

April 22, 2022

VIA EMAIL AND U.S. MAIL

Jeanne-Marie Gawel
jeanne-marie.gawel@maryland.gov
Program Manager
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Re: University of Maryland Laurel Regional Hospital
Conversion to Freestanding Medical Facility
Amended Request for Post-Approval Project Change

Dear Ms. Gawel:

On behalf of Dimensions Health Corporation *d/b/a* University of Maryland Capital Region Health ("UM CRH"), University of Maryland Laurel Medical Center (formerly University of Maryland Laurel Regional Hospital) ("UM LRH"), and University of Maryland Capital Region Medical Center, we are submitting four copies of its **Amended** Request for Post-Approval Project Change.

The amended submission contains no substantive changes, but clarifies the amount of the requested cost increase and the nature of the changes on Level 1 of the new building. A redline showing the changes is also included.

We hereby certify that a copy of this submission has also been forwarded to the appropriate local health planning agency, the Health Services Cost Review Commission, and the Maryland Institute for Emergency Medical Services Systems, as noted below.

Sincerely,



Thomas C. Dame

Jeanne-Marie Gawel

April 22, 2022

Page 2

Enclosures

cc: Wynee Hawk, Chief, Certificate of Need
Paul Parker, Director, Center for Health Care Facilities Planning & Development, MHCC
Alexa Bertinelli, Esq., Assistant Attorney General, MHCC
Ruby Potter, Health Facilities Coordination Officer, MHCC
Katie Wunderlich, Exective Director, HSCRC
Jerry Schmith, Principal Deputy Director, HSCRC
Stan Lustman, Esq., Assistant Attorney General, HSCRC
Theodore Delbridge, M.D., Executive Director, Maryland Institute for Emergency
Medical Services Systems
Pat Gainer, J.D., MPA, Deputy Director, Maryland Institute for Emergency Medical
Services Systems
Dr. Ernest L. Carter, Health Officer, Prince George's County
Jay Mittal, VP Business Strategy and Development, UM Capital Region Health
Trudy Hall, M.D., VP Medical Affairs and Rehab Services, Dimensions Healthcare
System
Darryl Mealy, VP of Construction and Facilities Planning, UMMS
Michael Brozic, Chief Financial Officer, UM Capital Region Health
Sandra Benzer, Esq., General Counsel, UM Capital Region Health

IN THE MATTER OF
THE CONVERSION OF
UNIVERSITY OF MARYLAND
LAUREL REGIONAL HOSPITAL TO A
FREESTANDING MEDICAL FACILITY

*
* BEFORE THE
* MARYLAND HEALTH CARE
* COMMISSION
* Docket No. 18-16-EX002
*

* * * * *

AMENDED REQUEST FOR POST-APPROVAL PROJECT CHANGE

Dimensions Health Corporation *d/b/a* University of Maryland Capital Region Health (“UM CRH”), University of Maryland Laurel Medical Center (formerly University of Maryland Laurel Regional Hospital), and University of Maryland Capital Region Medical Center, by the undersigned counsel, respectfully requests the Maryland Health Care Commission (the “Commission”) approve a project change to the Certificate of Need (“CON”) exemption issued on September 20, 2018, as described herein.

I. BACKGROUND OF APPROVED PROJECT

On September 20, 2018, the Commission granted a CON exemption (Docket No. 18-16-EX002), authorizing UM-CRH to convert University of Maryland Laurel Regional Hospital (“UM LRH”) to a freestanding medical facility (“FMF”), operating as University of Maryland Laurel Medical Center (“UM LMC”).

The Commission approved the conversion of UM LRH to an FMF as a two phase project with the FMF initially located in the existing hospital building (Phase 1), and then moved to a newly constructed building on the southwestern portion of the campus (Phase 2). When the new building is complete, the FMF will be relocated there and the existing hospital building will be demolished or repurposed. The FMF project was approved for a variety of outpatient services,

including: emergency services, observation services, ancillary diagnostic services to support emergency services, outpatient surgical services, psychiatric partial hospitalization / intensive outpatient services, and the Wound Care and Hyperbaric Medicine Center at UM Capital Region Health (the “Wound Care Center”), which is located in an existing building on the campus.

The implementation of Phase 1, operational conversion of UM LRH from an acute hospital to an FMF occurred on January 1, 2019. Phase 2, involving construction of a new FMF building on the southwestern portion of the current UM LRH campus, is under construction. The approved Phase 2 building was approved to have two floors totaling 75,855 SF. The total approved project budget is \$53.1 million.

UM CRH desires to change the physical plant design and project budget as described below.

II. BASIS FOR REQUESTED PROJECT CHANGE

UM CRH requests a project change to make certain changes in the physical plant design of the Phase 2 building and to increase project costs.

A. Description of requested project changes.

Following approval of the project, UM CRH continued to evaluate alternate configurations of services on the UM LMC campus that will be cost effective, efficient, and enhance patient experience. As a result of this planning, UM CRH determined to use the new FMF building to house more outpatient services. Specifically, the project change involves increasing capital costs and redesigning expanding the facility by 7,888 square feet to accommodate more physician clinic space and shell space for future expansion of clinic services

as well as the eventual relocation of the Wound Care Center, currently located in a separate building on the UM LMC campus.

B. Impact on project budget and schedule.

The Commission approved Phase 2 of the project with total capital costs of \$52,222,000 and total project costs of \$53,100,000. As shown in the revised Table E, included as **Exhibit 1**, the total capital cost for Phase 2 has been revised to \$70,500,669, an increase of \$18,152,814. The total project cost for Phase 2 has been revised to \$71,580,221, an increase of \$18,354,366. The primary cost increases, accounting for 97% of the total amount of increase, are discussed below. Much of the increase is due to escalations in the cost of the construction caused by changes in economic conditions following initial approval.

1. Building Costs (Line 1.a.(1))

The cost of constructing the new FMF building is estimated to increase by approximately \$7.6 million. UM CRH estimates that approximately \$2.4 million is attributable to adding 7,888 square feet of space, and the remaining \$5.2 million is attributable to inflated construction costs. The construction of the building was delayed during portions of the pandemic, and construction costs increased during this time due to global economic conditions, including supply chain challenges. As one indicator of the increase, the MVS benchmark for the building construction cost increased from \$441.68 in April, 2018 to \$535.49 in November, 2021 (the date of the last MVS update). As calculated and explained in **Exhibit 2**, the projected building costs do not exceed the updated MVS benchmark.

2. Site and Infrastructure (Line 1.a.(3))

The cost for site and infrastructure increased by approximately \$1.4 million due to the new design of the first level of the building and due to the need to redesign utilities as a result of

inaccurate “as-built” information.

3. *Architect and Engineering Fees (Line 1.a.(4))*

The architect and engineering fees increased by approximately \$2.3 million as a result of the redesign of the first level of the building.

4. *Movable Equipment (Line 1.c.(1))*

The moveable equipment cost increased by approximately \$5.2 million due to the need to purchase more new equipment than initially projected. Originally, UM CRH expected to use more existing medical equipment, but then discovered that some of this equipment needed to be replaced as it was deemed to be at “end of life.” Also, under new surgical leadership, it was determined that additional equipment is needed.

5. *Gross Interest During Construction Period (Line 1.c.(3))*

The gross interest cost increased by approximately \$2.6M due to the delayed construction period.

The new FMF facility is planned to be completed in the fall of 2022, and is expected to be ready to commence operations by January 1, 2023.

C. Impact on facility design and outpatient services offerings.

The approved Phase 2 project was planned to consist of two floors with approximately 75,855 square feet. Under the revised plan, the building will remain a two-story structure with approximately 83,743 square feet, an increase of 7,888 square feet. A revised set of project drawings is attached as **Exhibit 3**.

As originally approved, the new FMF was planned to include physician specialty clinics such as primary care-internal medicine, pulmonary medicine, obstetrics/gynecology, maternal

fetal medicine, pain management, thoracic surgery, and breast health. After opening, UM CRH will seek to develop other programs, including outpatient behavioral health clinic (psychiatrists, therapists, etc.), an endocrine/diabetes/metabolic disorders program, cardiology, and uro-gynecology clinics. Most of these clinic programs will be staffed with employed physicians and other professionals, or contracted medical professionals.

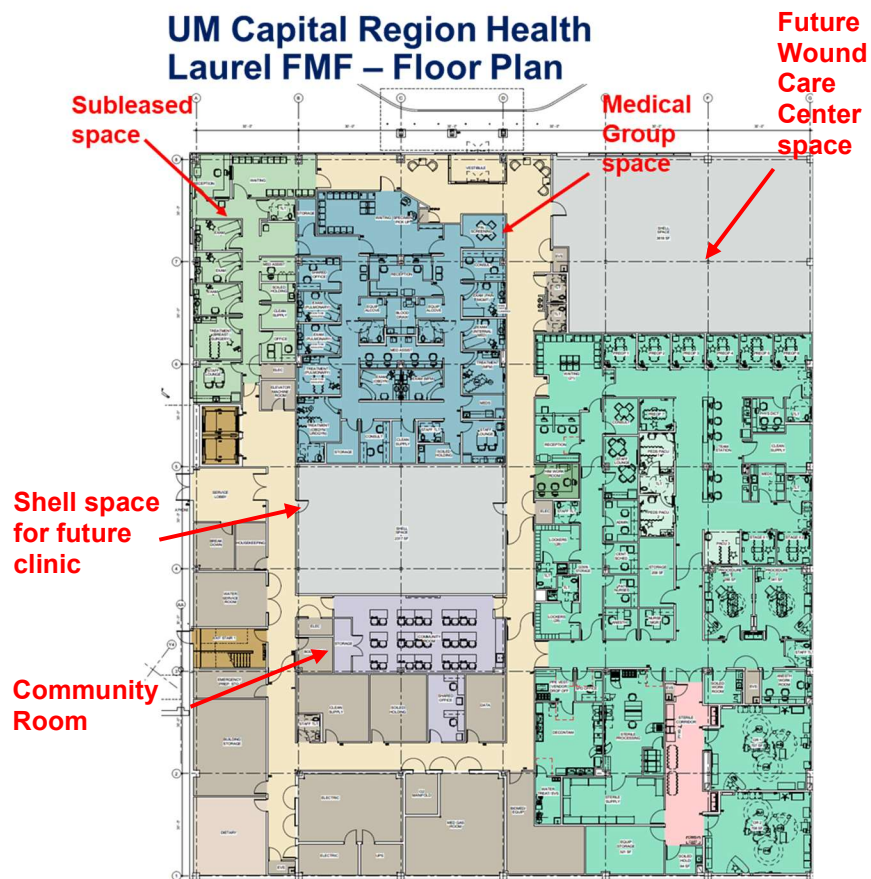
In addition, the new FMF will provide the following services:

- Emergency medicine services, available 24 hours a day, seven days a week
- Imaging and diagnostic services to support emergency and observation services (non-emergent outpatient imaging services will be provided by an imaging center that is proposed to be located in a new medical office building to be constructed next to the new FMF facility)
- Behavioral health services
 - Behavioral health assessment center within a designated area of the emergency department.
 - Expanded partial hospitalization program and intensive outpatient program offering an array of treatment modalities
- Observation / Clinical Decision Unit to treat and monitor patients to determine the need for inpatient care
- Primary care and specialty care services, as identified above

As modified, the plan for the new FMF will better enable a campus-wide destination supporting the overall health of surrounding communities. Under the revised plan, the second floor of the new FMF has only insignificant changes. The first floor design (depicted below and in Exhibit 3) is modified to redesign the originally planned space and include new space for additional clinics, the relocation of the Wound Care Center, and a community room.

