

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

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 Requests Dated August 22, 2019**

**Project Description**

1. **On Page 2, the applicants state that the proposed FMF will maintain “nearly” the same level of emergency and observation services currently offered at the hospital. Please provide more information on the differences between the current level of services and those being proposed for the FMF.**

**Applicants' response:**

Following the conversion of McCready Hospital to McCready Health Pavilion, it will no longer be an acute general hospital. As a result, MIEMSS protocols prevent EMS providers from transporting most Priority 1 and unstable Priority 2 patients to McCready Health Pavilion. McCready Health Pavilion will also not offer surgical services, and therefore, patients requiring surgery will be treated at PRMC or another appropriate facility. Accordingly, McCready Health Pavilion will not offer observation services for certain patients following surgery as is does presently while operating as an acute general hospital.

2. **The Project Description states that the FMF will house “regulated clinic with exam rooms.” What is a “regulated clinic”?**

**Applicants' response:**

McCready Hospital currently operates a primary care and specialty care outpatient clinic on its campus in a building adjacent to and on the campus of the main hospital. The clinic is staffed by family medical and internal medicine physicians, a nurse practitioner, and a general surgeon. Several private-practice physicians, including cardiologists and a podiatrist, also maintain office hours at the clinic to accommodate area patients of McCready Hospital's underserved service area. The Health Services Cost Review Commission (“HSCRC”) regulates the rates of professional services charged to patients of the McCready outpatient clinic, and the clinic's operations are included within McCready's Global Budget Revenue (“GBR”).

Following the conversion of McCready Hospital to an FMF, PRMC will continue to operate the primary care and specialty care clinic as a rate-regulated service at McCready Health Pavilion and has received preliminary approval from the HSCRC to do so. In Phase Two of

McCready Health Pavilion's operations, the clinic will be housed in the FMF facility as reflected in **Exhibit 2** to the Applicants' Request for Exemption from CON Review.

**3. Which of the services listed in the Project Description are proposed to be rate-regulated? Has HSCRC confirmed its willingness to extend that recognition?**

**Applicants' response:**

Throughout the process of selecting an FMF as the appropriate facility to deliver care to the residents of Somerset County, representatives of McCready and PRMC met with the HSCRC to discuss regulated service offerings as well as the corresponding Global Budget Revenue cap for McCready Health Pavilion. The financial projections are consistent with these discussions. Throughout this process, the HSCRC confirmed its willingness to extend regulated service recognition to all services described in the Project Description and as set forth below:

- Primary Care Clinic
- Behavioral Health Clinic
- Emergency Department Services and Supporting Ancillaries
- Observation Services and Supporting Ancillaries
- Infusion
- Imaging
  - o Radiography
  - o Computed Tomography (CT)
  - o Ultrasound

Further, the HSCRC has preliminarily agreed to GBR amounts for the FMF which was used for the financial projections.

**COMAR 10.24.19.04C(5) Information regarding charges**

**4. The exemption request states that PRMC policy states that a list of hospital charges are posted on the PRMC website. Please provide the website address where charge information can be found.**

**Applicants' response:**

A list of PRMC's hospital frequently occurring charges are posted on its website and can be found at the following Internet address:

<https://www.peninsula.org/sites/default/files/average-charge-summary-qe-06-30-19.pdf>

5. For each subpart (a, b, and c) of this standard, provide the language from the policy that meets the standard, as well as a citation to where in the policy that language can be found.

**COMAR 10.24.10.04A(1)(a): Maintenance of a Representative List of Services and Charges that is readily available to the public in written form at the hospital and on the hospital's internet web site.**

**Applicants' response:**

PRMC's policy on "Charges – Estimates and Information to Patients and Public" at Pages 1 and 2 states, in relevant part:

Peninsula Regional Medical Center's Finance Department will post a representative list of services and charges on the PRMC website. PRMC will respond to individual requests for current charges for specific services/procedures.

\* \* \*

The attached List of Representative Charges will be posted on the PRMC website by the Finance Budget, Cost & Reimbursement Office on a quarterly basis. The information will be updated each calendar quarter and posted within 45 days of the end of each quarter.

The List of Representative Charges will be distributed to staff each time prices change. This list is available to the public from the Financial Counselor upon request. Requests for estimates of charges for procedures/services are provided by the following:

Outpatient Diagnostic Testing –

- If requested in person – by the Financial Counselor
- If requested by phone – by the Centralized Scheduling Office

Outpatient Surgery and Procedures – by the Centralized Scheduling Office  
Inpatient Services –

- If requested by phone – by the Patient Financial Services collection personnel
- If requested in person – by the Financial Counselor who will contact the collections team.

Information available for charge estimation:

1. Rates sheet. This list is updated whenever prices are changed, and revisions will come from the Budget and Reimbursement Office.
2. Service item master listing for charges. This list is updated periodically and revisions will come from the Budget and Reimbursement Office.

3. Observation charges. This charge is updated periodically and revisions will come from the Budget and Reimbursement Office.

4. A listing of average OR minutes by procedure. Two lists are generated, one in ICD-10 order (worksheet = avg. min), the second list is in alphabetic description order (worksheet = avg. min-desc.). These lists are updated periodically and revisions will come from the Budget and Reimbursement Office.

Note: Contact Budget and Reimbursement Office if an annual update is not received.

See **Exhibit 3** at p.1-2. See also the Internet address provided in response to question 4 above.

**COMAR 10.24.10.04A(1)(b): Procedures for promptly responding to individual requests for current charges for specific services/procedures.**

**Applicants' response:**

PRMC's policy on "Charges – Estimates and Information to Patients and Public" states that, "PRMC will respond to individual requests for current charges for specific services/procedures," and that "[The] list [of representative charges] is available to the public from the Financial Counselor upon request." **Exhibit 3** at p. 1. With respect to patient correspondence, PRMC's policy provides, "It is important that the patient understand that the estimate is subject to change and is only an estimate. The actual charges incurred may be higher or lower than shown. See example correspondence which may be formalized and sent via mail or may be used in phone conversations to ensure continuity of message presented." **Exhibit 3** at p. 2. Further staff are instructed to "[d]ocument in EPIC, account notes; the estimated charges and the method and date of communication to patient." **Exhibit 3** at p. 2.

