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STATE OF MARYLAND

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EXECUTIVE DIRECTOR



MARYLAND HEALTH CARE COMMISSION

4160 PATTERSON AVENUE – BALTIMORE, MARYLAND 21215
TELEPHONE: 410-764-3460 FAX: 410-358-1236

November 25, 2019

VIA E-MAIL AND REGULAR MAIL

James C. Buck, Esquire
Gallagher, Evelius & Jones, L.L.P.
218 North Charles Street, Suite 400
Baltimore, Maryland 21201

**Re: Modified Request for Exemption from Certificate of
Need Review Conversion of University of Maryland
Harford Memorial Hospital to a Freestanding Medical
Facility – Docket No. 17-12-EX004**

Dear Mr. Buck:

Maryland Health Care Commission staff has an additional set of completeness questions related to the construction cost for the above-captioned project. These questions were not ready when we sent our initial set on November 13.

Construction Costs

1. Please complete the following table, so as to restate the information in Exhibit 1, Table B – New Construction in a form that allows MHCC staff to understand the space allocation by department or services(s) by floor, and the square footage of each.

Lower Level		First Floor	
12,948 SF		56,395 SF	
Dept./Service	SF	Dept./Service	SF

Exhibit 1

2. Please note that the Marshall Valuation Service updated a number of values in November 2019, which include the construction costs per square foot (\$398.00 base cost for Class A, Good Construction); multiplier values (i.e., Height, Current and Local); and sprinkler add-on costs. The applicant should recalculate its MVS analysis on pp. 57-62 and incorporate these updated values.

Utilizing Tables C-*Construction Characteristics*, Table D-*Onsite and Offsite Costs Included and Excluded*, and Table E-*Project Budget* as well as the updated values from Marshall Swift, staff calculated the following Marshall Valuation Service benchmark and Project costs per sq.ft. for the proposed UC Behavioral Center:

MVS Benchmark Value	\$356.63 per sq. ft.
New Construction Cost	\$409.68 per sq. ft.
Over MVS Benchmark Value	\$53.05 per sq. ft.

Staff calculates that the applicant's project costs exceed the MVS benchmark cost by about 14.9%, which is equivalent to around \$3,678,911 of the total cost of New Construction. The applicant needs to provide a rational basis to support the need for the proposed project to exceed MVS project benchmark costs by 14.9%. Without such a discussion and consistent with COMAR 10.24.19B(5), staff will recommend \$3,678,911 in construction costs, and those portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure in excess of the MVS construction cost be excluded from consideration in any rate increase proposed should the hospital seek an adjustment related to capital costs.

Please submit four copies of the responses to above questions and requests for additional information within ten working days of receipt. Also submit the response electronically, in both Word and PDF format, to Ruby Potter (ruby.potter@maryland.gov) and Laura Hare (laura.hare1@maryland.gov). If additional time is needed to prepare a response, please let me know at your earliest convenience.

As with the request itself, all information supplementing the request must be signed by person(s) available for cross-examination on the facts set forth in the supplementary information, who shall sign a statement as follows: "I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief."

James C. Buck, Esq.
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Should you have any questions regarding this matter, please contact me at (410) 764-5982.

Sincerely,



Laura H. Hare, Program Manager
Health Care Facilities Planning & Development

cc: Lyle E. Sheldon, President and CEO, UM Upper Chesapeake Health System
Russell Moy, M.D., Acting Health Officer, Harford County