The Wound Care Center is currently housed in a building on the campus that will be demolished for future development. Thus, the Wound Care Center must be relocated eventually, and the new FMF building is an excellent location to coordinate with other outpatient services.

The shell space that is planned for additional clinics will allow patients to receive one-stop services in the same building. For example, UM CRH plans to offer clinic space to practitioners who will perform outpatient surgical procedures in the FMF, thus allowing patients to receive pre-operative and post-operative care in the same building as their surgical treatment. In addition, the revised plan will include a community room that will allow clinical teams to organize in-person events for the residents of the community, such as health and wellness and/or other health focused screening and awareness.



D. UM LMC will remain cost effective, and the combined UM CRH is financially feasible, with the requested project changes.

UM CRH has included revised Tables B, C, D, E, and F through L in Exhibit 1. Tables F-K present utilization and financial projections related to revenue and expenses for UM LMC, as well as UM CRH, the parent of University of Maryland Capital Region Medical Center and UM LMC.

1. UM LMC Emergency and Observation Department Utilization

Table F presents utilization projections of both the inpatient and outpatient utilization of UM CRH, as well as emergency department visits, observation cases, and other outpatient services at UM Capital Region Medical Center, UM LMC and UM Bowie Health Center.

Table I includes utilization projections that reflect UM LMC, including outpatient emergency department visits, observation cases, operating room cases, and outpatient psychiatry services at UM LMC.

The projection of emergency department visits at UM LMC assumes the continuation of existing emergency services through fiscal year 2027. While emergency department visits declined in fiscal years 2020 and 2021, they are expected to recover partially in fiscal year 2023 as the facilities (1) recover from the current negative impact of COVID-19 on volumes and (2) the construction of the FMF demonstrating UM CRH's commitment to serve the community. The construction of the new FMF building is expected to bolster utilization of the emergency department.

2. Projected UM LMC Revenue

The presentations of projected revenue in **Tables H** and **K** reflect the approved Global Budget Revenue (GBR) for UM CRH in total and UM LMC specifically. The GBR is projected to increase with the HSCRC annual update factors, shared savings, demographic adjustments,

and other adjustments consistent with the HSCRC payment policies. These assumptions are included with the tables.

3. *Projected UM LMC Staffing and Expenses*

The presentation of projected staffing at UM LMC for 2027 (the final year of the projection period), as presented in **Table L**, reflects the outpatient services currently provided in the FMF housed in the existing hospital facility less reductions in staffing related to the move to a new right sized facility.

4. *Projected UM CRH and UM LMC Financial Performance*

As an emergency department with ancillary services, UM LMC is projected to have operating losses each year as presented in **Table K**. UM LMC's operating losses will be absorbed, though, by the operating profits of UM CRH. As shown in **Table H**, UM CRH is projected to generate a positive operating income after adding back depreciation (a non-cash expenditure).

CONCLUSION

For the reasons set forth above, UM CRH respectfully requests that the Commission authorize the changes in the UM LMC project previously approved by the Commission.

Respectfully submitted,



Thomas C. Dame
Mallory R. Regenbogen
Gallagher Evelius & Jones LLP
218 North Charles Street, Suite 400
Baltimore MD 21201
(410) 727-7702

*Attorneys for University of Maryland Capital
Region Health*

April 21, 2022

TABLE OF EXHIBITS

1	Revised MHCC Tables
2	Revised MVS Analysis
3	Revised Project Drawings

I hereby declare and affirm under the penalties of perjury that the facts stated in this Request for Post-Approval Project Change and its exhibits are true and correct to the best of my knowledge, information, and belief.

9/6/22
Date


Jay Mittal
Vice President, Business Strategy and
Development
UM Capital Region Health

I hereby declare and affirm under the penalties of perjury that the facts stated in this Request for Post-Approval Project Change and its attachments are true and correct to the best of my knowledge, information, and belief.

4/5/2022

Date

DocuSigned by:
Trudy Hall, MD
3EF504DABA044BE...

Trudy R. Hall, M.D.
Vice President and Deputy Chief
Medical Officer
Site Executive, Laurel Medical Center,
Bowie Health Center


I hereby declare and affirm under the penalties of perjury that the facts stated in this Request for Post-Approval Project Change and its exhibits are true and correct to the best of my knowledge, information, and belief.

4/4/2022
Date

Darryl Mealy
Darryl Mealy
Vice President of Construction and
Facilities Planning
University of Maryland Medical System

I hereby declare and affirm under the penalties of perjury that the facts stated in this Request for Post-Approval Project Change and its exhibits are true and correct to the best of my knowledge, information, and belief.

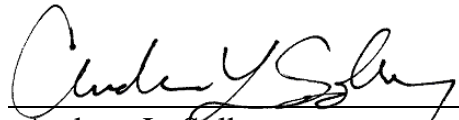
4/1/2022
Date


Michael Brozic, CPA, MBA
Chief Financial Officer
UM Capital Region Health

I hereby declare and affirm under the penalties of perjury that the facts stated in this Request for Post-Approval Project Change and its exhibits are true and correct to the best of my knowledge, information, and belief.

4/1/2022

Date

A handwritten signature in black ink, appearing to read "Andrew L. Solberg", written over a horizontal line.

Andrew L. Solberg

A.L.S. Healthcare Consultant Services

EXHIBIT 1

Name of Applicant: Dimensions Health Corporation

Date of Submission: 7-Apr-22

Applicants should follow additional instructions included at the top of each of the following worksheets. Please ensure all green fields (see above) are filled.

<u>Table Number</u>	<u>Table Title</u>	<u>Instructions</u>
Table A	Physical Bed Capacity Before and After Project	All applicants whose project impacts any nursing unit, regardless of project type or scope, must complete Table A.
Table B	Departmental Gross Square Feet	All applicants, regardless of project type or scope, must complete Table B for all departments and functional areas affected by the proposed project.
Table C	Construction Characteristics	All applicants proposing new construction or renovation must complete Table C.
Table D	Site and Offsite Costs Included and Excluded in Marshall Valuation Costs	All applicants proposing new construction or renovation must complete Table D.
Table E	Project Budget	All applicants, regardless of project type or scope, must complete Table E.
Table F	Statistical Projections - Entire Facility	Existing facility applicants must complete Table F. All applicants who complete this table must also complete Tables G and H.
Table G	Revenues & Expenses, Uninflated - Entire Facility	Existing facility applicants must complete Table G. The projected revenues and expenses in Table G should be consistent with the volume projections in Table F.
Table H	Revenues & Expenses, Inflated - Entire Facility	Existing facility applicants must complete Table H. The projected revenues and expenses in H should be consistent with the projections in Tables F and G.
Table I	Statistical Projections - New Facility or Service	Applicants who propose to establish a new facility, existing facility applicants who propose a new service, and applicants who are directed by MHCC staff must complete Table I. All applicants who complete this table must also complete Tables J and K.
Table J	Revenues & Expenses, Uninflated - New Facility or Service	Applicants who propose to establish a new facility and existing facility applicants who propose a new service and any other applicant who completes a Table I must complete Table J. The projected revenues and expenses in Table J should be consistent with the volume projections in Table I.
Table K	Revenues & Expenses, Inflated - New Facility or Service	Applicants who propose to establish a new facility and existing facility applicants who propose a new service and any other applicant that completes a Table I must complete Table K. The projected revenues and expenses in Table K should be consistent with the projections in Tables I and J.
Table L	Work Force Information	All applicants, regardless of project type or scope, must complete Table L.

TABLE A. PHYSICAL BED CAPACITY BEFORE AND AFTER PROJECT

INSTRUCTION: Identify the location of each nursing unit (add or delete rows if necessary) and specify the room and bed count before and after the project in accordance with the definition of physical capacity not below. Applicants should add columns and recalculate formulas to address rooms with 3 and 4 bed capacity. See additional instruction in the column to the right of the table.

NOTE: Physical capacity is the total number of beds that could be physically set up in space without significant renovations. This should be the maximum operating capacity under normal, non-emergency circumstances and is a physical count of bed capacity, rather than a measure of staffing capacity. A room with two headwalls and two sets of gasses should be counted as having capacity for two beds, even if it is typically set up and operated with only one bed. A room with one headwall and one set of gasses is counted as a private room, even if it is large enough from a square footage perspective to be used as a semi-private room, since renovation/construction would be required to convert it to semi-private use. If the hospital operates patient rooms that contain no headwalls or a single headwall, but are normally used to accommodate or more than one patient (e.g., for psychiatric patients), the physical capacity of such rooms should be counted as they are currently used.

or more than one patient (e.g., for psychiatric patients), the physical capacity of each room should be counted as they are currently used.

