add rows of needed)								
TOTAL DISCHARGES	7,677	7,184	7,245	7,308	7,373	9,112	9,190	9,271
2. PATIENT DAYS								
a. General Medical/Surgical*	25,732	21,968	21,446	20,940	21,072	25,972	26,152	26,339
b. ICU/CCU	1,625	1,387	1,354	1,322	1,330	1,464	1,474	1,485
Total MSGA	27,357	23,355	22,800	22,262	22,402	27,437	27,627	27,824
c. Pediatric	245	179	178	177	175	174	173	172
d. Obstetric	2,570	2,698	2,762	2,827	2,893	2,961	3,031	3,104
e. Acute Psychiatric	0	0	0	0	0	3,855	3,860	3,864
Total Acute	30,172	26,232	25,740	25,266	25,471	34,427	34,691	34,964
f. Rehabilitation	3,394	3,455	3,499	3,542	3,588	3,634	3,682	3,731
g. Comprehensive Care								
h. Other (Specify/add rows of needed)								
TOTAL PATIENT DAYS	33,566	29,687	29,239	28,808	29,059	38,061	38,373	38,695
3. AVERAGE LENGTH OF STAY (patient days divided by discharges)								
a. General Medical/Surgical*	4.3	4.0	3.9	3.8	3.8	3.9	3.9	3.9
b. ICU/CCU	8.7	8.1	7.9	7.6	7.6	7.1	7.1	7.1
Total MSGA	4.4	4.1	4.0	3.9	3.9	4.0	4.0	4.0
c. Pediatric	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
d. Obstetric	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5
e. Acute Psychiatric	0.0	0.0	0.0	0.0	0.0	7.0	7.0	7.0
Total Acute	4.1	3.8	3.7	3.6	3.6	3.9	3.9	3.9
f. Rehabilitation	9.5	9.8	9.8	9.8	9.8	9.8	9.8	9.8
g. Comprehensive Care	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
h. Other (Specify/add rows of needed)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL AVERAGE LENGTH OF STAY	4.4	4.1	4.0	3.9	3.9	4.2	4.2	4.2

TABLE F. STATISTICAL PROJECTIONS - UM SMC AT EASTON "WITH" SHIFT OF MEDSURG & PSYCH BEDS FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. 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. See additional instruction in the column to the right of the table.

Indicate CY or FY	Three Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.				
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
4. NUMBER OF LICENSED BEDS								
a. General Medical/Surgical*	77	77	68	66	67	83	84	84
b. ICU/CCU	10	10	10	10	10	11	11	11
Total MSGA	87	87	78	76	77	94	95	95
c. Pediatric	8	8	1	1	1	1	1	1
d. Obstetric	17	17	11	11	11	12	12	12
e. Acute Psychiatric	0	0	0	0	0	12	12	12
Total Acute	112	112	90	88	89	119	120	120
f. Rehabilitation	20	20	13	13	13	13	13	14
g. Comprehensive Care								
h. Other (Specify/add rows of needed)								
TOTAL LICENSED BEDS	132	132	103	101	102	132	133	134
5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.								
a. General Medical/Surgical*	91.6%	78.2%	86.3%	86.6%	86.5%	85.5%	85.6%	85.6%
b. ICU/CCU	44.5%	38.0%	37.1%	36.2%	36.4%	36.5%	36.7%	37.0%
Total MSGA	86.2%	73.5%	80.0%	80.0%	80.0%	79.8%	79.9%	80.0%
c. Pediatric	8.4%	6.1%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
d. Obstetric	41.4%	43.5%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
e. Acute Psychiatric	0.0%	0.0%	0.0%	0.0%	0.0%	88.0%	88.1%	88.2%
Total Acute	73.8%	64.2%	78.5%	78.4%	78.4%	79.4%	79.5%	79.6%
f. Rehabilitation	46.5%	47.3%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
g. Comprehensive Care	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
h. Other (Specify/add rows of needed)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL OCCUPANCY %	69.7%	61.6%	78.0%	78.0%	78.0%	79.0%	79.1%	79.1%
6. OUTPATIENT VISITS								
a. Emergency Department (IP and OP)	48,532	62,667	62,767	62,866	62,966	63,066	63,166	63,267
b. Same-day Surgery OP Visits	2,858	2,951	2,956	2,960	2,965	2,970	2,975	2,979
c. Laboratory OP RVUs	2,947,932	2,937,672	2,942,340	2,947,016	2,951,699	2,956,389	2,961,087	2,965,793
d. Imaging OP RVUs	517,424	838,470	839,802	841,137	842,474	843,812	845,153	846,496
e. MRI OP RVUs	12,575	58,679	58,772	58,866	58,959	59,053	59,147	59,241
TOTAL OUTPATIENT VISITS	3,529,321	3,900,439	3,906,637	3,912,845	3,919,063	3,925,291	3,931,528	3,937,776
7. OBSERVATIONS**								
a. Number of Patients	1,739	2,477	2,481	2,485	2,489	2,493	2,497	2,501
b. Hours	75,966	72,456	72,571	72,686	72,802	72,918	73,034	73,150

* Include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.

** Services included in the reporting of the "Observation Center", direct expenses incurred in providing bedside care to observation patients; furnished by the hospital on the hospital's premises, including use of a bed and periodic monitoring by the hospital's nursing or other staff, in order to determine the need for a possible admission to the hospitals as an inpatient. Such services must be ordered and documented in writing, given by a medical practitioner; may or may not be provided in a distinct area of the hospital.