**COMAR 10.24.10.04A(1)(c): Requirements for staff training to ensure that inquiries regarding charges for its services are appropriately handled.**

**Applicants' response:**

PRMC's policy on "Charges – Estimates and Information to Patients and Public" provides, "PRMC will provide staff training to ensure that inquiries for its services are appropriately handled." See **Exhibit 3** at p. 1.

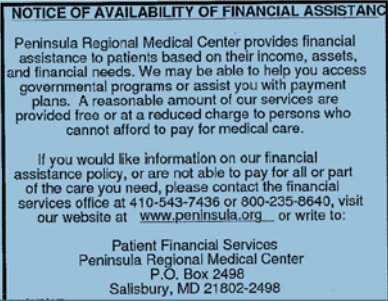
**COMAR 10.24.19.04C(6) Charity Care Policy**

- 6. Similarly, for each of the following subparts of this standard, provide the language from the policy that meets the standard, as well as a citation to where in the policy that language can be found.**

**Applicants' response:**

	<b>Quote from the policy</b>	<b>Section citation</b>
<p><b>10.24.01.04A(2) (2) Charity Care Policy.</b></p> <p>Each hospital shall have a written policy for the provision of charity care for indigent patients to ensure access to services regardless of an individual's ability to pay.(a) The policy shall provide:</p>		
<p>(i) Determination of Probable Eligibility. Within two business days following a patient's request for charity care services, application for medical assistance, or both, the hospital must make a determination of probable eligibility.</p>	<p>"c. Preliminary eligibility will be made within 2 business days based upon receipt of sufficient information to determine probable eligibility. A letter will be mailed to patients notifying them of their eligibility status. Following preliminary approval, patients must submit a completed application and any supporting documentation requested (if not done previously). Upon final approval, a financial assistance discount will be applied to the patient's responsibility in accordance with Finance Division policy FD-030. "</p>	<p>Page 3, Procedure § (c)</p>
<p>(ii) Minimum Required Notice of Charity Care Policy.</p>		
<p>Public notice of information regarding the hospital's charity care policy shall be distributed through methods designed to best reach the target population and in a format understandable</p>	<p>"If a patient is unable to pay due to financial resources, all efforts will be made to help the patient obtain assistance through appropriate agencies. In the event that the patient has applied for and kept all necessary</p>	<p>Page 3, Procedure Introduction</p>

<p>by the target population on an annual basis;</p>	<p>appointments and third party assistance is not available, PRMC will provide care at reduced or zero cost. When no third party assistance is available to cover the total bill and the patient indicates that they have insufficient funds, Financial Assistance (FA) will be offered. The Maryland State Uniform Financial Assistance application, Financial Assistance Policy, Patient Collection Practice Policy, and plain language summary, can be obtained by one of the following ways:</p> <ul style="list-style-type: none"> <li>a. Available free of charge and upon request by calling (410) 543-7436 or (877) 729-7762.</li> <li>b. Are located in the registration areas.</li> <li>c. Downloaded from the hospital website:  <a href="https://www.peninsula.org/patients-visitors/patient-forms">https://www.peninsula.org/patients-visitors/patient-forms</a>  <a href="https://www.peninsula.org/patients-visitors/patient-billing-information">https://www.peninsula.org/patients-visitors/patient-billing-information</a></li> <li>d. The plain language summary is inserted in the Admission packet and with all patient statements.</li> <li>e. Through signs posted in the main registration areas.</li> <li>f. Annual notification in the local newspaper.</li> <li>g. The application is available in English and Spanish. No other language constitutes a group that is 5% or more, or more than 1,000 residents (whichever is less) of the population in our primary service area (Worcester, Wicomico and Somerset Counties) based on U.S. Census data.</li> <li>h. For patients who have difficulty in filling out an application, the information can be taken orally by calling (410) 912-6957 or in person at the Financial Counselor’s Office located in the Frank B. Hanna Outpatient Center.”</li> </ul>	
---	--	--

	<p>An annual ad is placed in the Daily Times newspaper. A copy of which is provided below:</p> 	
<p>Notices regarding the hospital's charity care policy shall be posted in the admissions office, business office, and emergency department areas within the hospital.</p>	<p>Notices regarding the charity care policy are described in "signs posted in the main registration areas," including the admission office, registration areas, business offices, emergency department and other entrances patients are entering to receive care. <i>See</i> response above.</p>	<p><i>See</i> Page 2, Procedure Introduction (e).</p>
<p>Individual notice regarding the hospital's charity care policy shall be provided at the time of preadmission or admission to each person who seeks services in the hospital.</p>	<p>Individual notices are provided upon admission to each person seeking services. PRMC's policy states: "The plain language summary is inserted in the Admission packet and with all patient statements."</p>	<p>Page 2, Procedure Introduction (d).</p>

7. The standard states that, "within two business days following a patient's request for charity care services, application for medical assistance, or both, the hospital must make a determination of probable eligibility." Page 11 of the application states that "Preliminary eligibility will be made within two business days based on receipt of sufficient information to determine probable eligibility." Please define what is meant by "receipt of sufficient information to determine probable eligibility."

**Applicants' response:**

Documentation from patients who are beneficiaries/recipients of certain means-tested social services programs are deemed to have presumptive eligibility at 100% and are Financial Assistance eligible without the completion of an application or submission of supporting documentation. **Exhibit 4** at p. 3, Procedure § d. Verification of a patient's qualification for Maryland Medical Assistance also automatically qualify for Financial Assistance and standard documentation requirements are waived. **Exhibit 4** at p. 3, Procedure § e. For all other requests, eligibility determinations are made based on documentation of income and family size, including

interviews with the patient and/or family and/or prior year's tax returns or other documentation of annual gross income.