Before the Project							After Project Completion						
Hospital Service	Location (Floor/Wing)*	Licensed Beds: July 1, 2017	Based on Physical Capacity				Hospital Service	Location (Floor/Wing)*	Based on Physical Capacity				
			Room Count			Bed Count			Room Count			Bed Count	
			Private	Semi-Private	Total Rooms				Physical Capacity	Private	Semi-Private		Total Rooms
ACUTE CARE							ACUTE CARE						
General Medical/Surgical*	4C	35	2	18	20	38	General Medical/Surgical*	4C	0	0	0	0	
General Medical/Surgical*	3B - IMC	0	6	2	8	10	General Medical/Surgical*	3B - IMC	0	0	0	0	
SUBTOTAL Gen. Med/Surg*		35	8	20	28	28	SUBTOTAL Gen. Med/Surg*		0	0	0	0	
ICU/IMC	3A	10	10	0	10	10	ICU/CCU	3A	0	0	0	0	
Other	n/a	0	0	0	0	0	Other	n/a	0	0	0	0	
TOTAL MSGA		45	18	20	38	38	TOTAL MSGA		0	0	0	0	
Obstetrics	3C - MCH	0	3	13	16	29	Obstetrics	3C - MCH	0	0	0	0	
Pediatrics	n/a	0	0	0	0	0	Pediatrics	n/a	0	0	0	0	
Psychiatric	4A	16	3	7	10	17	Psychiatric	4A	0	0	0	0	
TOTAL ACUTE		61	24	40	64	84	TOTAL ACUTE		0	0	0	0	
NON-ACUTE CARE							NON-ACUTE CARE						
Dedicated Observation**	n/a	0	0	0	0	0	Dedicated Observation**	3C	10	0	10	10	
Rehabilitation	5C	28	2	13	15	28	Rehabilitation	5C	0	0	0	0	
Chronic Vent Unit	4B	46	2	18	20	38	Chronic Vent Unit	4B	0	0	0	0	
Chronic Vent Unit (overflow)	3B - IMC	0	0	4	4	8	Chronic Vent Unit (overflow)	3B - IMC	0	0	0	0	
Sleep Center	5B	0	2	6	8	14	Sleep Center	5B	0	0	0	0	
TOTAL NON-ACUTE		74	6	41	47	88	TOTAL NON-ACUTE		10	0	10	10	
HOSPITAL TOTAL		135	30	81	111	172	HOSPITAL TOTAL		10	0	10	10	

* Include beds dedicated to gynecology and addictions, if unit(s) is separate for acute psychiatric unit

** Include services included in the reporting of the "Observation Center". Service furnished by the hospital on the hospital's promise, including use of a bed and periodic monitoring by the hospital's nursing or other staff, which are reasonable and necessary to determine the need for a possible admission to the hospital as an inpatient; Must be ordered and documented in writing, given by a medical practitioner.

TABLE B. DEPARTMENTAL GROSS SQUARE FEET AFFECTED BY PROPOSED PROJECT

INSTRUCTION: Add or delete rows if necessary. See additional instruction in the column to the right of the table.

	As Approved					Modified					
DEPARTMENT/FUNCTIONAL AREA	DEPARTMENTAL GROSS SQUARE FEET					DEPARTMENTAL GROSS SQUARE FEET					Difference
	Current	To be Added Thru New Construction	To Be Renovated	To Remain As Is	Total After Project Completion	Current	To be Added Thru New Construction	To Be Renovated	To Remain As Is	Total After Project Completion	
Emergency Department		17,960			17,960		17,425			17,425	-535
Observation Unit		6,810			6,810		7,147			7,147	337
Imaging		3,535			3,535		3,542			3,542	7
Pharmacy		260			260		378			378	118
Lab		1,500			1,500		1,508			1,508	8
Outpatient Surgery/SPD		19,200			19,200		12,888			12,888	-6,312
Respiratory Therapy		230			230		262			262	32
Dietary (includes coffee kiosk)		700			700		1,097			1,097	397
Psychiatric Day Treatment		3,170			3,170		3,375			3,375	205
Administration		1,550			1,550		1,963			1,963	413
Community Space		0			0		1,379			1,379	1,379
Building Services		7,100			7,100		6,244			6,244	-856
Vertical Circulation		780			780		1,143			1,143	363
Lobby		1,570			1,570		3,217			3,217	1,647
General Circulation		7,670			7,670		8,692			8,692	1,022
Security		330			330		268			268	-62
Unregulated Medical Office Suite		3,490			3,490		6,896			6,896	3,406
Shell Space		0			0		6,319			6,319	6,319
Total		75,855			75,855		83,743			83,743	7,888

TABLE C. CONSTRUCTION CHARACTERISTICS

INSTRUCTION: If project includes non-hospital space structures (e.g., parking garages, medical office buildings, or energy plants), complete an additional Table C for each structure.

	As Approved		As Modified		Difference
	NEW CONSTRUCTION	RENOVATION	NEW CONSTRUCTION	RENOVATION	
BASE BUILDING CHARACTERISTICS	Check if applicable		Check if applicable		
Class of Construction (for renovations the class of the building being renovated)*					
Class A	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Class B	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Class C	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Class D	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Type of Construction/Renovation*					
Low	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Average	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Good	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Excellent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Number of Stories					
*As defined by Marshall Valuation Service					
PROJECT SPACE					
Total Square Footage	Total Square Feet: 75,855		Total Square Feet: 83,743		7,888
Basement					
First Floor	28,420		39,375		10,955
Second Floor	47,435		44,368		-3,067
Third Floor					
Fourth Floor					
Average Square Feet	37,928		41,872		
Perimeter in Linear Feet	Linear Feet		Linear Feet		
Basement					
First Floor	716		992		276
Second Floor	1,012		947		-65
Third Floor					
Fourth Floor					
Total Linear Feet	1,728		1,939		211
Average Linear Feet	864		969		105
Wall Height (floor to eaves)	Feet		Feet		
Basement					
First Floor	15		15		0
Second Floor	15		15		0
Third Floor					
Fourth Floor					
Average Wall Height	15		15		0
OTHER COMPONENTS					
Elevators	List Number		List Number		
Passenger					
Freight					
Sprinklers	Square Feet Covered		Square Feet Covered		
Wet System					
Dry System					
Other	Describe Type		Describe Type		
Type of HVAC System for proposed project					
Type of Exterior Walls for proposed project					

TABLE D. ONSITE AND OFFSITE COSTS INCLUDED AND EXCLUDED IN MARSHALL VALUATION COSTS

INSTRUCTION: If project includes non-hospital space structures (e.g., parking garages, medical office buildings, or energy plants), complete an additional Table D for each structure.

	As Approved		As Modified		Difference
	NEW CONSTRUCTION COSTS	RENOVATION COSTS	NEW CONSTRUCTION COSTS	RENOVATION COSTS	
SITE PREPARATION COSTS					
Normal Site Preparation	\$816,000				
Utilities from Structure to Lot Line					
Subtotal included in Marshall Valuation Costs	\$816,000		\$0		
Site Demolition Costs	\$0				
Storm Drains	\$100,000				
Rough Grading	\$0				
Hillside Foundation	\$750,000				
Paving	\$700,000				
Exterior Signs	\$150,000				
Landscaping	\$200,000				
Walls	\$400,000				
Rock Blasting Allowance	\$250,000				
Site Fill	\$750,000				
Yard Lighting	\$100,000				
MBE Premium	\$34,000				
Other (Specify/add rows if needed)					
Subtotal On-Site excluded from Marshall Valuation Costs	\$3,434,000		\$0		
OFFSITE COSTS					
Roads					
Utilities					
Jurisdictional Hook-up Fees					
Other (Specify/add rows if needed)					
Subtotal Off-Site excluded from Marshall Valuation Costs					
TOTAL Estimated On-Site and Off-Site Costs <u>not</u> included in Marshall Valuation Costs	\$3,434,000	\$0	\$0	\$0	
TOTAL Site and Off-Site Costs included and excluded from Marshall Valuation Service*	\$4,250,000	\$0	\$0	\$0	

*The combined total site and offsite cost included and excluded from Marshall Valuation Service should typically equal the estimated site preparation cost reported in Application Part II, Project Budget (see Table E. Project Budget). If these numbers are not equal, please reconcile the numbers in an explanation in an attachment to the application.

TABLE E. PROJECT BUDGET

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.d as a use of funds and on line B.8 as a source of funds

As Approved				As Modified			Difference
	Hospital Building	Interim Location	Total	Hospital Building	Interim Location	Total	
A. USE OF FUNDS							
1. CAPITAL COSTS							
a. New Construction							
(1) Building	\$24,700,000		\$24,700,000	\$32,250,000		\$32,250,000	\$7,550,000
(2) Fixed Equipment	\$480,000		\$480,000	\$500,000		\$500,000	\$20,000
(3) Site and Infrastructure	\$2,900,000		\$2,900,000	\$4,250,000		\$4,250,000	\$1,350,000
(4) Architect/Engineering Fees	\$2,060,000		\$2,060,000	\$4,400,000		\$4,400,000	\$2,340,000
(5) Permits (Building, Utilities, Etc.)	\$100,000		\$100,000	\$100,000		\$100,000	\$0
SUBTOTAL	\$30,240,000	\$0	\$30,240,000	\$41,500,000	\$0	\$41,500,000	\$11,260,000
b. Renovations							
(1) Building		\$18,560	\$18,560		\$0	\$0	-\$18,560
(2) Fixed Equipment (not included in construction)		\$102,295	\$102,295		\$0	\$0	-\$102,295
(3) Architect/Engineering Fees			\$0			\$0	\$0
(4) Permits (Building, Utilities, Etc.)			\$0			\$0	\$0
SUBTOTAL	\$0	\$120,855	\$120,855	\$0	\$0	\$0	-\$120,855
c. Other Capital Costs							
(1) Movable Equipment	\$11,780,000	\$5,000	\$11,785,000	\$17,000,000	\$0	\$17,000,000	\$5,215,000
(2) Contingency Allowance	\$3,000,000		\$3,000,000	\$3,000,000		\$3,000,000	\$0
(3) Gross interest during construction period	\$4,902,000		\$4,902,000	\$7,486,483		\$7,486,483	\$2,584,483
(4) Other (Specify/add rows if needed)	\$300,000		\$300,000	\$1,000,000		\$1,000,000	\$700,000
SUBTOTAL	\$19,982,000	\$5,000	\$19,987,000	\$28,486,483	\$0	\$28,486,483	\$8,499,483
TOTAL CURRENT CAPITAL COSTS	\$50,222,000	\$125,855	\$50,347,855	\$69,986,483	\$0	\$69,986,483	\$19,638,628
d. Land Purchase							
e. Inflation Allowance							
	\$2,000,000		\$2,000,000	\$514,186		\$514,186	-\$1,485,814
TOTAL CAPITAL COSTS	\$52,222,000	\$125,855	\$52,347,855	\$70,500,669	\$0	\$70,500,669	\$18,152,814
2. Financing Cost and Other Cash Requirements							
a. Loan Placement Fees	\$298,000		\$298,000	\$554,554		\$554,554	\$256,554
b. Bond Discount			\$0			\$0	\$0
c. CON Application Assistance							\$0
c1. Legal Fees	\$150,000		\$150,000	\$150,000		\$150,000	\$0
c2. Other (Specify/add rows if needed)	\$100,000		\$100,000	\$100,000		\$100,000	\$0
d. Non-CON Consulting Fees							\$0
d1. Legal Fees			\$0			\$0	\$0
d2. Other (Specify/add rows if needed)	\$330,000		\$330,000	\$274,998		\$274,998	-\$55,002
e. Debt Service Reserve Fund			\$0			\$0	\$0
f. Other (Specify/add rows if needed)			\$0			\$0	\$0
SUBTOTAL	\$878,000	\$0	\$878,000	\$1,079,552	\$0	\$1,079,552	\$201,552
3. Working Capital Startup Costs							
TOTAL USES OF FUNDS	\$53,100,000	\$125,855	\$53,225,855	\$71,580,221	\$0	\$71,580,221	\$18,354,366
B. Sources of Funds							
1. Cash							
		\$125,855	\$125,855			\$0	-\$125,855
2. Philanthropy (to date and expected)							
			\$0			\$0	\$0
3. Authorized Bonds							
	\$38,100,000		\$38,100,000	\$55,455,428		\$55,455,428	\$17,355,428
4. Interest Income from bond proceeds listed in #3							
	\$500,000		\$500,000	\$1,624,793		\$1,624,793	\$1,124,793
5. Mortgage							
			\$0			\$0	\$0
6. Working Capital Loans							
			\$0			\$0	\$0
7. Grants or Appropriations							
a. Federal			\$0			\$0	\$0
b. State	\$14,500,000		\$14,500,000	\$14,500,000		\$14,500,000	\$0
c. Local			\$0			\$0	\$0
8. Other (Specify/add rows if needed)			\$0			\$0	\$0
TOTAL SOURCES OF FUNDS	\$53,100,000	\$125,855	\$53,225,855	\$71,580,221	\$0	\$71,580,221	\$18,354,366
	Hospital Building	Other Structure	Total	Hospital Building	Other Structure	Total	
Annual Lease Costs (if applicable)							
1. Land			\$0			\$0	
2. Building			\$0			\$0	
3. Major Movable Equipment			\$0			\$0	
4. Minor Movable Equipment			\$0			\$0	
5. Other (Specify/add rows if needed)			\$0			\$0	