**Table F –
 Staititcal Projection Assumptions for UM SMC AT EASTON "WITH" SHIFT OF MSGA AND PSYCH BEDS FROM UM SMC AT DORCHESTER**

Projection is based on FY2018 actual utilization at UM SMC at Easton and UM SMC at Dorchester.	
Projection period reflects FY2019 – FY2024	
Inpatient Volumes	<ul style="list-style-type: none"> - Existing MedSurg, Obstetrics and Rehab discharges and patient days at UM SMC at Easton are projected to grow 0.4% annually with population beginning in FY2019 - MedSurg and Psych discharges and patient days are expected to shft from UM SMC at Dorchester beginning in FY2022 as described in detail in the Request for Exemption from Certicate of Need as approved by the MHCC on April 18, 2019
Outpatient Volumes	<ul style="list-style-type: none"> - Existing outpatient volumes at UM SMC at Easton are projected to grow 0.4% annually with population beginning in FY2019 - No outpatient volumes are expected to shift from UM SMC at Dorchester

TABLE G. REVENUES & EXPENSES, UNINFLATED - UM SMC AT EASTON "WITH" SHIFT OF MEDSURG & PSYCH BEDS FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table G should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table F 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.

	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1. REVENUE								
a. Inpatient Services	\$ 105,259	\$ 101,654	101,654	101,654	101,654	130,509	130,509	130,509
b. Outpatient Services	154,033	162,994	162,994	162,994	162,994	162,994	162,994	162,994
Gross Patient Service Revenues	259,291	264,648	264,648	264,648	264,648	293,503	293,503	293,503
c. Allowance For Bad Debt	-	5,996	5,996	5,996	5,996	7,127	7,127	7,127
d. Contractual Allowance	61,440	52,046	52,046	52,046	52,046	55,106	55,106	55,106
e. Charity Care	-	2,801	2,801	2,801	2,801	3,154	3,154	3,154
Net Patient Services Revenue	197,851	203,805	203,805	203,805	203,805	228,116	228,116	228,116
f. Other Operating Revenues (Specify/add rows if needed)	4,241	4,431	4,431	4,431	4,431	4,431	4,431	4,431
NET OPERATING REVENUE	\$ 202,092	\$ 208,236	\$ 208,236	\$ 208,236	\$ 208,236	\$ 232,547	\$ 232,547	\$ 232,547
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 95,146	\$ 94,795	\$ 95,407	\$ 95,336	\$ 95,273	\$ 102,938	\$ 103,639	\$ 104,359
b. Professional Fees	8,160	8,372	8,372	8,372	8,372	9,555	9,551	9,547
c. Interest on Current Debt	2,823	3,251	3,789	3,743	3,697	3,652	3,607	3,563
d1. Interest on Project Debt	-	-	-	-	-	-	-	-
e. Current Depreciation	14,784	16,941	17,394	16,629	15,003	12,946	11,875	10,829
f1. Project Depreciation	-	-	-	-	-	1,185	1,166	1,146
g. Current Amortization	-	-	-	-	-	-	-	-
h. Project Amortization	-	-	-	-	-	-	-	-
i. Supplies	34,707	36,396	36,643	36,897	37,159	38,403	38,680	38,965
j. Other Expenses (Purchased Services, Other Expense and Overhead & Shared Services)	35,026	33,908	34,052	34,199	34,351	48,697	48,906	49,120
k. Fixed Cost Additions	-	-	4,461	1,336	1,483	3,509	3,509	3,509
TOTAL OPERATING EXPENSES	\$ 190,647	\$ 193,663	\$ 200,118	\$ 196,513	\$ 195,339	\$ 220,885	\$ 220,933	\$ 221,039
3. INCOME								
a. Income From Operation	\$ 11,445	\$ 14,573	\$ 8,118	\$ 11,723	\$ 12,897	\$ 11,662	\$ 11,614	\$ 11,508
b. Non-Operating Income/Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SUBTOTAL	\$ 11,445	\$ 14,573	\$ 8,118	\$ 11,723	\$ 12,897	\$ 11,662	\$ 11,614	\$ 11,508
c. Income Taxes								
NET INCOME (LOSS)	\$ 11,445	\$ 14,573	\$ 8,118	\$ 11,723	\$ 12,897	\$ 11,662	\$ 11,614	\$ 11,508

Table G –

Key Financial Projection Assumptions for UM SMC AT EASTON "WITH" SHIFT OF MEDSURG & PSYCH BEDS FROM UM SMC AT DORCHESTER (Does not include HSCRC Annual Update Factors & Expense Inflation)