**COMAR 10.24.10.04A(3) Quality of Care**

- 8. Please provide documentation that both PRMC and McCready Hospital are: (i) Licensed, in good standing, by the Maryland Department of Health and Mental Hygiene; (ii) Accredited by the Joint Commission; and (iii) In compliance with the conditions of participation of the Medicare and Medicaid programs.**

**Applicants' response:**

McCready Hospital's and PRMC's licenses from the Maryland Department of Health, Office of Health Care Quality, most recent Joint Commission accreditations, most recent verifications of CMS 855a Medicare enrollment forms Novitas Solutions, the Medicare Administrative Contractor for Maryland, and verifications from the Maryland Department of Health Medicaid website are submitted herewith as **Exhibits 14** and **15**, respectively.

**COMAR 10.24.19.04C(8)(c) Community Needs Assessment**

- 9. Provide a description of the post-discharge care management and care coordination services that will be available for FMF patients.**

**Applicants' response:**

Patients at the FMF will have access to post discharge care management and care coordination services through PRMC. Those identified as high risk will have access to telephonic post discharge care management. Care coordinators will call the patient post discharge, coordinate provider follow up, perform a medication reconciliation and health education, and evaluate for need of support with social determinants of health. Care coordinators will support patients with care coordination services such as remote patient monitoring, community health worker follow-up, and community based education.

Patients with a provider within PRMC's integrated care network will have direct access to the office care coordination staff after discharge with similar services as well as access to the in-office care coordinator.

- 10. What additional comprehensive outpatient medical services will be made available to the community supported by the FMF due to its affiliation with PRHS?**

**Applicants' response:**

Through McCready Hospital's affiliation with PRMC, patients of McCready Health Pavilion's service area will have access to the full range of outpatient services at PRMC and PRHS-affiliated locations, including:

- Cardiac & Pulmonary Rehabilitation



- Chemotherapy and infusion services
- Radiation therapy
- Diabetes Education and Support Services
- Breast Center – mammography and diagnostics
- Behavioral Health – outpatient counseling, partial hospitalization program
- Wound & hyperbaric treatment
- Sleep Lab
- ALS Clinic
- Endoscopy
- Coumadin Clinic
- Cardiac Stress Test
- Pulmonary function testing
- Medical Nutritional Therapy
- Pediatric Diabetes Management
- HealthFest
- Drive-Thru Flu Clinic
- Atrial Fibrillation Surgical Management Clinic
- Fitness Plus and Adult Fitness and Maintenance
- Corelife Delmarva
- Peninsula Stroke Center
- Spine Services
- Orthopedic and Occupational Health Rehab
- Lactation Consultations
- Yomingo childbirth and newborn care electronic education
- Prepared Childbirth classes
- Newborn Care classes
- Cancer Survivorship
- Prostate Cancer Group
- Head and Neck Cancer Group
- Cancer Exercise program
- Cancer Cooking and Nutrition
- Lymphedema Management
- Pediatric Endocrinology
- Pain Management
- Gastroenterology services
- Neurology services
- Endocrinology services
- Outpatient surgical procedures
- Hemodialysis
- Renal Support Group

## COMAR 10.24.19.04C(8)(d) Number and size of treatment spaces

**11. Provide an explanation of the reasoning and assumptions underlying the projection that an ED operation that is detached from a general hospital is likely to see the same number of patients as it saw as part of a general hospital, given that higher acuity patients might be expected to be redirected to hospital EDs after the conversion.**

### **Applicants' response:**

In the statistical projections for McCready Health Pavilion, the Applicants project 4,709 emergency department visits in each year. **Exhibit 1, Table F.** These projections were based on the projected fiscal year 2019 emergency department utilization at McCready Hospital. However, this projection is an approximate 9% decrease from the 5,157 emergency department visits that McCready Hospital averaged between fiscal years 2014 and 2018. *See Table 4.*

The Applicants project that that McCready Health Pavilion is likely to see a similar but slightly less number of emergency patients than were historically seen at McCready Hospital for a number of reasons. First, McCready Health Pavilion, like McCready Hospital, is located in a remote location in Somerset County. The nearest hospitals are PRMC approximately 30 miles from McCready Health Pavilion, Atlantic General, which is approximately 40 miles from McCready Hospital, and Riverside Memorial Hospital in Onancock, Virginia, which is approximately 53.5 miles from McCready Health Pavilion. In the event of an emergency medical condition, the Applicants do not anticipate that patients will drive dozens of additional miles to an acute general hospital.

Second, recently updated MIEMSS protocols permit EMS providers to transport the following classifications of patients to an FMF: (1) priority 1 patients who are in extremis; (2) stable priority 2 patients; (3) all priority 3 patients; and (4) all priority 4 patients. In this regard, McCready Health Pavilion anticipates receiving the vast majority of patients who are currently brought to McCready Hospital via EMS transport.

Third, as reflected on **Table 6** of the Request for Exemption from CON Review, approximately 33% of McCready Hospital's emergency department visits occurred between 8 p.m. and 8 a.m. At these times, neither of the two urgent care centers, which are approximately 20 miles from McCready Hospital are open. The Applicants project that patients who may otherwise present to these urgent care centers will continue to visit McCready Health Pavilion for urgent and emergent care.

Finally, the Applicants will engage in extensive community education regarding the capabilities of McCready Health Pavilion to ensure the facility is used to its fullest potential. To this end, at its recent public informational hearing, the Applicants informed the community that McCready Health Pavilion will be staffed by the same emergency room physicians as those that currently staff the emergency departments at both PRMC and Atlantic General.

**12. On page 24 of the application, you reference the ACEP guidelines, noting that those guidelines recommend 8 rooms for 10,000 visits (1250 visits per room annually) at the “low range;” you go on to state that the proposed seven emergency treatment spaces for about 4,700 visits per year (671 visits per room per year) is consistent with the ACEP Guide low range recommendations. A more appropriate calculation would show a need for about four treatment spaces needed for the FMF. Please explain and justify the need for the proposed seven rooms.**

**Applicants’ response:**

The seven emergency department treatment spaces proposed for McCready Health Pavilion are inclusive of: (1) three standard treatment rooms; (2) two secure holding rooms; (3) one resuscitation room; and (4) one triage room. The facility has been designed to maintain the same level of emergency services as currently provided at McCready Hospital.