* Describe the terms of the lease(s) below, including information on the fair market value of the item(s), and the number of years, annual cost, and the interest rate for the lease.

TABLE F. STATISTICAL PROJECTIONS - UM Capital Region Health

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.

	Two Most Recent Years		Current Year	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.				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
1. DISCHARGES								
a. MSGA	7,239	6,826	7,874	7,155	7,370	7,591	7,818	8,053
Total MSGA	7,239	6,826	7,874	7,155	7,370	7,591	7,818	8,053
b. Pediatric	-	-	-	-	-	-	-	-
c. Obstetric	1,369	1,350	1,418	1,550	1,597	1,644	1,694	1,745
d. RMC Acute Psychiatric	1,511	1,528	1,560	1,497	1,542	1,588	1,636	1,685
Total Acute	10,119	9,704	10,852	10,202	10,508	10,823	11,148	11,482
e. Rehabilitation	84	53	-	-	-	-	-	-
f. Chronic Care	57	24	-	-	-	-	-	-
TOTAL DISCHARGES	10,260	9,781	10,852	10,202	10,508	10,823	11,148	11,482
2. PATIENT DAYS								
a. MSGA	44,865	41,126	45,240	42,582	43,860	45,176	46,531	47,927
Total MSGA	44,865	41,126	45,240	42,582	43,860	45,176	46,531	47,927
b. Pediatric	-	-	-	-	-	-	-	-
c. Obstetric	3,550	3,333	4,678	5,115	5,268	5,427	5,589	5,757
d. RMC Acute Psychiatric	9,222	9,631	9,834	9,436	9,719	10,010	10,311	10,620
Total Acute	57,637	54,090	59,752	57,133	58,847	60,612	62,431	64,304
e. Rehabilitation	1,003	620	-	-	-	-	-	-
f. Chronic Care	2,098	795	-	-	-	-	-	-
TOTAL PATIENT DAYS	60,738	55,505	59,752	57,133	58,847	60,612	62,431	64,304

TABLE F. STATISTICAL PROJECTIONS - UM Capital Region Health

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.

	Two Most Recent Years		Current Year	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.				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
3. AVERAGE LENGTH OF STAY (patient days divided by discharges)								
a. MSGA	6.2	6.0	5.7	6.0	6.0	6.0	6.0	6.0
Total MSGA	6.2	6.0	5.7	6.0	6.0	6.0	6.0	6.0
b. Pediatric	-	-	-	-	-	-	-	-
c. Obstetric	2.6	2.5	3.3	3.3	3.3	3.3	3.3	3.3
d. RMC Acute Psychiatric	6.1	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Total Acute	5.7	5.6	5.5	5.6	5.6	5.6	5.6	5.6
e. Rehabilitation	11.9	11.7	-	-	-	-	-	-
f. Chronic Care	36.8	33.1	-	-	-	-	-	-
TOTAL AVERAGE LENGTH OF STAY	5.9	5.7	5.5	5.6	5.6	5.6	5.6	5.6
4. NUMBER OF LICENSED BEDS								
a. MSGA	190	190	174	163	168	173	179	184
Total MSGA	190	190	174	163	168	173	179	184
b. Pediatric	2	2	-	-	-	-	-	-
c. Obstetric	30	30	22	22	22	22	22	22
d. RMC Acute Psychiatric	32	32	28	28	28	28	28	28
Total Acute	254	254	224	213	218	223	229	234
e. Rehabilitation	10	10	-	-	-	-	-	-
f. Chronic Care	12	12	-	-	-	-	-	-
TOTAL LICENSED BEDS	276	276	224	213	218	223	229	234

TABLE F. STATISTICAL PROJECTIONS - UM Capital Region Health

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.

	Two Most Recent Years		Current Year	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.				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
5. OCCUPANCY PERCENTAGE <i>*IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.</i>								
a. MSGA	64.7%	59.3%	71.4%	71.4%	71.4%	71.4%	71.4%	71.4%
Total MSGA	64.7%	59.3%	71.4%	71.4%	71.4%	71.4%	71.4%	71.4%
b. Pediatric								
c. Obstetric	32.4%	30.4%	58.3%	63.7%	65.6%	67.6%	69.6%	71.7%
d. RMC Acute Psychiatric	79.0%	82.5%	96.2%	92.3%	95.1%	97.9%	100.9%	103.9%
Total Acute	62.2%	58.3%	73.2%	73.4%	73.9%	74.4%	74.9%	75.4%
e. Rehabilitation	27.5%	17.0%						
f. Chronic Care	47.9%	18.2%						
TOTAL OCCUPANCY %	60.3%	55.1%	73.2%	73.4%	73.9%	74.4%	74.9%	75.4%
6. OUTPATIENT VISITS (Includes RMC, Laurel FMF and BHC)								
a. Emergency Department	88,815	72,011	79,218	83,524	85,194	86,898	88,636	90,409
b. Same-day Surgery	2,136	1,965	2,349	2,573	2,624	2,677	2,730	2,785
TOTAL OUTPATIENT VISITS	95,178	77,500	85,519	90,583	92,395	94,243	96,127	98,050
7. OBSERVATIONS**								
a. Number of Patients	5,532	5,573	5,917	5,636	5,749	5,864	5,981	6,101
b. Hours	153,531	139,923	144,279	137,428	140,176	142,980	145,839	148,756

* 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 G. REVENUES & EXPENSES, UNINFLATED - Capital Region Health

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		Current Year	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				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
1. REVENUE								
a. Inpatient Services	\$260,237	\$269,370	\$285,848	\$279,851	\$279,066	\$278,425	\$277,789	\$277,159
b. Outpatient Services	\$ 158,363	\$ 159,657	\$ 193,208	\$ 198,660	\$ 200,547	\$ 202,433	\$ 202,419	\$ 202,403
Gross Patient Service Revenues	\$ 418,600	\$ 429,026	\$ 479,056	\$ 478,511	\$ 479,614	\$ 480,859	\$ 480,208	\$ 479,563
c. Deductions	\$ 84,868	\$ 109,784	\$ 117,829	\$ 114,396	\$ 114,650	\$ 114,941	\$ 114,866	\$ 114,793
Net Patient Services Revenue	\$ 333,732	\$ 319,242	\$ 361,226	\$ 364,115	\$ 364,964	\$ 365,917	\$ 365,341	\$ 364,770
d. Grants	\$ 16,326	\$ 15,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
e. Other Operating Revenue	\$ 28,694	\$ 52,658	\$ 10,396	\$ 10,449	\$ 10,449	\$ 10,449	\$ 10,449	\$ 10,449
NET OPERATING REVENUE	\$ 378,752	\$ 386,900	\$ 381,622	\$ 384,564	\$ 385,413	\$ 386,366	\$ 385,791	\$ 385,219
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 206,801	\$ 212,444	\$ 195,540	\$ 193,387	\$ 194,488	\$ 195,623	\$ 196,791	\$ 197,995
b. Contractual Services	\$ 81,678	\$ 96,489	\$ 78,221	\$ 77,318	\$ 58,102	\$ 49,617	\$ 48,519	\$ 47,375
c. Interest on Current Debt	\$ 519	\$ 1,288	\$ 6,569	\$ 6,424	\$ 10,469	\$ 9,176	\$ 9,013	\$ 8,835
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ 1,248	\$ 2,446	\$ 2,395	\$ 2,341	\$ 2,285
e. Current Depreciation and Ammortization	\$ 15,826	\$ 16,546	\$ 33,185	\$ 36,418	\$ 39,023	\$ 41,228	\$ 38,254	\$ 34,661
f. Project Depreciation and Ammortization	\$ -	\$ -	\$ -	\$ 1,432	\$ 2,863	\$ 2,863	\$ 2,863	\$ 2,863
g. Supplies - Drugs & Pharmaceuticals	\$ 10,231	\$ 7,342	\$ 8,931	\$ 8,995	\$ 9,079	\$ 9,166	\$ 9,255	\$ 9,347
h. Supplies - Medical & Non-Medical	\$ 34,195	\$ 34,452	\$ 26,168	\$ 26,381	\$ 26,637	\$ 26,900	\$ 27,169	\$ 27,447
i. Professional Fees	\$ 36,292	\$ 41,038	\$ 42,742	\$ 43,086	\$ 43,561	\$ 44,050	\$ 44,553	\$ 45,071
j. Utilities	\$ 11,310	\$ 7,568	\$ 10,996	\$ 10,729	\$ 10,462	\$ 10,462	\$ 10,462	\$ 10,462
TOTAL OPERATING EXPENSES	\$396,852	\$417,167	\$402,352	\$405,417	\$397,130	\$391,479	\$389,220	\$386,341
3. INCOME								
a. Income From Operation	\$ (18,100)	\$ (30,267)	\$ (20,730)	\$ (20,853)	\$ (11,716)	\$ (5,112)	\$ (3,430)	\$ (1,122)
b. Investment Income	\$ 4,262	\$ 1,360	\$ 3,387	\$ 2,998	\$ 3,133	\$ 3,261	\$ 3,424	\$ 3,623
SUBTOTAL	\$ (13,838)	\$ (28,907)	\$ (17,343)	\$ (17,856)	\$ (8,583)	\$ (1,851)	\$ (6)	\$ 2,501
c. Income Taxes								
NET INCOME (LOSS)	\$ (13,838)	\$ (28,907)	\$ (17,343)	\$ (17,856)	\$ (8,583)	\$ (1,851)	\$ (6)	\$ 2,501
a. Add Back Depreciation	\$ 15,826	\$ 16,546	\$ 33,185	\$ 37,850	\$ 41,886	\$ 44,091	\$ 41,117	\$ 37,524
CASH FLOW FROM OPERATIONS	\$ 1,988	\$ (12,361)	\$ 15,842	\$ 19,994	\$ 33,303	\$ 42,240	\$ 41,112	\$ 40,026