<p>Projection is based on the FY2018 actual financial performance of UM SMC at Easton and UM SMC at Dorchester. UM Shore Health at Easton includes Memorial Hospital at Easton, Queen Anne's Emergency Center and other affiliates. Inpatient MedSurg and Psych services are projected to shift from UM SMC at Dorchester in FY2022.</p>	
<p>Projection period reflects FY2019 – FY2024</p>	
<p>Volumes</p>	<p>- Refer to historical and projected utilization in Table F</p>
<p>Patient Revenue</p> <ul style="list-style-type: none"> • Gross Charges <ul style="list-style-type: none"> ○ Update Factor ○ Demographic Adjustment ○ Other Rate Adjustments ○ Variable Cost Factor ○ Redistribution of UM SMC at Dorchester GBR • Revenue Deductions 	<ul style="list-style-type: none"> - 0.00% annual increase in FY2019 – FY2024 - 0.00% annual increase in FY2019 – FY2024 - 0.00% annual increase in FY2019 – FY2024 based on historical experience - 100% variable cost factor associated with the inpatient MedSurg and Psychiatric services shifted to UM SMC at Easton in FY2022 - 50% variable cost factor associated with the inpatient MedSurg and outpatient services lost to other providers in FY2022 - Shift of \$19.8M (uninflated) of inpatient MedSurg and Psych revenue from UM SMC at Dorchester to UM SMC at Easton in FY2022 - Shore Health System (SHS) will retain approximately \$9.1M (uninflated) or 50% of revenue related to volumes that will be lost to other providers in FY2022 (Retained Revenue) - \$3.7M (uninflated) of SHS's Retained Revenue will be apportioned to the FMF to cover its depreciation and interest expense - Remainder of SHS's Retained Revenue will be apportioned to UM SMC at Easton to fund ambulatory and physician network development and population health initiatives - Continuation of FY2018 deductions from revenue (contractual allowances, denials, charity, bad debts, assessments, UCC pool receipts) as percentages of gross revenue
<p>Other Operating Revenue</p>	<p>Remains constant from FY2018</p>

Table G –

Key Financial Projection Assumptions for UM SMC AT EASTON "WITH" SHIFT OF MEDSURG & PSYCH BEDS FROM UM SMC AT DORCHESTER (Does not include HSCRC Annual Update Factors & Expense Inflation)

<p>Expenses</p> <ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies ○ Purchased Services ○ Other Operating Expenses • Expense Variability with Volume Changes <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies & Drugs ○ Purchased Services ○ Other Operating Expenses • Interest Expense • Depreciation and Amortization • Additional Incremental Expenses 	<ul style="list-style-type: none"> - 0.0% weighted average annual increase that reflects the following: <ul style="list-style-type: none"> - 0.0% - 0.0% - 0.0% - 0.0% - 0.0% - 80% - 0% - 80% - 50% - 0% - Continued amortization of existing debt and related interest expense - 30 year useful life for \$5.4M of renovations related to MedSurg and Psych beds - 7 year useful life for new equipment - 7 year useful life for routine capital expenditures - 82% of new expenses related to EPIC implementation (\$5 million in fiscal year 2019), physician contracting and other strategic initiatives in FY19 - FY21, and 100% beginning in FY22 as follows: <ul style="list-style-type: none"> - \$5.4M in FY2019 - \$1.6M in FY2020 - \$1.8M in FY2021 - \$3.5M in FY2022-FY2024 - The retention of 50% of revenue associated with patients that will seek care at other providers following the transformation of Dorchester to an FMF, will enable SHS to fund the \$3.5M of annual initiatives beginning in FY2022 related to ambulatory and physician network development and population health initiatives.
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TABLE H. REVENUES & EXPENSES, INFLATED - UM SMC AT EASTON "WITH" SHIFT OF MEDSURG & PSYCH BEDS FROM UM SMC AT DORCHESTE

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. 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.

	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Indicate CY or FY								
1. REVENUE								
a. Inpatient Services	\$ 105,259	\$ 101,654	\$ 104,134	\$ 106,675	\$ 109,278	\$ 143,720	\$ 147,227	\$ 150,819
b. Outpatient Services	154,033	162,994	166,971	171,045	175,219	179,494	183,874	188,360
Gross Patient Service Revenues	259,291	264,648	271,105	277,720	284,497	323,214	331,101	339,179
c. Allowance For Bad Debt	-	5,996	6,142	6,292	6,446	7,848	8,040	8,236
d. Contractual Allowance	61,440	52,046	53,316	54,617	55,950	60,684	62,165	63,682
e. Charity Care	-	2,801	2,869	2,939	3,011	3,473	3,558	3,645
Net Patient Services Revenue	197,851	203,805	208,777	213,872	219,090	251,208	257,338	263,617
f. Other Operating Revenues (Specify/add rows if needed)	4,241	4,431	4,431	4,431	4,431	4,431	4,431	4,431
NET OPERATING REVENUE	\$ 202,092	\$ 208,236	\$ 213,208	\$ 218,303	\$ 223,521	\$ 255,639	\$ 261,769	\$ 268,048
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 95,146	\$ 94,795	\$ 97,601	\$ 99,771	\$ 101,999	\$ 112,740	\$ 116,118	\$ 119,615
b. Professional Fees	8,160	8,372	8,590	8,813	9,042	10,588	10,859	11,137
c. Interest on Current Debt	2,823	3,251	3,789	3,743	3,697	3,652	3,607	3,563
d1. Interest on Project Debt	-	-	-	-	-	-	-	-
e. Current Depreciation	14,784	16,941	17,394	16,629	15,003	12,946	11,875	10,829
f1. Project Depreciation	-	-	-	-	-	1,185	1,166	1,146
g. Current Amortization	-	-	-	-	-	-	-	-
h. Project Amortization	-	-	-	-	-	-	-	-
i. Supplies	34,707	36,396	37,742	39,144	40,604	43,223	44,841	46,526
j. Other Expenses (Purchased Services, Other Expense and Overhead & Shared Services)	35,026	33,908	34,733	35,581	36,453	52,711	53,997	55,317
k. Fixed Cost Additions	-	-	4,461	1,336	1,483	3,509	3,509	3,509
TOTAL OPERATING EXPENSES	\$ 190,647	\$ 193,663	\$ 204,310	\$ 205,018	\$ 208,283	\$ 240,554	\$ 245,972	\$ 251,643
3. INCOME								
a. Income From Operation	\$ 11,445	\$ 14,573	\$ 8,898	\$ 13,284	\$ 15,238	\$ 15,085	\$ 15,797	\$ 16,405
b. Non-Operating Income/Expense								
SUBTOTAL	\$ 11,445	\$ 14,573	\$ 8,898	\$ 13,284	\$ 15,238	\$ 15,085	\$ 15,797	\$ 16,405
c. Income Taxes								
NET INCOME (LOSS)	\$ 11,445	\$ 14,573	\$ 8,898	\$ 13,284	\$ 15,238	\$ 15,085	\$ 15,797	\$ 16,405

