

December 11, 2019

VIA EMAIL & HAND DELIVERY

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

Re: Responses to Additional Information Request Number 5.a. Dated November 7, 2019

Dear Ms. Potter:

On behalf of McCready Foundation, Inc. and Peninsula Regional Medical Center, Inc., as joint applicants, enclosed are four copies of the Applicants' Response to Additional Information Request Number 5.a. Dated November 7, 2019. A native file Word version of the responses will be sent via email to Kevin McDonald along with a text searchable PDF files of the exhibits.

The Applicants look forward to working with the Maryland Health Care Commission, the Maryland Institute for Emergency Medical Services Systems, the Health Services Resources Cost Review Commission, and other interested stakeholders to effectuate a new and innovative model of health care delivery for the residents of Somerset County.

Please sign and return to our waiting messenger the enclosed acknowledgment of receipt.

Sincerely,



James C. Buck

Enclosures

CC by email without enclosures:

Ben Steffen, Executive Director, Maryland Health Care Commission
Dr. Theodore R. Delbridge, MIEMSS Executive Director
Paul Parker, Director, Center for Health Care Facilities Planning and Development
Kevin McDonald, Chief, Certificate of Need Program

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R. Potter

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Suellen Wideman, Esq., Assitant Attorney General

Moira Lawson, Program Manager

Steven E. Leonard, President and CEO, Peninsula Regional Health System, Inc.

Kathleen Harrison, FACHE, CEO McCready Foundation, Inc.

Bruce Ritcie, Vice President, Finance/CFO, Peninsula Regional Health System, Inc.

Camesha Spence, CFO, McCready Foundation, Inc.

Melvin (Chip) R. Hurley Jr., CPA, FHFMA, CGMA, Berkely Research Group

Andrew L. Solberg, A.L.S. Healthcare Consultant Services

Emily H. Wein, Foley & Lardner LLP

**McCready Foundation d/b/a Edward W. McCready Hospital and
Peninsula Regional Medical Center, Inc.
Joint Applicants**

Modified Request for Exemption from CON Review to Convert
Edward W. McCready Hospital to a Freestanding Medical Facility
Matter No. 19-19-EX010

Applicants' Responses to Additional Information Request 5.a. Dated November 7, 2019

COMAR 10.24.19.04C(8)(i) More Efficient Health Care Services

- 1. Please explain why development of an urgent care center that operates, for example, from 8 a.m. to 10 p.m. or 7 a.m. to 11 p.m. – and programmed to also serve as a primary care center – would not better meet the “public interest” and “more effective and efficient” delivery of health care services standards by meeting the vast majority of community needs at a substantially lower cost than would be the case with an FMF.**
 - a. In order to analyze this scenario, please prepare an alternate Table F and G from the hospital CON application package.**

Applicants' response: The Applicants understand based on a conversation with Commission staff that the Applicants need not prepare Tables F and G associated with an urgent care center. The Applicants provided an explanation as to why the conversion of McCready Hospital to McCready Health Pavilion is in the public interest and will result in the delivery of more efficient and effective health services on pages 41 through 42 of the Modified Request for Exemption from CON Review. Set forth below is the Applicants' analysis of developing an urgent care center in lieu of the proposed McCready Health Pavilion FMF. The modeling was based on FY2024 volumes levels and focused the change on net patient revenue and reflects that development of an urgent care center would result in a reduction of \$1.2 million in net patient revenue. The key assumptions are outlined below.

A portion of the FMF emergency room visits would not be able to be treated at an urgent care center due to patient acuity and reduced hours. These patients would need to seek care at Peninsula Regional Medical Center (“PRMC”) or another emergency room. Cases which could not be treated at an urgent care center due to acuity were defined as nursing home patients, patients with an ESI level 1 or 2, and patients who were admitted as inpatients or for observation services. In addition, it was assumed that the urgent care center would be open 8:00am - 8:00pm weekdays, 8:00am - 6:00pm weekends. Patients arriving outside these hours would need to be treated at alternative locations. In total, it is assumed 40% of the projected ED visits at McCready Health Pavilion could not be treated at an urgent care center. For purpose of a comparative analysis between net patient revenue at McCready Health Pavilion and an urgent care center, net patient revenue was based on the 60% of the projected FMF patient volumes associated with the elimination of patients who could not be treated in an urgent care center.

The analysis estimated the emergency room charges for the subset of the population which could be treated in an urgent care center based on the projected revenue by rate center. For comparative purposes, it was assumed that lower acuity patients would be treated at the urgent care center, therefore, minimal ancillary services would be provided. No adjustment was made to the average emergency room rate center charge due to the level of care provided.

The gross and net patient revenue per visit for an urgent care center was projected based on PRMC’s actual experience associated with its urgent care center in Salisbury, Maryland. Due to the payer mix for McCready’s emergency room patients which are predominantly Medicaid and Self-Pay, the actual net reimbursement most likely would be less than PRMC’s urgent care center experience.

The projected net patient revenue for the subset of McCready Health Pavilion patients who would be treated in an urgent care center is \$1,600,229 for 3,120 visits. For an urgent care center, the projected net reimbursement for an urgent care center for 3,120 visits is \$366,818. The net revenue impact is a \$1.2 million reduction in net reimbursement in an urgent care setting compared to McCready Health Pavilion.

The supporting calculations are included in Table 16.

Table 16
McCready Health Pavillion
Analysis of McCready Health Pavilion FMF and Urgent Care Net Revenue
FY2024

	McCready Health Pavillion FMF	Urgent Care Center	Variance
<u>Key Assumptions:</u>			
ED Visits	3,120	3,120	-
Gross Charge per Visit	\$646	\$181	(\$465)
Deductions as a % of Revenue	21%	35%	14%
Net Revenue per Visit	\$513	\$118	(\$395)
<u>Revenue Projections</u>			
Gross Patient Revenue	\$2,015,461	\$564,845	(\$1,450,616)
Less: Deductions from Revenue	(415,232)	(198,027)	217,205
Net Patient Revenue	<u>\$1,600,229</u>	<u>\$366,818</u>	<u>(\$1,233,411)</u>

I hereby declare and affirm under the penalties of perjury that the facts stated in the Applicants' Responses to Additional Information Requests Date November 7, 2019 and its exhibits are true and correct to the best of my knowledge, information, and belief.

12/10/2019

Date



Steve Leonard
President/Chief Executive Officer
Peninsula Regional Health System, Inc.

I hereby declare and affirm under the penalties of perjury that the facts stated in the Applicants' Responses to Additional Information Requests dated November 7, 2019 and its exhibits are true and correct to the best of my knowledge, information, and belief.

12/10/2019
Date



Bruce Ritchie
Vice President, Finance/Chief Financial
Officer
Peninsula Regional Health System, Inc.