TABLE G. REVENUES & EXPENSES, UNINFLATED - Capital Region Health

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		Current Year	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				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
4. PATIENT MIX								
a. Percent of Total Revenue								
1) Medicare	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
2) Medicaid	26.3%	27.4%	27.4%	27.4%	27.4%	27.4%	27.4%	27.4%
3) Blue Cross	9.1%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%
4) Commercial Insurance	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
5) Self-pay	9.1%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
6) Other	19.1%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
b. Percent of Equivalent Inpatient Days								
1) Medicare	41.4%	38.9%	38.9%	38.9%	38.9%	38.9%	38.9%	38.9%
2) Medicaid	28.5%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%
3) Blue Cross	7.0%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
4) Commercial Insurance	1.4%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
5) Self-pay	6.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
6) Other	15.3%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table G – Key Financial Projection Assumptions for UM Capital Region Health (Excludes HSCRC Annual Update Factors & Expense Inflation)	
Projection is based on the Capital Region Health (CRH) FY2022 budgeted financial performance with assumptions identified below	
Projection period reflects FY2023 – FY2027	
Volumes	— See Table F of the application for volume projections
Patient Revenue <ul style="list-style-type: none"> FY2023 <ul style="list-style-type: none"> Inflation — 0.00% Shared Savings — -0.25% Demographic Adjustment — 0.02% Other Rates — -1.92% Total — -2.15% FY2024+ <ul style="list-style-type: none"> Inflation — 0.00% Shared Savings — -0.26% Demographic Adjustment — 0.02% Total — -0.24% Revenue Deductions — 23.9% of gross revenue per year 	
Other Revenue <ul style="list-style-type: none"> Grants <ul style="list-style-type: none"> State — \$10M in support from FY2022 - FY2027 Other Operating Revenue — 0% annual growth 	
Expenses <ul style="list-style-type: none"> Inflation — 0% annual increase Expense variability with volume changes <ul style="list-style-type: none"> Salaries & Benefits — 20% Professional Fees — 50% Supplies - Drugs — 30% Supplies - Medical & Other — 20% Purchased Services — 0% Insurance & Other — 0% Operating Expenses 	

Table G – Key Financial Projection Assumptions for UM Capital Region Health (Excludes HSCRC Annual Update Factors & Expense Inflation)

<ul style="list-style-type: none"> ● Interest Expense <ul style="list-style-type: none"> ○ Existing Debt ○ Project Debt ● Depreciation and Amortization ● Performance Improvements <ul style="list-style-type: none"> ○ FY2023 ○ FY2024 ○ FY2025 ○ FY2026 ○ FY2027 ○ Identified Improvements by FY2027 	<ul style="list-style-type: none"> — CRH has existing debt of \$275.9M in FY2022 that is amortized — In mid-FY2023, the new Laurel FMF will open and interest expense on \$55.5M of tax-exempt debt associated with these facilities will be recorded at an interest rate of 4.5% — Reflects the depreciation of existing assets with useful lives ranging from 5 to 30 years — \$0 — \$18.2M — \$28.9M — \$35.7M — \$40.2M — \$10M - Denials improvement — \$5M - Reduction in force — \$3M - Medical Group improvement — \$6M - Agency improvement — \$2M - Productivity — \$5M - Market share revenue adjustments — \$1M - School of Medicine contract improvement — \$8.2M - Undefined Actions
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TABLE H. REVENUES & EXPENSES, INFLATED - UM Capital Region Health

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		Current Year	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.				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
1. REVENUE								
a. Inpatient Services	\$260,237	\$269,370	\$285,848	\$286,931	\$293,652	\$300,536	\$307,586	\$314,806
b. Outpatient Services	\$ 158,363	\$ 159,657	\$ 193,208	\$ 203,686	\$ 211,029	\$ 218,509	\$ 224,131	\$ 229,896
Gross Patient Service Revenues	\$ 418,600	\$ 429,026	\$ 479,056	\$ 490,617	\$ 504,681	\$ 519,045	\$ 531,716	\$ 544,702
c. Deductions	\$ 84,868	\$ 109,784	\$ 117,829	\$ 117,290	\$ 120,642	\$ 124,069	\$ 127,187	\$ 130,385
Net Patient Services Revenue	\$ 333,732	\$ 319,242	\$ 361,226	\$ 373,327	\$ 384,039	\$ 394,976	\$ 404,529	\$ 414,317
d. Grants	\$ 16,326	\$ 15,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
e. Other Operating Revenue	\$ 28,694	\$ 52,658	\$ 10,396	\$ 10,658	\$ 10,871	\$ 11,089	\$ 11,311	\$ 11,537
NET OPERATING REVENUE	\$ 378,752	\$ 386,900	\$ 381,622	\$ 393,985	\$ 404,911	\$ 416,065	\$ 425,839	\$ 435,854
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 206,801	\$ 212,444	\$ 195,540	\$ 197,254	\$ 202,345	\$ 207,596	\$ 213,013	\$ 218,602
b. Contractual Services	\$ 81,678	\$ 96,489	\$ 78,221	\$ 78,864	\$ 60,450	\$ 52,654	\$ 52,519	\$ 52,305
c. Interest on Current Debt	\$ 519	\$ 1,288	\$ 6,569	\$ 6,424	\$ 10,469	\$ 9,176	\$ 9,013	\$ 8,835
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ 1,248	\$ 2,446	\$ 2,395	\$ 2,341	\$ 2,285
e. Current Depreciation and Ammortization	\$ 15,826	\$ 16,546	\$ 33,185	\$ 36,418	\$ 39,023	\$ 41,228	\$ 38,254	\$ 34,661
f. Project Depreciation and Ammortization	\$ -	\$ -	\$ -	\$ 1,432	\$ 2,863	\$ 2,863	\$ 2,863	\$ 2,863
g. Supplies - Drugs & Pharmaceuticals	\$ 10,231	\$ 7,342	\$ 8,931	\$ 9,355	\$ 9,820	\$ 10,310	\$ 10,827	\$ 11,372
h. Supplies - Medical & Non-Medical	\$ 34,195	\$ 34,452	\$ 26,168	\$ 27,173	\$ 28,259	\$ 29,394	\$ 30,579	\$ 31,819
i. Professional Fees	\$ 36,292	\$ 41,038	\$ 42,742	\$ 44,379	\$ 46,214	\$ 48,134	\$ 50,145	\$ 52,250
j. Insurance and Other	\$ 11,310	\$ 7,568	\$ 10,996	\$ 10,944	\$ 10,884	\$ 11,102	\$ 11,325	\$ 11,551
TOTAL OPERATING EXPENSES	\$396,852	\$417,167	\$402,352	\$413,490	\$412,773	\$414,853	\$420,878	\$426,543
3. INCOME								
a. Income From Operation	\$ (18,100)	\$ (30,267)	\$ (20,730)	\$ (19,505)	\$ (7,862)	\$ 1,212	\$ 4,962	\$ 9,310
b. Non-Operating Income	\$ 4,262	\$ 1,360	\$ 3,387	\$ 2,998	\$ 3,133	\$ 3,261	\$ 3,424	\$ 3,623
SUBTOTAL	\$ (13,838)	\$ (28,907)	\$ (17,343)	\$ (16,507)	\$ (4,729)	\$ 4,473	\$ 8,386	\$ 12,933
c. Income Taxes								
NET INCOME (LOSS)	\$ (13,838)	\$ (28,907)	\$ (17,343)	\$ (16,507)	\$ (4,729)	\$ 4,473	\$ 8,386	\$ 12,933
a. Add Back Depreciation	\$ 15,826	\$ 16,546	\$ 33,185	\$ 36,418	\$ 39,023	\$ 41,228	\$ 38,254	\$ 34,661
CASH FLOW FROM OPERATIONS	\$ 1,988	\$ (12,361)	\$ 15,842	\$ 19,911	\$ 34,294	\$ 45,701	\$ 46,640	\$ 47,594

TABLE H. REVENUES & EXPENSES, INFLATED - UM Capital Region Health

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		Current Year	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.				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
4. PATIENT MIX								
a. Percent of Total Revenue								
1) Medicare	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
2) Medicaid	26.3%	27.4%	27.4%	27.4%	27.4%	27.4%	27.4%	27.4%
3) Blue Cross	9.1%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%
4) Commercial Insurance	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
5) Self-pay	9.1%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
6) Other	19.1%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%	19.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
b. Percent of Equivalent Inpatient Days								
1) Medicare	41.4%	38.9%	38.9%	38.9%	38.9%	38.9%	38.9%	38.9%
2) Medicaid	28.5%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%
3) Blue Cross	7.0%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
4) Commercial Insurance	1.4%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
5) Self-pay	6.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
6) Other	15.3%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table H – Key Financial Projection Assumptions for UM Capital Region Health (Includes HSCRC Annual Update Factors & Expense Inflation)	
Projection is based on the Capital Region Health (CRH) FY2022 budgeted financial performance with assumptions identified below	
Projection period reflects FY2023 – FY2027	
Volumes	— See Table F of the application for volume projections
Patient Revenue <ul style="list-style-type: none"> • FY2023 Update Factor <ul style="list-style-type: none"> ○ Inflation — 2.53% ○ Shared Savings — -0.25% ○ Demographic Adjustment — 0.02% ○ Other Rates — -1.92% — Total 0.38% • FY2024+ Update Factor <ul style="list-style-type: none"> ○ Inflation — 2.58% ○ Shared Savings — -0.26% ○ Demographic Adjustment — 0.02% — Total 2.34% • Revenue Deductions — 23.9% of gross revenue per year 	
Other Revenue <ul style="list-style-type: none"> • Grants <ul style="list-style-type: none"> ○ State — \$10M in annual support from FY2022 - FY2027 • Other Operating Revenue — 2% annual growth 	
Expenses <ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries & Benefits — 2.0% ○ Professional Fees — 3.0% ○ Supplies - Drugs — 4.0% ○ Supplies - Medical & Other — 3.0% ○ Purchased Services — 2.0% ○ Insurance & Other — 2.0% Operating Expenses 	