Table H –

Key Financial Projection Assumptions for UM SMC AT EASTON "WITH" SHIFT OF MEDSURG & PSYCH BEDS FROM UM SMC AT DORCHESTER (Includes HSCRC Annual Update Factors & Expense Inflation)

<p>Projection is based on the FY2018 actual financial performance of UM SMC at Easton and UM SMC at Dorchester. UM Shore Health at Easton includes Memorial Hospital at Easton, Queen Anne's Emergency Center and other affiliates. Inpatient MedSurg and Psych services are projected to shift from UM SMC at Dorchester in FY2022.</p>	
<p>Projection period reflects FY2019 – FY2024</p>	
<p>Volumes</p>	<p>- Refer to historical and projected utilization in Table F</p>
<p>Patient Revenue</p> <ul style="list-style-type: none"> • Gross Charges <ul style="list-style-type: none"> ○ Update Factor ○ Demographic Adjustment ○ Other Rate Adjustments ○ Variable Cost Factor ○ Redistribution of UM SMC at Dorchester GBR • Revenue Deductions 	<ul style="list-style-type: none"> - 2.0% annual increase in FY2019 – FY2024 - 0.29% annual increase in FY2019 – FY2024 - 0.15% annual increase in FY2019 – FY2024 based on historical experience - 100% variable cost factor associated with the inpatient MedSurg and Psychiatric services shifted to UM SMC at Easton in FY2022 - 50% variable cost factor associated with the inpatient MedSurg and outpatient services lost to other providers in FY2022 - Shift of \$21.8M (inflated) of inpatient MedSurg and Psych revenue from UM SMC at Dorchester to UM SMC at Easton in FY2022 - Shore Health System (SHS) will retain approximately \$10.0M (inflated) or 50% of revenue related to volumes that will be lost to other providers in FY2022 (Retained Revenue) - \$4.1M (inflated) of SHS's Retained Revenue will be apportioned to the FMF to cover its depreciation and interest expense - Remainder of SHS's Retained Revenue will be apportioned to UM SMC at Easton to fund ambulatory and physician network development and population health initiatives - Continuation of FY2018 deductions from revenue (contractual allowances, denials, charity, bad debts, assessments, UCC pool receipts) as percentages of gross revenue
<p>Other Operating Revenue</p>	<p>- Remains constant from FY2018</p>

Table H –

Key Financial Projection Assumptions for UM SMC AT EASTON "WITH" SHIFT OF MEDSURG & PSYCH BEDS FROM UM SMC AT DORCHESTER (Includes HSCRC Annual Update Factors & Expense Inflation)

<p>Expenses</p> <ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies ○ Purchased Services ○ Other Operating Expenses • Expense Variability with Volume Changes <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies & Drugs ○ Purchased Services ○ Other Operating Expenses • Interest Expense • Depreciation and Amortization • Additional Incremental Expenses 	<ul style="list-style-type: none"> - 2.5% weighted average annual increase that reflects the following: <ul style="list-style-type: none"> - 2.25% - 2.75% - 3.0% - 2.8% - 2.0% - 80% - 0% - 80% - 50% - 0% - Continued amortization of existing debt and related interest expense - 30 year useful life for \$5.4M of renovations related to MedSurg and Psych beds - 7 year useful life for new equipment - 7 year useful life for routine capital expenditures - 82% of new expenses related to EPIC implementation (\$5 million in fiscal year 2019), physician contracting and other strategic initiatives in FY19 - FY21, and 100% beginning in FY22 as follows: <ul style="list-style-type: none"> - \$5.4M in FY2019 - \$1.6M in FY2020 - \$1.8M in FY2021 - \$3.5M in FY2022-FY2024 - The retention of 50% of revenue associated with patients that will seek care at other providers following the transformation of Dorchester to an FMF, will enable SHS to fund the \$3.5M of annual initiatives beginning in FY2022 related to ambulatory and physician network development and population health initiatives.
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**TABLES FOR EASTON
WITH MEDSURG ONLY**

TABLE F. STATISTICAL PROJECTIONS - UM SMC AT EASTON "WITH" SHIFT OF MEDSURG BEDS ONLY (NO PSYCH BEDS) FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. 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. See additional instruction in the column to the right of the table.