While a purely mathematical calculation under the ACEP Guide’s may result in a slightly fewer number of emergency department treatment spaces, a certain number of treatment spaces is still required for McCready Health Pavilion to function as an emergency department. To this end, the ACEP Guide states that for “extremely small emergency departments” the “patients/examination space is low compared to a larger facility because the few rooms in a very small emergency department allow for little surge capacity or flexibility across the department.” ACEP Guide at 114. Further, there is little additional cost associated with developing three additional treatment spaces and no additional staffing costs.

Finally, the Applicants note that the ACEP Guide itself is described by its author “as a starting point” for emergency department planning with “general guideline[s]” to be used for internal planning to set “preliminary benchmarks for sizing emergency departments,” which can be adjusted for “each unique emergency department project” and that the size parameters are merely “estimates.” See ACEP Guide at 106-109. Indeed, as the ACEP Guide states:

there’s no magic formula for a set number of examination rooms and square footage calculations for a certain number of patient visits. *There’s no “if you see ‘X’ number of patients in a year, your department should be ‘Y’ square feet with ‘Z’ number of patient care spaces.”* There are too many variables to consider. We can’t reduce space programming to ‘one size fits all’. The key is for you to understand how your unique variables will affect your space need, and the biggest impact is your turnaround time for patients using examination spaces.

ACEP Guide at 106 (emphasis added).

In short, McCready Health Pavilion has been designed to accommodate the service area population based on historic utilization trends and operations.

**13. Please provide an estimate of:**

**a) the current average length of stay for patients at the ED;**

**Applicants' response:**

In fiscal year 2018, McCready Hospital's emergency department experienced 5,032 patient visits with an average length of stay of approximately 2.14 hours or 128 minutes.

**b) the percentage of behavioral health patients expected to be treated at the facility;**

**Applicants' response:**

In fiscal year 2018, McCready Hospital experienced 16,616 patient visits for services that will remain regulated at McCready Health Pavilion. Of those, 2,691 were for behavioral health treatment, including 80 in the McCready emergency department. In total, behavioral health visits accounted for 16% of total patient visits and 2% of emergency department visits. See **Table 13** below.

**Table 13**  
**Behavioral Health Visits as a Percentage of Total Hospital Visits FY2018**

<u>Service</u>	<u>Total Visits</u>	<u>Psych Visits</u>	<u>% Psych</u>
Outpatient Clinic	6,830	-	0%
Emergency	4,830	80	2%
Behaviorial Health Clinic	2,611	2,611	100%
Radiology-Other	1,633	-	0%
Radiology-CT	436	-	0%
Infusion	145	-	0%
Observation	131	-	0%
<b>Total</b>	<b>16,616</b>	<b>2,691</b>	<b>16%</b>

**c) the percentage of geriatric patients expected to be treated at the facility.**

**Applicants' response:**

In fiscal year 2018, McCready Hospital experienced a total of 16,616 patient visits for services that will remain regulated at McCready Health Pavilion. Of those, 4,964 were for geriatric patients, defined as 65 years old and above. This makes geriatric patients comprise approximately 29.82% of total patients and 18% of emergency department visits. This percentage is expected to rise slightly over the upcoming years due to an aging population. See **Table 14** below.

**Table 14**  
**Geriatric Patients as a Percentage of Total Hospital Visits FY2018**

<u>Service</u>	<u>Total Visits</u>	<u>Geriatric Visits</u>	<u>% Geriatric</u>
Outpatient Clinic	6,830	2,955	43%
Emergency	4,830	858	18%
Behavioral Health Clinic	2,611	70	3%
Radiology-Other	1,633	729	45%
Radiology-CT	436	237	54%
Infusion	145	54	37%
Observation	131	61	47%
<b>Total</b>	<b>16,616</b>	<b>4,964</b>	<b>30%</b>

**COMAR**

**10.24.19.04C(8)(f) Utilization, Financial and Staffing Projections**

**14. Provide prose responses for each of these subparts of standard 8(f), with an answer under each subpart:**

**(i) The utilization projections are consistent with observed historic trends in ED use by the population in the FMF’s projected service area;**

**Applicants’ response:**

Emergency department utilization projections from McCready Health Pavilion were consistent with observed historic trends in emergency department use by the population in the McCready Health Pavilion’s projected service area but trended slightly downward. In fiscal year 2017, McCready Memorial Hospital’s use rate was 220 per 1,000 in McCready’s service area, consisting of zip codes 21817, 21838, 21853, and 21871. In fiscal year 2018, the projected use rate per 1,000 was 205. Both historical and projected use rates are outlined below in **Table 15** below.

**Table 15**  
**ED Service Use Rate Trend, FY2017 – FY2025**

	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>
Emergency Department Visits	5,006	4,830	4,709	4,709	4,709	4,709	4,709	4,709	4,709
Population Estimate	22,705	22,861	22,979	22,979	22,979	22,979	22,979	22,979	22,979
<b>Hospital Use Rate Per 1000</b>	<b>220.48</b>	<b>211.28</b>	<b>204.94</b>	<b>204.94</b>	<b>204.94</b>	<b>204.94</b>	<b>204.94</b>	<b>204.94</b>	<b>204.94</b>

**(ii) The utilization projections for rate-regulated outpatient services under Health-General Article §19-201(d)(ii) and (iv) and COMAR 10.37.10.07-2 are consistent with the observed historic trends by the population in the FMF’s projected service area.**

**Applicants’ response:**

The utilization projections for rate-regulated outpatient services at McCready Health Pavilion are consistent with the observed historic trends by the population in the FMF’s projected service area. As shown in **Table 16** below, use rates for the regulated services remain relatively stable from FY2017 to FY2019, and FY2019 utilization projections were projected to carry forward into future years.