Table H – Key Financial Projection Assumptions for UM Capital Region Health (Includes HSCRC Annual Update Factors & Expense Inflation)

<ul style="list-style-type: none"> ● Expense variability with volume changes <ul style="list-style-type: none"> ○ Salaries & Benefits ○ Professional Fees ○ Supplies - Drugs ○ Supplies - Medical & Other ○ Purchased Services ○ Insurance & Other Operating Expenses ● Interest Expense <ul style="list-style-type: none"> ○ Existing Debt ○ Project Debt ● Depreciation and Amortization <ul style="list-style-type: none"> ○ Existing Depreciation ○ Project Depreciation ● Performance Improvements <ul style="list-style-type: none"> ○ FY2023 ○ FY2024 ○ FY2025 ○ FY2026 ○ FY2027 ○ Identified Improvements by FY2027 	<ul style="list-style-type: none"> — 20% — 50% — 30% — 20% — 0% — 0% — UM CRH has existing debt of \$275.9M in FY2022 that is amortized — In mid-FY2023, the new Laurel FMF will open and interest expense on \$55.5M of tax-exempt debt associated with these facilities will be recorded at an interest rate of 4.5% — Reflects the depreciation of existing assets with useful lives ranging from 5 to 30 years — Reflects a half-year of depreciation in FY2023 associated with the opening of the Laurel FMF, with a project budget of \$71.6M and a useful life of 25 years — \$0 — \$18.2M — \$28.9M — \$35.7M — \$40.2M — \$10M - Denials improvement — \$5M - Reduction in force — \$3M - Medical Group improvement — \$6M - Agency improvement — \$2M - Productivity — \$5M - Market share revenue adjustments — \$1M - School of Medicine contract improvement — \$8.2M - Undefined Actions
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TABLE I. STATISTICAL PROJECTIONS - UM Laurel Medical Center

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.

	Two Most Recent Years		Current Year	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.				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
1. DISCHARGES								
a. General Medical/Surgical*								
b. ICU/CCU								
Total MSGA								
c. Pediatric								
d. Obstetric								
e. Acute Psychiatric								
Total Acute								
f. Rehabilitation								
g. Chronic Care								
TOTAL DISCHARGES								
2. PATIENT DAYS								
a. General Medical/Surgical*								
b. ICU/CCU								
Total MSGA								
c. Pediatric								
d. Obstetric								
e. Acute Psychiatric								
Total Acute								
f. Rehabilitation								
g. Chronic Care								
TOTAL PATIENT DAYS								

TABLE I. STATISTICAL PROJECTIONS - UM Laurel Medical Center

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.

	Two Most Recent Years		Current Year	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.				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
3. AVERAGE LENGTH OF STAY (patient days divided by discharges)								
a. General Medical/Surgical*								
b. ICU/CCU								
Total MSGA								
c. Pediatric								
d. Obstetric								
e. Acute Psychiatric								
Total Acute								
f. Rehabilitation								
g. Chronic Care								
TOTAL AVERAGE LENGTH OF STAY								
4. NUMBER OF BEDS								
a. General Medical/Surgical*								
b. ICU/CCU								
Total MSGA								
c. Pediatric								
d. Obstetric								
e. Acute Psychiatric								
Total Acute								
f. Rehabilitation								
g. Chronic Care								
h. Other (Specify/add rows of needed)								
TOTAL BEDS								

TABLE I. STATISTICAL PROJECTIONS - UM Laurel Medical Center

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.

	Two Most Recent Years		Current Year	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.				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.								
a. General Medical/Surgical*								
b. ICU/CCU								
Total MSGA								
c. Pediatric								
d. Obstetric								
e. Acute Psychiatric								
Total Acute								
f. Rehabilitation								
g. Chronic Care								
TOTAL OCCUPANCY %								
6. OUTPATIENT VISITS								
a. Emergency Department	19,277	15,004	17,446	17,969	18,328	18,695	19,069	19,450
b. Same-day Surgery	994	709	968	1,089	1,143	1,201	1,261	1,324
c. Clinic	2,041	2,275	2,222	2,266	2,311	2,358	2,405	2,453
d. Imaging								
e. Intensive Outpatient Psych								
f. Partial Hospitalization Program								
TOTAL OUTPATIENT VISITS	22,312	17,988	20,636	21,324	21,783	22,253	22,734	23,227
7. OBSERVATIONS								
a. Number of Patients	1,231	1,107	1,322	1,362	1,389	1,417	1,445	1,474
b. Hours	24,730	27,499	27,090	27,910	28,468	29,038	29,618	30,211

* 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 J. REVENUES & EXPENSES, UNINFLATED - UM Laurel Medical Center

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table J should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table I 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		Current Year	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
1. REVENUE								
a. Inpatient Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Outpatient Services	\$ 31,273	\$ 26,275	\$ 34,512	\$ 38,305	\$ 38,656	\$ 38,565	\$ 38,475	\$ 38,385
Gross Patient Service Revenues	\$ 31,273	\$ 26,275	\$ 34,512	\$ 38,305	\$ 38,656	\$ 38,565	\$ 38,475	\$ 38,385
c. Deductions	\$ 8,214	\$ 4,274	\$ 10,341	\$ 7,661	\$ 7,731	\$ 7,713	\$ 7,695	\$ 7,677
Net Patient Services Revenue	\$ 23,059	\$ 22,001	\$ 24,170	\$ 30,644	\$ 30,925	\$ 30,852	\$ 30,780	\$ 30,708
d. Grants	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
e. Other Operating Revenues	\$ 451	\$ (45)	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53	\$ 53
NET OPERATING REVENUE	\$ 23,510	\$ 21,956	\$ 24,224	\$ 31,697	\$ 31,978	\$ 31,905	\$ 31,833	\$ 31,761
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 16,387	\$ 13,371	\$ 12,679	\$ 9,843	\$ 9,885	\$ 9,928	\$ 9,972	\$ 10,017
b. Contractual Services	\$ 15,123	\$ 12,417	\$ 12,811	\$ 11,888	\$ 9,947	\$ 8,737	\$ 8,163	\$ 7,828
c. Interest on Current Debt	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ 1,248	\$ 2,446	\$ 2,395	\$ 2,341	\$ 2,285
e. Current Depreciation and Amortization	\$ 2,926	\$ 2,601	\$ 17	\$ -	\$ -	\$ -	\$ -	\$ -
f. Project Depreciation and Amortization	\$ -	\$ -	\$ -	\$ 1,432	\$ 2,863	\$ 2,863	\$ 2,863	\$ 2,863
g. Supplies - Drugs & Pharmaceuticals	\$ 765	\$ 230	\$ 675	\$ 692	\$ 703	\$ 715	\$ 727	\$ 739
h. Supplies - Medical & Non-Medical	\$ 3,868	\$ 2,432	\$ 3,050	\$ 3,137	\$ 3,196	\$ 3,255	\$ 3,316	\$ 3,379
i. Professional Fees	\$ 3,113	\$ 2,834	\$ 5,755	\$ 5,850	\$ 5,914	\$ 5,979	\$ 6,046	\$ 6,114
j. Insurance and Other Expenses	\$ 1,217	\$ 2,248	\$ 2,947	\$ 2,680	\$ 2,414	\$ 2,414	\$ 2,414	\$ 2,414
TOTAL OPERATING EXPENSES	\$ 43,400	\$ 36,133	\$ 37,934	\$ 36,770	\$ 37,368	\$ 36,286	\$ 35,841	\$ 35,638
3. INCOME								
a. Income From Operation	\$ (19,890)	\$ (14,177)	\$ (13,710)	\$ (5,073)	\$ (5,390)	\$ (4,380)	\$ (4,008)	\$ (3,877)
b. Non-Operating Income	\$ 147	\$ (61)	\$ 221	\$ 221	\$ 221	\$ 221	\$ 221	\$ 221
SUBTOTAL	\$ (19,743)	\$ (14,238)	\$ (13,489)	\$ (4,852)	\$ (5,169)	\$ (4,159)	\$ (3,787)	\$ (3,656)
c. Income Taxes								
NET INCOME (LOSS)	\$ (19,743)	\$ (14,238)	\$ (13,489)	\$ (4,852)	\$ (5,169)	\$ (4,159)	\$ (3,787)	\$ (3,656)
a. Add Back Depreciation	\$ 2,926	\$ 2,601	\$ 17	\$ 1,432	\$ 2,863	\$ 2,863	\$ 2,863	\$ 2,863
CASH FLOW FROM OPERATIONS	\$ (16,817)	\$ (11,637)	\$ (13,472)	\$ (3,421)	\$ (2,306)	\$ (1,296)	\$ (924)	\$ (792)

TABLE J. REVENUES & EXPENSES, UNINFLATED - UM Laurel Medical Center

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table J should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table I 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		Current Year	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
4. PATIENT MIX								
a. Percent of Total Revenue								
1) Medicare	21.0%	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%
2) Medicaid	26.1%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%
3) Blue Cross	15.3%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%
4) Commercial Insurance	4.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
5) Self-pay	13.2%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
6) Other	20.1%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
b. Percent of Equivalent Inpatient Days								
1) Medicare	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2) Medicaid	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3) Blue Cross	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4) Commercial Insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5) Self-pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6) Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table J – Key Financial Projection Assumptions for UM Capital Region Health (Excludes HSCRC Annual Update Factors & Expense Inflation)

Projection is based on the Laurel FMF FY2023 budgeted revenues and FY2022 budgeted expenses with assumptions identified below

Projection period reflects FY2023 – FY2027

Volumes	— See Table I of the application for volume projections
Patient Revenue <ul style="list-style-type: none"> • FY2023 <ul style="list-style-type: none"> ○ Inflation — 0.00% ○ Shared Savings — -0.25% ○ Demographic Adjustment — 0.01% ○ Market Shift — -3.50% ○ Change in Markup — 1.18% ○ Reversal of FY2022 Undercharge — 13.96% — Total 11.40% • FY2024+ <ul style="list-style-type: none"> ○ Inflation — 0.00% ○ Shared Savings — -0.26% ○ Demographic Adjustment — 0.02% — Total -0.24% • Revenue Deductions — 20% of gross revenue per year 	
Other Revenue <ul style="list-style-type: none"> • Grants <ul style="list-style-type: none"> ○ State — 10% of CRH state funding allocated to Laurel FMF • Other Operating Revenue — 0% annual growth 	
Expenses <ul style="list-style-type: none"> • Inflation — 0% annual increase • Expense variability with volume changes <ul style="list-style-type: none"> ○ Salaries & Benefits — 20% ○ Professional Fees — 50% ○ Supplies - Drugs — 75% ○ Supplies - Medical & Other — 75% ○ Purchased Services — 0% ○ Insurance & Other — 50% Operating Expenses 	