	Three Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.				
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Indicate CY or FY								
1. DISCHARGES								
a. General Medical/Surgical*	5,971	5,491	5,521	5,553	5,585	6,708	6,751	6,796
b. ICU/CCU	186	171	172	173	174	208	209	210
Total MSGA	6,157	5,662	5,693	5,726	5,760	6,915	6,960	7,006
c. Pediatric	106	77	76	76	75	75	74	74
d. Obstetric	1,057	1,092	1,118	1,144	1,171	1,199	1,227	1,256
e. Acute Psychiatric								
Total Acute	7,320	6,831	6,888	6,946	7,006	8,189	8,261	8,336
f. Rehabilitation	357	353	357	362	366	371	376	381
g. Comprehensive Care								
h. Other (Specify/add rows of needed)								
TOTAL DISCHARGES	7,677	7,184	7,245	7,308	7,373	8,560	8,637	8,717
2. PATIENT DAYS								
a. General Medical/Surgical*	25,732	21,968	21,446	20,940	21,072	25,972	26,152	26,339
b. ICU/CCU	1,625	1,387	1,354	1,322	1,330	1,464	1,474	1,485
Total MSGA	27,357	23,355	22,800	22,262	22,402	27,437	27,627	27,824
c. Pediatric	245	179	178	177	175	174	173	172
d. Obstetric	2,570	2,698	2,762	2,827	2,893	2,961	3,031	3,104
e. Acute Psychiatric								
Total Acute	30,172	26,232	25,740	25,266	25,471	30,572	30,831	31,099
f. Rehabilitation	3,394	3,455	3,499	3,542	3,588	3,634	3,682	3,731
g. Comprehensive Care								
h. Other (Specify/add rows of needed)								
TOTAL PATIENT DAYS	33,566	29,687	29,239	28,808	29,059	34,206	34,513	34,830
3. AVERAGE LENGTH OF STAY (patient days divided by discharges)								
a. General Medical/Surgical*	4.3	4.0	3.9	3.8	3.8	3.9	3.9	3.9
b. ICU/CCU	8.7	8.1	7.9	7.6	7.6	7.1	7.1	7.1
Total MSGA	4.4	4.1	4.0	3.9	3.9	4.0	4.0	4.0
c. Pediatric	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
d. Obstetric	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5
e. Acute Psychiatric	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Acute	4.1	3.8	3.7	3.6	3.6	3.7	3.7	3.7
f. Rehabilitation	9.5	9.8	9.8	9.8	9.8	9.8	9.8	9.8
g. Comprehensive Care	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
h. Other (Specify/add rows of needed)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL AVERAGE LENGTH OF STAY	4.4	4.1	4.0	3.9	3.9	4.0	4.0	4.0

TABLE F. STATISTICAL PROJECTIONS - UM SMC AT EASTON "WITH" SHIFT OF MEDSURG BEDS ONLY (NO PSYCH BEDS) FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. 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. See additional instruction in the column to the right of the table.

	Three Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.				
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
4. NUMBER OF LICENSED BEDS								
a. General Medical/Surgical*	77	77	68	66	67	83	84	84
b. ICU/CCU	10	10	10	10	10	11	11	11
Total MSGA	87	87	78	76	77	94	95	95
c. Pediatric	8	8	1	1	1	1	1	1
d. Obstetric	17	17	11	11	11	12	12	12
e. Acute Psychiatric								
Total Acute	112	112	90	88	89	107	108	108
f. Rehabilitation	20	20	13	13	13	13	13	14
g. Comprehensive Care								
h. Other (Specify/add rows of needed)								
TOTAL LICENSED BEDS	132	132	103	101	102	120	121	122
5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.								
a. General Medical/Surgical*	91.6%	78.2%	86.3%	86.6%	86.5%	85.5%	85.6%	85.6%
b. ICU/CCU	44.5%	38.0%	37.1%	36.2%	36.4%	36.5%	36.7%	37.0%
Total MSGA	86.2%	73.5%	80.0%	80.0%	80.0%	79.8%	79.9%	80.0%
c. Pediatric	8.4%	6.1%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
d. Obstetric	41.4%	43.5%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
e. Acute Psychiatric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Acute	73.8%	64.2%	78.5%	78.4%	78.4%	78.5%	78.5%	78.6%
f. Rehabilitation	46.5%	47.3%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
g. Comprehensive Care	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
h. Other (Specify/add rows of needed)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL OCCUPANCY %	69.7%	61.6%	78.0%	78.0%	78.0%	78.1%	78.2%	78.2%
6. OUTPATIENT VISITS								
a. Emergency Department (IP and OP)	48,532	62,667	62,767	62,866	62,966	63,066	63,166	63,267
b. Same-day Surgery OP Visits	2,858	2,951	2,956	2,960	2,965	2,970	2,975	2,979
c. Laboratory OP RVUs	2,947,932	2,937,672	2,942,340	2,947,016	2,951,699	2,956,389	2,961,087	2,965,793
d. Imaging OP RVUs	517,424	838,470	839,802	841,137	842,474	843,812	845,153	846,496
e. MRI OP RVUs	12,575	58,679	58,772	58,866	58,959	59,053	59,147	59,241
TOTAL OUTPATIENT VISITS	3,529,321	3,900,439	3,906,637	3,912,845	3,919,063	3,925,291	3,931,528	3,937,776
7. OBSERVATIONS**								
a. Number of Patients	1,739	2,477	2,481	2,485	2,489	2,493	2,497	2,501
b. Hours	75,966	72,456	72,571	72,686	72,802	72,918	73,034	73,150

* Include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.