**Table 16  
Regulated Service Use Rate Trend, FY2017 – FY2025**

Visits	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Imaging	1,704	1,739	1,683	1,683	1,683	1,683	1,683	1,683	1,683
Clinic	8,871	9,504	9,105	9,105	9,105	9,105	9,105	9,105	9,105
Infusion	48	145	64	64	64	64	64	64	64
Observation	192	132	96	96	96	96	96	96	96
Population Estimate	22,705	22,861	22,979	22,979	22,979	22,979	22,979	22,979	22,979
Hospital Use Rate Per 1000	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Imaging	75.05	76.07	73.23	73.23	73.23	73.23	73.23	73.23	73.23
Clinic	390.72	415.74	396.25	396.25	396.25	396.25	396.25	396.25	396.25
Infusion	2.11	6.34	2.79	2.79	2.79	2.79	2.79	2.79	2.79
Observation	8.46	5.77	4.18	4.18	4.18	4.18	4.18	4.18	4.18

**(iii) The revenue estimates for emergency services and other outpatient services specified by the HSCRC under Health-General Article §19-201(d)(iv) and COMAR 10.37.10.07-2 are consistent with utilization projections and the most recent HSCRC payment policies for FMFs;**

**Applicants’ response:**

The revenue estimates for emergency services and other outpatient services at McCready Health Pavilion were based on a Global Budget Revenue (GBR) for the McCready Health Pavilion that was discussed and agreed upon between PRMC and the HSCRC. The revenue estimates were based on the schedule provided by the HSCRC, which is submitted herewith as **Exhibit 8**, adjusted for inflation.

(iv) **The staffing assumptions and expense projections for emergency services and any other rate-regulated outpatient services under Health-General Article §19-201(d)(ii) and (iv) and COMAR 10.37.10.07-2 are based on current expenditure levels, utilization projections, and staffing levels experienced by the applicant hospital’s ED and with the recent experience of similar FMFs; and**

**Applicants’ response:**

McCready Health Pavilion is projected to operate with 80.6 FTEs per **Exhibit 1, Table L**. This figure is based on the operation of the emergency room at 24 hours a day, seven days a week. The remaining direct care FTEs are consistent with current levels and salaries were based on current rates. The 39.6 decrease in FTEs from the current 120.2 FTEs at McCready Hospital result from the elimination of the inpatient services and outpatient surgical service areas.

(v) **Within three years of opening, the combined FMF and parent hospital will generate net positive operating income.**

**Applicants’ response:**

Pursuant to **Exhibit 1, Table K** (McCready Health Pavilion), **line 3.a**, McCready Health Pavilion will generate an approximate \$3.5 million operating loss in fiscal year 2025, three years after the new facility would open in Phase Two. Combined with the operations of PRMC, however, PRMC will generate approximately \$5.3 million in net positive operating income in fiscal year 2025. *See Exhibit 1, Table H (PRMC Entire Facility), line 3.a.*

**15. The new FMF will include both laboratory and imaging facilities. Will these services operate 24/7 to support the ED? Will these services be solely for the use of the FMF patients or will these services be available to non-FMF patients on a scheduled basis?**

**Applicants’ response:**

The imaging and laboratory services will operate 24/7 to support the emergency department as well as observation services being offered at McCready Health Pavilion. Imaging services, with the exception of ultrasound, will be available to referred walk-in patients who are not being treated in either the emergency or observation departments. Lab services will not be available to walk-in patients in the regulated space, however there will be an unregulated blood draw station available for walk-in patients.

**16. Will speech and physical therapy, infusion and blood draw services be regulated in Phase 1? Will imaging services be rate regulated in Phase 2?**

**Applicants’ response:**

The following services will be regulated in both Phase 1 and Phase 2:

- Speech Therapy

- Physical Therapy
- Infusion Services
- Imaging Services
- Blood draw services for walk-in patients will not be regulated in either Phase 1 or Phase 2 of the project.

**17. Will the FMF facility offer the full range of outpatient and behavioral health services currently offered at the existing outpatient center? Will there be a change in the number of providers or patient capacity in either phase of the conversion?**

**Applicants' response:**

Upon the conversion of McCready Hospital to McCready Health Pavilion, PRMC intends to offer the full range of outpatient and behavioral health services with one exception. Cardiac rehabilitation will not be offered at McCready Health Pavilion.

**18. How will the closure of the McCready Hospital pharmacy affect the community's accessibility to pharmacy services?**

**Applicants' response:**

McCready Hospital does not currently operate as a retail pharmacy; the pharmacy serves only patients of McCready Hospital. As a result, the closure of McCready Hospital's pharmacy will not affect the community's accessibility to pharmacy services. There are two private retail pharmacies located in Crisfield, including "Crisfield Discount Pharmacy" and "Marion Pharmacy," neither of which will be negatively affected by the closure of McCready Hospital's pharmacy.

McCready Health Pavilion will have automated dispensing cabinets to service the pharmacy needs of its emergency and observation patients.

**COMAR 10.24.19.04C(8)(h) Construction Cost**

**19. The applicants state PRMC had commissioned a study to compare McCready renovation costs to the cost of new construction. Submit a copy of the report and a summary of the report's findings.**

**Applicants' response:**

A copy of the renovation cost study prepared by CallisonRTKL is attached as **Exhibit 9**.



**20. Regarding the extraordinary cost adjustments claimed for Minority Business Enterprise Premiums (“MBE”) for site costs, building costs, and fixed costs, explain why it is appropriate and necessary to claim such adjustments. Why should it cost more than market rates to include MBEs in the firms constructing the proposed project?**

**Applicants’ response:**

The Applicants have established a goal of including approximately 25% Minority Business Enterprise (“MBE”) participation in the construction of McCready Health Pavilion. A consultant on this project, Andrew L. Solberg, is also a consultant on the projects proposed by the University of Maryland Medical System (“UMMS”), which also include in their project cost estimates the goal of including approximately 25% MBE participation. MBE participation would not be in the average cost of hospital construction. As related in several UMMS CON applications, UMMS consulted with its cost estimators/construction managers on the impact on project budgets of targeting 25% inclusion of MBE subcontractors or suppliers as part of its projects, and their conservative estimate is that it adds 3-4% to the costs, compared to projects that do not include MBE subcontractors or suppliers. It costs more than the average cost because committing to the MBE inclusion means that the contractor manager will not simply seek the lowest cost suppliers of subcontracting or materials. UMMS has used 4%. According to the UMMS CON applications, this estimate has been confirmed through UMMS’ experience with past construction jobs. UMMS now uses this percentage in all of its construction cost estimates. Since UMMS has had significant empirical experience regarding the impact of MBE participation, the Applicants have relied on UMMS’ experience.