Table J – Key Financial Projection Assumptions for UM Capital Region Health (Excludes HSCRC Annual Update Factors & Expense Inflation)

<ul style="list-style-type: none"> ● Interest Expense <ul style="list-style-type: none"> ○ Existing Debt ○ Project Debt ● Depreciation and Amortization ● Performance Improvements 	<ul style="list-style-type: none"> — Laurel has little existing debt and related interest expense — In mid-FY2023, the new Laurel FMF will open and interest expense associated with these facilities will be recorded at an interest rate of 4.5% — Reflects a half-year of depreciation in FY2023 associated with the opening of the Laurel FMF and a useful life of 25 years — 10% of CRH performance improvements are allocated to Laurel FMF
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TABLE K. REVENUES & EXPENSES, INFLATED - UM Laurel Medical Center

INSTRUCTION : After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table K should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table I. 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		Current Year	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.				
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
1. REVENUE								
a. Inpatient Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Outpatient Services	\$ 31,273	\$ 26,275	\$ 34,512	\$ 39,746	\$ 40,676	\$ 41,628	\$ 42,602	\$ 43,599
Gross Patient Service Revenues	\$ 31,273	\$ 26,275	\$ 34,512	\$ 39,746	\$ 40,676	\$ 41,628	\$ 42,602	\$ 43,599
c. Deductions	\$ 8,214	\$ 4,274	\$ 10,341	\$ 7,949	\$ 8,135	\$ 8,326	\$ 8,520	\$ 8,720
Net Patient Services Revenue	\$ 23,059	\$ 22,001	\$ 24,170	\$ 31,797	\$ 32,541	\$ 33,302	\$ 34,082	\$ 34,879
d. Grants	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
e. Other Operating Revenues	\$ 451	\$ (45)	\$ 53	\$ 54	\$ 55	\$ 56	\$ 58	\$ 59
NET OPERATING REVENUE	\$ 23,510	\$ 21,956	\$ 24,224	\$ 32,851	\$ 33,596	\$ 34,359	\$ 35,139	\$ 35,938
2. EXPENSES								
a. Salaries & Wages (including benefits)	\$ 16,387	\$ 13,371	\$ 12,679	\$ 10,064	\$ 10,335	\$ 10,614	\$ 10,901	\$ 11,196
b. Contractual Services	\$ 15,123	\$ 12,417	\$ 12,811	\$ 12,126	\$ 10,349	\$ 9,271	\$ 8,836	\$ 8,643
c. Interest on Current Debt	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ 1,248	\$ 2,446	\$ 2,395	\$ 2,341	\$ 2,285
e. Current Depreciation and Ammortization	\$ 2,926	\$ 2,601	\$ 17	\$ -	\$ -	\$ -	\$ -	\$ -
f. Project Depreciation and Ammortization	\$ -	\$ -	\$ -	\$ 1,432	\$ 2,863	\$ 2,863	\$ 2,863	\$ 2,863
g. Supplies - Drugs & Pharmaceuticals	\$ 765	\$ 230	\$ 675	\$ 720	\$ 761	\$ 804	\$ 850	\$ 899
h. Supplies - Medical & Non-Medical	\$ 3,868	\$ 2,432	\$ 3,050	\$ 3,231	\$ 3,390	\$ 3,557	\$ 3,733	\$ 3,917
i. Professional Fees	\$ 3,113	\$ 2,834	\$ 5,755	\$ 6,026	\$ 6,274	\$ 6,534	\$ 6,804	\$ 7,087
j. Insurance and Other Expenses	\$ 1,217	\$ 2,248	\$ 2,947	\$ 2,734	\$ 2,511	\$ 2,561	\$ 2,613	\$ 2,665
TOTAL OPERATING EXPENSES	\$ 43,400	\$ 36,133	\$ 37,934	\$ 37,580	\$ 38,930	\$ 38,599	\$ 38,940	\$ 39,555
3. INCOME								
a. Income From Operation	\$ (19,890)	\$ (14,177)	\$ (13,710)	\$ (4,729)	\$ (5,333)	\$ (4,240)	\$ (3,801)	\$ (3,617)
b. Non-Operating Income	\$ 147	\$ (61)	\$ 221	\$ 221	\$ 221	\$ 221	\$ 221	\$ 221
SUBTOTAL	\$ (19,743)	\$ (14,238)	\$ (13,489)	\$ (4,508)	\$ (5,112)	\$ (4,019)	\$ (3,580)	\$ (3,396)
c. Income Taxes								
NET INCOME (LOSS)	\$ (19,743)	\$ (14,238)	\$ (13,489)	\$ (4,508)	\$ (5,112)	\$ (4,019)	\$ (3,580)	\$ (3,396)
a. Add Back Depreciation	\$ 2,926	\$ 2,601	\$ 17	\$ 1,432	\$ 2,863	\$ 2,863	\$ 2,863	\$ 2,863
CASH FLOW FROM OPERATIONS	\$ (16,817)	\$ (11,637)	\$ (13,472)	\$ (3,076)	\$ (2,249)	\$ (1,156)	\$ (716)	\$ (532)

TABLE K. REVENUES & EXPENSES, INFLATED - UM Laurel Medical Center

INSTRUCTION : After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table K should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table I. 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		Current Year	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.					
Indicate CY or FY	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	
4. PATIENT MIX									
a. Percent of Total Revenue									
1) Medicare	21.0%	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%
2) Medicaid	26.1%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%
3) Blue Cross	15.3%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%
4) Commercial Insurance	4.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
5) Self-pay	13.2%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
6) Other	20.1%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%	20.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
b. Percent of Equivalent Inpatient Days									
1) Medicare	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2) Medicaid	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3) Blue Cross	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
4) Commercial Insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5) Self-pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6) Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table K – Key Financial Projection Assumptions for UM Laurel Medical Center (Includes HSCRC Annual Update Factors & Expense Inflation)	
Projection is based on the UM Laurel Medical Center FY2023 budgeted revenues and FY2022 budgeted expenses with assumptions identified below	
Projection period reflects FY2023 – FY2027	
Volumes	— See Table I of the application for volume projections
Patient Revenue <ul style="list-style-type: none"> ● FY2023 <ul style="list-style-type: none"> ○ Inflation — 3.76% ○ Shared Savings — -0.25% ○ Demographic Adjustment — 0.01% ○ Market Shift — -3.50% ○ Change in Markup — 1.18% ○ Reversal of FY2022 Undercharge — <u>13.96%</u> = \$4.6M — Total 15.17% ● FY2024+ <ul style="list-style-type: none"> ○ Inflation — 2.58% ○ Shared Savings — -0.26% ○ Demographic Adjustment — <u>0.02%</u> — Total 2.34% ● Revenue Deductions — 20% of gross revenue per year 	
Other Revenue <ul style="list-style-type: none"> ● Grants <ul style="list-style-type: none"> ○ State — \$1M state grant each year ● Other Operating Revenue — 2% annual growth 	

Table K – Key Financial Projection Assumptions for UM Laurel Medical Center (Includes HSCRC Annual Update Factors & Expense Inflation)

Expenses	
<ul style="list-style-type: none"> ● Inflation <ul style="list-style-type: none"> ○ Salaries & Benefits ○ Professional Fees ○ Supplies - Drugs ○ Supplies - Medical & Other ○ Purchased Services ○ Insurance & Other 	<ul style="list-style-type: none"> — 2.25% — 3.0% — 4.0% — 3.0% — 2.0% — 2.0%
Operating Expenses	
<ul style="list-style-type: none"> ● Expense variability with volume changes <ul style="list-style-type: none"> ○ Salaries & Benefits ○ Professional Fees ○ Supplies - Drugs ○ Supplies - Medical & Other ○ Purchased Services ○ Insurance & Other 	<ul style="list-style-type: none"> — 20% — 50% — 75% — 75% — 0% — 50%
Operating Expenses	
<ul style="list-style-type: none"> ● Interest Expense <ul style="list-style-type: none"> ○ Existing Debt ○ Project Debt 	<ul style="list-style-type: none"> — Laurel has little existing debt and related interest expense — In mid-FY2023, the new Laurel FMF will open and interest expense on \$55.5M of tax-exempt debt associated with these facilities will be recorded at an interest rate of 4.5%
<ul style="list-style-type: none"> ● Depreciation and Amortization 	<ul style="list-style-type: none"> — Reflects a half-year of depreciation in FY2023 associated with the opening of the Laurel FMF, with a project budget of \$71.6M and a useful life of 25 years
<ul style="list-style-type: none"> ● Performance Improvements 	<ul style="list-style-type: none"> — 10% of UM CRH annual performance improvements are allocated to Laurel FMF

TABLE L. WORKFORCE INFORMATION

<i>INSTRUCTION: List the facility's existing staffing and changes required by this project. Include all major job categories under each heading provided in the table. The number of Full Time Equivalents (FTEs) should be calculated on the basis of 2,080 paid hours per year equals one FTE. In an attachment to the application, explain any factor used in converting paid hours to worked hours. Please ensure that the projections in this table are consistent with expenses provided in uninflated projections in Table J.</i>	
UM Laurel Medical Center	PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (2027)
FMF Job Category	Projected FTEs
1. Regular Employees	
Division Administrative Support Coordinator (DASC) - nursing	0.5
Billing/Scheduler - OR	1.0
Director of Nursing	1.0
Nurse Manager - ED/OBS	1.0
Nurse Manager - OR	1.0
Nurse Manager - PHP	0.5
Nursing Supervisor (ED/OBS)	3.3
Nurse Educator	1.0
Risk Management	0.5
Executive Office	1.0
Medical Staff Office	1.0
Total Administration	11.8
RN - ED	28.0
Patient Care Tech - ED	8.4
RN - OBS (current Med/Surg)	9.3
Patient Care Tech - OBS (old M/S)	4.2
RN - OR	5.3
RN - OR Pre-OP	3.2
RN - OR PACU	4.3
OR Tech	3.5
PA	1.1
Equipment Tech	0.5
RN - PHP	0.5
Social Worker - PHP	3.0
RN Case Manager - house	2.0
Radiology - Tech	7.8
Radiology - clerical (days)	0.4
Radiology - supervisor	0.6
Radiology - US (24/7)	5.8
Radiology - CT (24/7)	5.8
LAB - medical technologist (24/7)	5.5
LAB - Sr Tech (days)	1.0
LAB - Mannager (3 days/week)	1.0
CSP	3.0
PHP Coordinator	0.5
Pharmacy	1.0
Pharmacy Tech	1.0
Respiratory	4.5
Wound Care	5.9
Physical Therapist	1.0
Occupational Therapy	0.5
Cardiovascular Tech	1.2
Total Direct Care	119.7
Unit Clerk - ED	4.2
Unit Clerk - OBS	1.0
Unit Clerk - PHP	1.0
EVS - OR	16.0
Maintenance	2.0
Storeroom	1.0
Food Services	3.5
Registration	12.4
Total Support	41.1
REGULAR EMPLOYEES TOTAL	172.6
Average Salary per FTE (2022 Dollars)	\$48,690
SALARIES	\$8,403,945
BENEFITS % of SALARIES	19.19%
BENEFITS	\$1,613,070
TOTAL COST (2027 UNINFLATED)	\$10,017,015

EXHIBIT 2

Standard .04B(7) – Construction Cost of Hospital Space

(a) The cost per square foot of hospital construction projects shall be no greater than the cost of good quality Class A hospital construction given in the Marshall and Swift Valuation Quarterly, updated to the nearest quarter using the Marshall and Swift update multipliers, and adjusted as shown in the Marshall and Swift guide as necessary for terrain of the site, number of levels, geographic locality, and other listed factors.