** Services included in the reporting of the "Observation Center", direct expenses incurred in providing bedside care to observation patients; furnished by the hospital on the hospital's premises, including use of a bed and periodic monitoring by the hospital's nursing or other staff, in order to determine the need for a possible admission to the hospitals as an inpatient. Such services must be ordered and documented in writing, given by a medical practitioner; may or may not be provided in a distinct area of the hospital.

Table F –

Statistical Projection Assumptions for UM SMC AT EASTON "WITH" SHIFT OF MSGA BEDS ONLY (NO PSYCH BEDS) FROM UM SMC AT DORCHESTER

Projection is based on FY2018 actual utilization at UM SMC at Easton and UM SMC at Dorchester.	
Projection period reflects FY2019 – FY2024	
Inpatient Volumes	<ul style="list-style-type: none">- Existing MedSurg, Obstetrics and Rehab discharges and patient days at UM SMC at Easton are projected to grow 0.4% annually with population beginning in FY2019- MedSurg discharges and patient days are expected to shift from UM SMC at Dorchester beginning in FY2022 as described in detail in the Request for Exemption from Certificate of Need as approved by the MHCC on April 18, 2019
Outpatient Volumes	<ul style="list-style-type: none">- Existing outpatient volumes at UM SMC at Easton are projected to grow 0.4% annually with population beginning in FY2019- No outpatient volumes are expected to shift from UM SMC at Dorchester

TABLE G. REVENUES & EXPENSES, UNINFLATED - UM SMC AT EASTON "WITH" SHIFT OF MEDSURG BEDS ONLY (NO PSYCH BEDS) FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table G should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table F 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.

	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1. REVENUE								
a. Inpatient Services	\$ 105,259	\$ 101,654	101,654	101,654	101,654	125,700	125,700	125,700
b. Outpatient Services	154,033	162,994	162,994	162,994	162,994	162,994	162,994	162,994
Gross Patient Service Revenues	259,291	264,648	264,648	264,648	264,648	288,694	288,694	288,694
c. Allowance For Bad Debt	-	5,996	5,996	5,996	5,996	6,791	6,791	6,791
d. Contractual Allowance	61,440	52,046	52,046	52,046	52,046	54,620	54,620	54,620
e. Charity Care	-	2,801	2,801	2,801	2,801	3,049	3,049	3,049
Net Patient Services Revenue	197,851	203,805	203,805	203,805	203,805	224,233	224,233	224,233
f. Other Operating Revenues (Specify/add rows if needed)	4,241	4,431	4,431	4,431	4,431	4,431	4,431	4,431
NET OPERATING REVENUE	\$ 202,092	\$ 208,236	\$ 208,236	\$ 208,236	\$ 208,236	\$ 228,664	\$ 228,664	\$ 228,664
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 95,146	\$ 94,795	\$ 95,407	\$ 95,336	\$ 95,273	\$ 100,573	\$ 101,275	\$ 101,997
b. Professional Fees	8,160	8,372	8,372	8,372	8,372	9,527	9,523	9,519
c. Interest on Current Debt	2,823	3,251	3,789	3,743	3,697	3,652	3,607	3,563
d1. Interest on Project Debt	-	-	-	-	-	-	-	-
e. Current Depreciation	14,784	16,941	17,394	16,629	15,003	12,945	11,874	10,829
f1. Project Depreciation	-	-	-	-	-	965	946	926
g. Current Amortization	-	-	-	-	-	-	-	-
h. Project Amortization	-	-	-	-	-	-	-	-
i. Supplies	34,707	36,396	36,643	36,897	37,159	38,253	38,529	38,814
j. Other Expenses (Purchased Services, Other Expense and Overhead & Shared Services)	35,026	33,908	34,052	34,199	34,351	47,892	48,100	48,313
k. Fixed Cost Additions	-	-	4,461	1,336	1,483	3,509	3,509	3,509
TOTAL OPERATING EXPENSES	\$ 190,647	\$ 193,663	\$ 200,118	\$ 196,513	\$ 195,339	\$ 217,316	\$ 217,365	\$ 217,471
3. INCOME								
a. Income From Operation	\$ 11,445	\$ 14,573	\$ 8,118	\$ 11,723	\$ 12,897	\$ 11,348	\$ 11,299	\$ 11,193
b. Non-Operating Income/Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SUBTOTAL	\$ 11,445	\$ 14,573	\$ 8,118	\$ 11,723	\$ 12,897	\$ 11,348	\$ 11,299	\$ 11,193
c. Income Taxes								
NET INCOME (LOSS)	\$ 11,445	\$ 14,573	\$ 8,118	\$ 11,723	\$ 12,897	\$ 11,348	\$ 11,299	\$ 11,193

Table G –

Key Financial Projection Assumptions for UM SMC AT EASTON "WITH" SHIFT OF MEDSURG BEDS ONLY (NO PSYCH BEDS) FROM UM SMC AT DORCHESTER (Does not include HSCRC Annual Update Factors & Expense Inflation)