**21. Explain why the MBE adjustments were estimated at 4%.**

**Applicants’ response:**

Please see the Applicants’ response to Question 20 above.

**22. The application states that there will be a premium on costs to bring contractors and materials to Somerset County that ranges from 5% to 15%. What percentage was used for the calculation of extraordinary costs? Why was this percentage chosen?**

**Applicants’ response:**

The Applicants’ construction estimators have told the Applicants that the cost of construction of McCready Health Pavilion should reflect that, because Crisfield is a remote location, construction workers will have to be brought in from around the region.

Section 99, Page 1 of the MVS book includes a variety of reasons that will drive construction costs higher than the average MVS benchmark.

REMOTE LOCATIONS: Upward modification of the multipliers is appropriate if a building or other structure is far removed from supplies of labor and material, if

its location is accessible with difficulty requiring higher freight charges on material, contains noncompetitive conditions for labor or materials, disproportionate crewing or labor per diem charges, or unusual climatic conditions occur. Examples are island, mountain, desert or resort locations and others not enjoying reasonable and adequate transportation facilities, for which no local modifier has been computed. When using the Mountain and Resort Cottage costs in Section 12, normal erection in remote areas is already included.

Furthermore, the same page includes the following estimates of the impact of various reasons that construction cost estimates would be higher or lower than the standard MVS benchmarks.

<b>MODIFYING ADJUSTMENTS</b>			
The following are rough overall percentage ranges to apply for certain unusual conditions, which can be cumulative:			
<b>ADD FOR THE FOLLOWING:</b>		<b>ADDITIONS – CONTINUED</b>	
Abnormal contractor's profit	5% to 25%	Green Buildings, Commercial	0% to 7%
Abnormal shortages	2% to 10%	Residential	3% to 20%
Complex/congested areas	2% to 5%		
Hillside buildings	5% to 20%	<b>SUBTRACT FOR THE FOLLOWING:</b>	
Remote areas	5% to 15%	Quantity or Development	
Resort locations	15% to 30%	construction	1% to 5%
Weather extremes	2% to 6%	Abnormal labor surplus	1% to 5%
Seismic or high wind	2% to 5%	Amateur workmanship	15% to 30%
lifeline occ., high event (Zone 3/4)	5% to 10%	Architects' fee adjustments:	
		see discussion below and on Page 2.	

The Applicants used 10% as an extraordinary cost premium because it is in the middle of the range identified by MVS and the applicants did not have empirical evidence that could be used as a basis for making another assumption.

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

23. Provide data on the yearly level of ED usage at McCready Memorial Hospital by acuity classification (level 1 – level 5).

**Applicants’ response:**

**Table 17** below presents McCready Hospital’s emergency department visits classified by acuity under the Emergency Severity Index or “ESI.”

**Table 17  
ESI Classification of ED Visits FY2018**

<b>Level</b>	<b>Number of Visits</b>	<b>Percentage of visits</b>
1-Resuscitation	17	0.33%
2-Emergent	156	3.1%
3-Urgent	1,256	24.9%
4-Semi-Urgent	2,381	47.3%
5-Non-Urgent	1,222	24.2%
Total	5,032	100%

Source: McCready Hospital data; includes ED patients admitted as inpatients.

**24. Explain why a 24/7 Urgent Care clinic would not be a more efficient and cost-effective solution.**

**Applicants’ response:**

As set forth on page 33 of the Request for Exemption from CON Review, a 24/7 urgent care center would not be a more efficient and cost effective option compared to McCready Health Pavilion due to the expected reimbursement based on the expected payer mix. Indeed, an urgent care center would not be viable due to the payer mix of patients in the service area. For fiscal year 2018, McCready Health Pavilion’s service area was 39% Medicaid and 6.4% Charity/Self Pay which would result in substantially less reimbursement than current levels in a rate regulated setting. *See Table 18* below. Reduce reimbursement resulting from such a payer mix could not be mitigated by reduced expenses due to the minimal staffing requirements of a 24/7 urgent care center. McCready Foundation previously operated an urgent care center in Princess Anne, however, it was not financially viable due to the payer mix and reduced reimbursement rates, and, therefore, the urgent care center was closed in June, 2019.

**Table 18**  
**McCready Health Pavilion Service Area Emergency Department Payer Mix, FY2018**

Payer	ED Charges	% of Total
Medicare	\$1,745,388	35.0%
Medicaid	1,950,774	39.1%
Commercial	894,939	17.9%
Charity/Self-Pay	317,669	6.4%
Other	82,540	1.7%
<b>Total</b>	<b>\$4,991,310</b>	<b>100.0%</b>

Source: HSCRC FY2018 Abstract data

Additionally, due to the payer mix, an urgent care center could not provide certain needed services in the community that McCready currently provides and is planned to be provided in McCready Health Pavilion, including the primary and specialty care clinic and behavioral health clinic. Such services would not be financially viable without HSCRC regulated rates as those services are currently provided by McCready Hospital. To this end, in fiscal year 2018, 54% of McCready Hospital’s emergency department and other outpatient visits were Medicaid and self-pay patients.

Finally, local Somerset County EMS providers would be burdened by having to transport hundreds of patients to either PRMC or Atlantic General. In fiscal year 2018, 565 patients arrived to McCready Hospital’s emergency department by ambulance.