<p>Projection is based on the FY2018 actual financial performance of UM SMC at Easton and UM SMC at Dorchester. UM Shore Health at Easton includes Memorial Hospital at Easton, Queen Anne's Emergency Center and other affiliates. Inpatient MedSurg services are projected to shift from UM SMC at Dorchester in FY2022.</p>	
<p>Projection period reflects FY2019 – FY2024</p>	
Volumes	- Refer to historical and projected utilization in Table F
<p>Patient Revenue</p> <ul style="list-style-type: none"> • Gross Charges <ul style="list-style-type: none"> ○ Update Factor ○ Demographic Adjustment ○ Other Rate Adjustments ○ Variable Cost Factor ○ Redistribution of UM SMC at Dorchester GBR • Revenue Deductions 	<ul style="list-style-type: none"> - 0.00% annual increase in FY2019 – FY2024 - 0.00% annual increase in FY2019 – FY2024 - 0.00% annual increase in FY2019 – FY2024 based on historical experience - 100% variable cost factor associated with the inpatient MedSurg and Psychiatric services shifted to UM SMC at Easton in FY2022 - 50% variable cost factor associated with the inpatient MedSurg and outpatient services lost to other providers in FY2022 - Shift of \$15.0M (uninflated) of inpatient MedSurg revenue from UM SMC at Dorchester to UM SMC at Easton in FY2022 - Shore Health System (SHS) will retain approximately \$9.1M (uninflated) or 50% of revenue related to volumes that will be lost to other providers in FY2022 (Retained Revenue) - \$3.7M (uninflated) of SHS's Retained Revenue will be apportioned to the FMF to cover its depreciation and interest expense - Remainder of SHS's Retained Revenue will be apportioned to UM SMC at Easton to fund ambulatory and physician network development and population health initiatives - Continuation of FY2018 deductions from revenue (contractual allowances, denials, charity, bad debts, assessments, UCC pool receipts) as percentages of gross revenue
Other Operating Revenue	Remains constant from FY2018

Table G –

Key Financial Projection Assumptions for UM SMC AT EASTON "WITH" SHIFT OF MEDSURG BEDS ONLY (NO PSYCH BEDS) FROM UM SMC AT DORCHESTER (Does not include HSCRC Annual Update Factors & Expense Inflation)

<p>Expenses</p> <ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies ○ Purchased Services ○ Other Operating Expenses • Expense Variability with Volume Changes <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies & Drugs ○ Purchased Services ○ Other Operating Expenses • Interest Expense • Depreciation and Amortization • Additional Incremental Expenses 	<ul style="list-style-type: none"> - 0.0% weighted average annual increase that reflects the following: <ul style="list-style-type: none"> - 0.0% - 0.0% - 0.0% - 0.0% - 0.0% - 80% - 0% - 80% - 50% - 0% - Continued amortization of existing debt and related interest expense - 30 year useful life for \$461,000 of renovations related to MedSurg beds - 7 year useful life for new equipment - 7 year useful life for routine capital expenditures - 82% of new expenses related to EPIC implementation (\$5 million in fiscal year 2019), physician contracting and other strategic initiatives in FY19 - FY21, and 100% beginning in FY22 as follows: <ul style="list-style-type: none"> - \$5.4M in FY2019 - \$1.6M in FY2020 - \$1.8M in FY2021 - \$3.5M in FY2022-FY2024 - The retention of 50% of revenue associated with patients that will seek care at other providers following the transformation of Dorchester to an FMF, will enable SHS to fund the \$3.5M of annual initiatives beginning in FY2022 related to ambulatory and physician network development and population health initiatives.
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TABLE H. REVENUES & EXPENSES, INFLATED - UM SMC AT EASTON "WITH" SHIFT OF MEDSURG BEDS ONLY (NO PSYCH BEDS) FROM UM SMC AT DORCHESTER

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. 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.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Estimated / Actual	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1. REVENUE								
a. Inpatient Services	\$ 105,259	\$ 101,654	\$ 104,134	\$ 106,675	\$ 109,278	\$ 138,424	\$ 141,802	\$ 145,262
b. Outpatient Services	154,033	162,994	166,971	171,045	175,219	179,494	183,874	188,360
Gross Patient Service Revenues	259,291	264,648	271,105	277,720	284,497	317,918	325,676	333,622
c. Allowance For Bad Debt	-	5,996	6,142	6,292	6,446	7,479	7,661	7,848
d. Contractual Allowance	61,440	52,046	53,316	54,617	55,950	60,150	61,617	63,121
e. Charity Care	-	2,801	2,869	2,939	3,011	3,358	3,440	3,524
Net Patient Services Revenue	197,851	203,805	208,777	213,872	219,090	246,932	252,957	259,129
f. Other Operating Revenues (Specify/add rows if needed)	4,241	4,431	4,431	4,431	4,431	4,431	4,431	4,431
NET OPERATING REVENUE	\$ 202,092	\$ 208,236	\$ 213,208	\$ 218,303	\$ 223,521	\$ 251,363	\$ 257,388	\$ 263,560
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 95,146	\$ 94,795	\$ 97,601	\$ 99,771	\$ 101,999	\$ 110,150	\$ 113,470	\$ 116,908
b. Professional Fees	8,160	8,372	8,590	8,813	9,042	10,557	10,827	11,104
c. Interest on Current Debt	2,823	3,251	3,789	3,743	3,697	3,652	3,607	3,563
d1. Interest on Project Debt	-	-	-	-	-	-	-	-
e. Current Depreciation	14,784	16,941	17,394	16,629	15,003	12,945	11,874	10,829
f1. Project Depreciation	-	-	-	-	-	965	946	926
g. Current Amortization	-	-	-	-	-	-	-	-
h. Project Amortization	-	-	-	-	-	-	-	-
i. Supplies	34,707	36,396	37,742	39,144	40,604	43,054	44,666	46,346
j. Other Expenses (Purchased Services, Other Expense and Overhead & Shared Services)	35,026	33,908	34,733	35,581	36,453	51,839	53,107	54,409
k. Fixed Cost Additions	-	-	4,461	1,336	1,483	3,509	3,509	3,509
TOTAL OPERATING EXPENSES	\$ 190,647	\$ 193,663	\$ 204,310	\$ 205,018	\$ 208,283	\$ 236,672	\$ 242,007	\$ 247,594
3. INCOME								
a. Income From Operation	\$ 11,445	\$ 14,573	\$ 8,898	\$ 13,284	\$ 15,238	\$ 14,691	\$ 15,381	\$ 15,967
b. Non-Operating Income/Expense								
SUBTOTAL	\$ 11,445	\$ 14,573	\$ 8,898	\$ 13,284	\$ 15,238	\$ 14,691	\$ 15,381	\$ 15,967
c. Income Taxes								
NET INCOME (LOSS)	\$ 11,445	\$ 14,573	\$ 8,898	\$ 13,284	\$ 15,238	\$ 14,691	\$ 15,381	\$ 15,967