**25. Will the FMF encourage use of less costly care options as an alternative for non-emergent and low acuity patients whose needs can be met outside of the emergency room? If so, how will this guidance and encouragement be implemented?**

**Applicants’ response:**

PRMC actively engages in a marketing campaign entitled “Where to Go For Care,” which is designed to educate patients about seeking treatment in less costly alternatives to a hospital emergency department. The marketing materials are distributed at all hospital events by physician liaisons, at PRMC’s flu clinic, at health fairs, and at outpatient physician practice locations. PRMC plans television appearances to discuss the “Where to Go for Care” program and coordinates with local health departments to educate patients about less costly treatment options other than a hospital emergency department for lower acuity conditions. PRMC’s “Where to Go for Care” materials are enclosed as **Exhibit 10** and available on PRMC’s website at the following web address:

<https://www.peninsula.org/patients-visitors/where-go-care>

**26. A freestanding medical facility created through conversion from a general hospital shall only retain patients overnight for observation stays.**

**Applicants' response:**

The proposed freestanding medical facility created through the conversion of McCready Hospital to McCready Health Pavilion, will not have the capability to admit or retain patients for overnight hospitalization and will only retain patients for overnight observation stays. *See also* page 38 of July 30, 2019 Request for Exemption from CON Review to Convert McCready Memorial Hospital to a Freestanding Medical Facility, explaining that, “[p]atients who present to McCready Health Pavilion who need inpatient medical, surgical or critical care will, subject to the patient’s individual medical needs and stated preference, be transferred to PRMC or another hospital as appropriate. All patients will be stabilized at McCready Health Pavilion by the emergency physician and clinical staff before transport.”

**27. Each notice, documentation, or other information regarding a proposed conversion of a general hospital to a freestanding medical facility that is required by Section C of 10.24.19 28 this regulation or by COMAR 30.08.15.03 shall be provided simultaneously to the Commission and to the Maryland Institute for Emergency Medical Services Systems.**

**Applicants' response:**

The Applicants have and will continue to provide simultaneously to the Commission and the Maryland Institute for Emergency Medical Services Systems (“MIEMSS”) all notices, documentation, or other information regarding the proposed conversion that are required by Section C of COMAR 10.24.19 or by COMAR 30.08.15.03. *See Exhibit 11* (July 30, 2019 Letter Providing Notice of Intent to Convert to a Freestanding Medical Facility and Enclosing Request for Exemption from CON Review); *Exhibit 12* (September 4, 2019 Letter Transmitting Summary of the August 20, 2019 Public Informational Hearing held by the Applicants).

**28. A notice of intent to seek an exemption from Certificate of Need review to convert a general hospital to an FMF shall:**

- (a) Be filed in the form and manner specified by the Commission, which may require a pre-filing meeting with Commission staff to discuss the proposed project, publication requirements, and plans for a public informational hearing.**

**Applicants' response:**

The Applicants met with the Commission staff prior to filing its Notice of Intent to Seek Exemption from CON Review for the Conversion of McCready Memorial Hospital to a Freestanding Medical Facility (“Exemption Request”) to discuss the proposed project, and filed the July 30, 2019 Exemption Request in the form and manner specified by the Commission staff.

- (b) **Be filed with the converting hospital and its parent hospital as joint applicants.**

**Applicants' response:**

The Exemption Request was filed by McCready Foundation, Inc., the converting hospital, and PRMC, which will be the parent hospital of McCready Health Pavilion, as joint applicants. *See* pages 1-2 of the Exemption Request.

- (c) **Only be accepted by the Commission for filing after:**
  - (i) **The converting hospital publishes on its website and otherwise makes available to the general public and community stakeholders, at least 14 days before holding a public informational hearing, the hospital's proposed transition plan that addresses, at a minimum, job retraining and placement for employees displaced by the hospital conversion, plans for transitioning acute care services previously provided on the hospital campus to residents of the hospital service area, and plans for the hospital's physical plant and site.**
  - (ii) **The converting hospital, in consultation with the Commission, and after providing at least 14 days' notice on the homepage of its website and in a newspaper of daily circulation in the jurisdiction where the hospital is located, holds a public informational hearing that addresses the reasons for the conversion, plans for transitioning acute care services previously provided by the hospital to residents of the hospital service area, plans for addressing the health care needs of residents of the hospital service area, plans of the hospital or the merged asset system that owns or controls the hospital for retraining and placement of displaced employees, plans for the hospital's physical plant and site, and the proposed timeline for the conversion.**
  - (iii) **Within ten working days after the public informational hearing, the converting hospital provides a written summary of the hearing and all written feedback provided by the general public and from community stakeholders to the Governor, Secretary of DHMH, the governing body of the jurisdiction in which the hospital is located, the local health department and local board of health for the jurisdiction in which the hospital is located, the Commission, and the Senate Finance Committee, House Health and Government Operations Committee, and members of the General Assembly who represent the district in which the hospital is located.**

**Applicants' response:**

The Applicants filed the Exemption Request to convert McCready Hospital to a freestanding medical facility on July 30, 2019. In consultation with the Commission staff, McCready Foundation and PRMC held a public informational hearing on August 22, 2019,

beginning at 6:00 p.m. at the McCready Hospital Community Room, Alice B. Tawes Nursing and Rehabilitation Center, 201 Hall Highway in Crisfield, Maryland.

Before holding the public informational hearing, the Applicants exceeded their regulatory obligations to ensure that the hearing was well attended. PRMC published notice of the hearing date and location on McCready Foundation's website's homepage and in the print and electronic versions of the *The Daily Times*, a newspaper of daily circulation, between August 6 and August 19, 2019. PRMC also purchased advertisements in the *County News*, a Somerset County newspaper, which circulates less than daily, announcing the date and location of the public hearing on August 7 and August 14, 2019. Examples of the advertisements published in *The Daily Times* and *County News* are attached as **Exhibit 13**. PRMC also published a notice of the public hearing on its website and on its Facebook page on August 2 and August 15, 2019.

McCready Foundation also published its transition plan on its website, which addressed job retraining and placement of employees displaced by the conversion, plans for transitioning acute care services previously provided at McCready Hospital to residents of the service area, and plans for the hospital's physical plant and site. A screen shot of McCready's website providing notice of the public informational hearing and a link to the Applicants' transition plan is provided as **Exhibit 16**. The transition plan that was linked to McCready's website via an instruction to "[click here](#) to view more information on the transition plan" is also attached at **Exhibit 16**. A written summary of the public informational hearing was distributed on September 4, 2019, and was provided to several members of the Commission staff on that date. A cover letter transmitting a summary of the initial public informational hearing is attached as **Exhibit 12**. The Applicants understand that Commission maintains on file a complete copy of summary of the public informational hearing in the Commission's file, 19-19-EX010.

- (iv) **The State Emergency Medical Services Board has determined that the proposed conversion of the general hospital to an FMF will maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system.**

#### **Applicants' response:**

The Applicants understand that the EMS Board plans to consider whether the conversion of McCready Hospital to a freestanding medical facility will continue to maintain adequate and appropriate delivery of emergency care within the statewide emergency medical services system at its scheduled meeting on October 8, 2019.

- (v) **The applicants receive a determination from HSCRC, issued pursuant to COMAR 10.37.10.07-2D, regarding each outpatient service to be provided at the proposed FMF for which the applicants seek rate regulation.**

#### **Applicants' response:**

The Applicants are engaged in ongoing discussions with the HSCRC to discuss each rate-regulated service to be provided at McCready Health Pavilion and hope to have a determination and approved rates from HSCRC in the near term. *See also* response to Question 3 above.

- (vi) **The applicants receive approved rates from HSCRC for each rate-regulated outpatient service at the proposed FMF.**

**Applicants' response:**

The Applicants are engaged in ongoing discussions with the HSCRC to discuss each rate-regulated service to be provided at McCready Health Pavilion and hope to have a determination and approved rates from HSCRC in the near term. *See also* response to Question 3 above.

- (vii) **The applicants provide any additional information determined by Commission staff as necessary for the notice of intent to seek an exemption to convert to an FMF to be complete.**

**Applicants' response:**

The Applicants have and will continue to provide all information requested by the Commission staff.



**Table of Exhibits**

<b>Exhibit</b>	<b>Description</b>
<b>8</b>	<b>HSCRC Revenue Estimates</b>
<b>9</b>	<b>CallisonRTKL McCready Hospital Renovation Concept Study</b>
<b>10</b>	<b>PRMC “Where to Go for Care” Marketing Materials</b>
<b>11</b>	<b>July 30, 2019 Letter Providing Notice of Intent to Convert to a Freestanding Medical Facility and Enclosing Request for Exemption from CON Review</b>
<b>12</b>	<b>September 4, 2019 Letter Transmitting Summary of the August 20, 2019 Public Informational Hearing</b>
<b>13</b>	<b>The Daily Times and County News Notices Regarding Public Informational Hearing</b>
<b>14</b>	<b>McCready Hospital License; Joint Commission Accreditation; Medicare 855a Enrollment Verification from Novitas; Medicaid Participation Verification</b>
<b>15</b>	<b>PRMC Hospital License; Joint Commission Accreditation; Medicare 855a Enrollment Verification from Novitas; Medicaid Participation Verification</b>
<b>16</b>	<b>Screen Shot of McCready Foundation Website</b>

**Table of Tables**

	<b>Description</b>
<b>Table 13</b>	<b>Behavioral Health Visits as a Percentage of Total Hospital Visits FY2018</b>
<b>Table 14</b>	<b>Geriatric Patients as a Percentage of Total Hospital Visits FY2018</b>
<b>Table 15</b>	<b>ED Service Use Rate Trend, FY2017 – FY2025</b>
<b>Table 16</b>	<b>Regulated Service Use Rate Trend, FY2017 – FY2025</b>
<b>Table 17</b>	<b>ESI Classification of ED Visits FY2018</b>
<b>Table 18</b>	<b>McCready Health Pavilion Service Area Emergency Department Payer Mix, FY2018</b>

I hereby declare and affirm under the penalties of perjury that the facts stated in the Applicants' Responses to Additional Information Requests Date August 22, 2019 and its exhibits are true and correct to the best of my knowledge, information, and belief.

9/9/19

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 Date August 22, 2019 and its exhibits are true and correct to the best of my knowledge, information, and belief.

Sept. 6, 2019  
Date

Kathleen L. Harrison  
Kathleen Harrison  
Chief Executive Officer  
McCready Foundation, Inc.

I hereby declare and affirm under the penalties of perjury that the facts stated in the Applicants' Responses to Additional Information Requests Date August 22, 2019 and its exhibits are true and correct to the best of my knowledge, information, and belief.

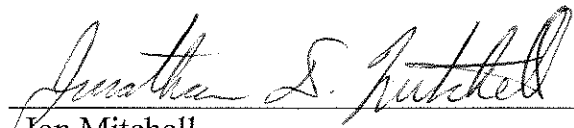
September 9, 2019  
Date

Camesha Spence  
Camesha Spence  
Chief Financial Officer  
McCready Foundation, Inc.

I hereby declare and affirm under the penalties of perjury that the facts stated in this Applicants' Responses to Additional Information Requests Date August 22, 2019 and its exhibits are true and correct to the best of my knowledge, information, and belief.

9/9/2019

Date



Jon Mitchell

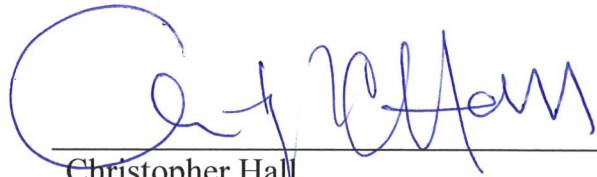
Director of Budget, Cost, and  
Reimbursement

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 Date August 22, 2019 and its exhibits are true and correct to the best of my knowledge, information, and belief.

9.9.19

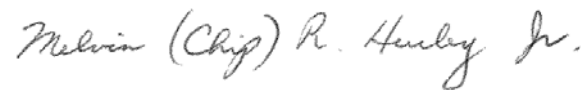
\_\_\_\_\_  
Date



\_\_\_\_\_  
Christopher Hall  
Vice President, Strategy and Business  
Development/Chief Business 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 Date August 22, 2019 and its exhibits are true and correct to the best of my knowledge, information, and belief.

September 9, 2019



---

Date

---

Melvin (Chip) R. Hurley, Jr., CPA  
FHFMA, CHMA  
Managing Director  
Berkeley Research Group