**Table H –
Key Financial Projection Assumptions for UM SMC AT EASTON "WITH" SHIFT OF MEDSURG BEDS ONLY (NO PSYCH BEDS) FROM UM SMC AT DORCHESTER (Includes HSCRC Annual Update Factors & Expense Inflation)**

<p>Projection is based on the FY2018 actual financial performance of UM SMC at Easton and UM SMC at Dorchester. UM Shore Health at Easton includes Memorial Hospital at Easton, Queen Anne's Emergency Center and other affiliates. Inpatient MedSurg services are projected to shift from UM SMC at Dorchester in FY2022.</p>	
<p>Projection period reflects FY2019 – FY2024</p>	
<p>Volumes</p>	<p>- Refer to historical and projected utilization in Table F</p>
<p>Patient Revenue</p> <ul style="list-style-type: none"> • Gross Charges <ul style="list-style-type: none"> ○ Update Factor ○ Demographic Adjustment ○ Other Rate Adjustments ○ Variable Cost Factor ○ Redistribution of UM SMC at Dorchester GBR • Revenue Deductions 	<ul style="list-style-type: none"> - 2.0% annual increase in FY2019 – FY2024 - 0.29% annual increase in FY2019 – FY2024 - 0.15% annual increase in FY2019 – FY2024 based on historical experience - 100% variable cost factor associated with the inpatient MedSurg and Psychiatric services shifted to UM SMC at Easton in FY2022 - 50% variable cost factor associated with the inpatient MedSurg and outpatient services lost to other providers in FY2022 - Shift of \$16.5M (inflated) of inpatient MedSurg revenue from UM SMC at Dorchester to UM SMC at Easton in FY2022 - Shore Health System (SHS) will retain approximately \$10.0M (inflated) or 50% of revenue related to volumes that will be lost to other providers in FY2022 (Retained Revenue) - \$4.1M (inflated) of SHS's Retained Revenue will be apportioned to the FMF to cover its depreciation and interest expense - Remainder of SHS's Retained Revenue will be apportioned to UM SMC at Easton to fund ambulatory and physician network development and population health initiatives - Continuation of FY2018 deductions from revenue (contractual allowances, denials, charity, bad debts, assessments, UCC pool receipts) as percentages of gross revenue
<p>Other Operating Revenue</p>	<p>- Remains constant from FY2018</p>

**Table H –
Key Financial Projection Assumptions for UM SMC AT EASTON "WITH" SHIFT OF MEDSURG BEDS ONLY (NO PSYCH BEDS) FROM UM SMC AT
DORCHESTER (Includes HSCRC Annual Update Factors & Expense Inflation)**

<p>Expenses</p> <ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies ○ Purchased Services ○ Other Operating Expenses • Expense Variability with Volume Changes <ul style="list-style-type: none"> ○ Salaries and Benefits ○ Professional Fees ○ Supplies & Drugs ○ Purchased Services ○ Other Operating Expenses • Interest Expense • Depreciation and Amortization • Additional Incremental Expenses 	<ul style="list-style-type: none"> - 2.5% weighted average annual increase that reflects the following: <ul style="list-style-type: none"> - 2.25% - 2.75% - 3.0% - 2.8% - 2.0% - 80% - 0% - 80% - 50% - 0% - Continued amortization of existing debt and related interest expense - 30 year useful life for \$461,000 of renovations related to MedSurg beds - 7 year useful life for new equipment - 7 year useful life for routine capital expenditures - 82% of new expenses related to EPIC implementation (\$5 million in fiscal year 2019), physician contracting and other strategic initiatives in FY19 - FY21, and 100% beginning in FY22 as follows: <ul style="list-style-type: none"> - \$5.4M in FY2019 - \$1.6M in FY2020 - \$1.8M in FY2021 - \$3.5M in FY2022-FY2024 - The retention of 50% of revenue associated with patients that will seek care at other providers following the transformation of Dorchester to an FMF, will enable SHS to fund the \$3.5M of annual initiatives beginning in FY2022 related to ambulatory and physician network development and population health initiatives.
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