(b) Each Certificate of Need applicant proposing costs per square foot above the limitations set forth in the Marshall and Swift Guide must demonstrate that the higher costs are reasonable.

The following compares the project costs to the Marshall Valuation Service (“MVS”) benchmark. The FMF will be built to hospital standards.

I. Marshall Valuation Service Valuation Benchmark

Type	General Hospitals
Construction Quality/Class	Good/A
Stories	2
Perimeter	970
Average Floor to Floor Height	15.0
Square Feet	83,743
f.1	Average floor Area
	41,872

A. Base Costs

Basic Structure	\$485.00
Elimination of HVAC cost for adjustment	0
HVAC Add-on for Mild Climate	0
HVAC Add-on for Extreme Climate	0

Total Base Cost	\$485.00
------------------------	-----------------

Adjustment for Departmental Differential Cost Factors	1.07
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Adjusted Total Base Cost	\$485.00
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B. Additions

Elevator (If not in base)	\$0.00
Other	\$0.00

Subtotal		\$0.00
Total		\$485.00
C. Multipliers		
Perimeter Multiplier		0.905670171
Product		\$439.25
Height Multiplier		1.07
Product		\$469.56
Multi-story Multiplier		1.000
Product		\$469.56
D. Sprinklers		
Sprinkler Amount		\$3.07
Subtotal		\$472.63
E. Update/Location Multipliers		
Update Multiplier		1.1
Product		\$519.89
Location Multiplier		1.03
Product		\$535.49
Calculated Square Foot Cost Standard		\$535.49

The MVS estimate for this project is impacted by the Adjustment for Departmental Differential Cost Factor. In Section 87 on page 8 of the Valuation Service, MVS provides the cost differential by department compared to the average cost for an entire hospital. The calculation of the average factor is shown below.

Department/Function	BGSF	MVS Department Name	MVS Differential Cost Factor	Cost Factor X SF
ACUTE PATIENT CARE				
Emergency Department	17,425	Emergency Suite	1.18	20,562
Observation Unit	7,147	Inpatient Units	1.06	7,576
Imaging	3,542	Radiology	1.22	4,321
Pharmacy	378	Operating Suite, Total	1.68	635
Lab	1,508	Laboratories	1.15	1,734
Outpatient Surgery/SPD	12,888	Operating Suite, Total	1.68	21,652

Respiratory Therapy	262	Outpatient Department	0.99	259
Dietary (includes coffee kiosk)	1,097	Dietary	1.52	1,667
Psychiatric Day Treatment	3,375	Outpatient Department	0.99	3,341
Administration	1,963	Offices	0.96	1,884
Community Space	1,379	Public Space	0.8	1,103
Building Services	6,244	Offices	0.96	5,994
Vertical Circulation	1,143	Internal Circulation	0.6	686
Lobby	3,217	Public Space	0.8	2,574
General Circulation	8,692	Internal Circulation	0.6	5,215
Security	268	Offices	0.96	257
Unregulated Medical Office Suite	6,896	Outpatient Department	0.99	6,827
Shell Space	6,319	Unassigned Areas	0.5	3,160
Total	83,743		1.07	89,448

Cost of New Construction

A. Base Calculations	Actual	Per Sq. Foot
Building	\$32,250,000	\$385.11
Fixed Equipment	\$500,000	\$5.97
Site Preparation	\$4,250,000	\$50.75
Architectural Fees	\$4,400,000	\$52.54
Permits	\$100,000	\$1.19
Capitalized Interest & Loan Placement Fees	Calculated Below	\$0
Subtotal	\$41,500,000	\$495.56

However, as related below, this project includes expenditures for items not included in the MVS average.

B. Extraordinary Cost Adjustments

	Project Costs	Associated Cap Interest & Loan Placement
Storm Drains	\$100,000	Site
Hillside Foundation	\$750,000	Site
Paving	\$700,000	Site
Exterior Signs	\$150,000	Site

Landscaping	\$200,000	Site	
Walls	\$400,000	Site	
Rock Blasting Allowance	\$250,000	Site	
Site Fill	\$750,000	Site	
Yard Lighting	\$100,000	Site	
MBE Premium	\$34,000	Site	
Canopies	\$300,000	Building	\$69,642
MBE Premium	\$1,278,000	Building	\$296,674
MBE Premium	\$20,000	Fixed	\$4,643
Total Cost Adjustments	\$5,032,000		\$370,958

Explanation of Extraordinary Costs

Please note that UM CRH did not include Hillside Foundation as an extraordinary cost in its original MVS analysis. This was an oversight. It and all the other extraordinary costs are not contained in the excluded from the MVS benchmark per Section 1, Page 3 of the MVS guide and should not be included in the project's comparison to it. Below are the explanations of the Extraordinary Costs that are not specifically mentioned as not being in contained in the MVS average costs in the MVS Guide (at Section 1, Page 3) but that are specific to this project and would not be in the average cost of a hospital project.

1. Premium for Minority Business Enterprise Requirement – UMMS projects include a premium for Minority Business Enterprises that would not be in the average cost of hospital construction. This premium on this project was projected to be 4%, based on the experience of UMMS on many building projects.

Associated Capitalized Interest and Loan Placement Fees should be excluded from the comparison for those items which are also excluded from the comparison. Since only Capitalized Interest and Loan Placement fees relating to the Building costs are included in the MVS analysis, we have only eliminated them for the Extraordinary Costs that are in the Building cost category. This was calculated as follows, using the Canopy as an example:

(Cost of the Canopy/Building Cost) X (Building related Capitalized Interest and Loan Placement Fees).

Eliminating all of the extraordinary costs reduces the project costs that should be compared to the MVS benchmark.

C. Adjusted Project Cost	Adjusted Project Costs	Per Square Foot
Building	\$30,672,000	\$366.26
Fixed Equipment	\$480,000	\$5.73
Site Preparation	\$816,000	\$9.74
Architectural Fees	\$3,801,600	\$45.40
Permits	\$100,000	\$1.19
Subtotal	\$35,869,600	\$428.33
Capitalized Interest & Loan Placement Fees	\$5,877,800	\$70.19
Total	\$41,747,400	\$498.52

Building associated Capitalized Interest and Loan Placement Fees were calculated as follows:

Hospital	New	Renovation	Total	
Building Cost	\$32,250,000	\$0		
Subtotal Cost (w/o Cap Interest)	\$41,500,000	\$0	\$41,500,000	
Subtotal/Total	100.0%	0.0%	Cap Interest	Loan Placement Fees
Total Project Cap Interest & Financing	\$8,041,037	\$0	\$7,486,483	\$554,554
Building/Subtotal	77.7%			
Building Cap Interest & Loan Place.	\$6,248,758			
Associated with Extraordinary Costs	\$370,958			
Applicable Cap Interest & Loan Place.	\$5,877,800			

As noted below, the project's cost per square foot is below the MVS benchmark.

MVS Benchmark	\$535.49
The Project	\$498.52
Difference	-\$36.97
	-6.90%

EXHIBIT 3

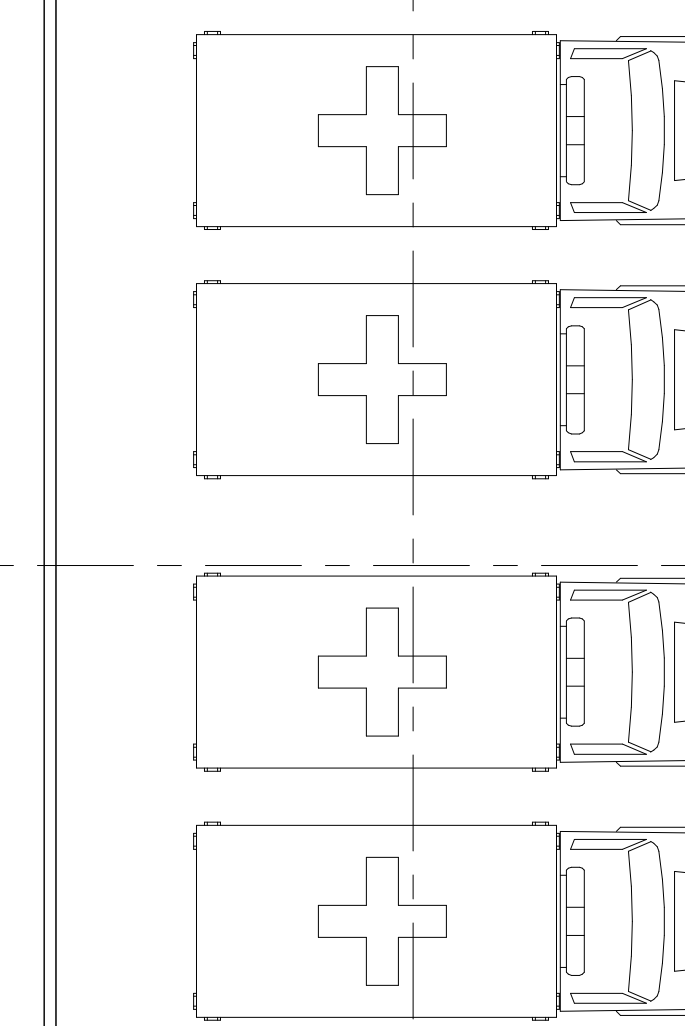


LEVEL 1 - DEPARTMENTS

$$1/8'' = 1'-0''$$



LEVEL 2 - DEPARTMENTS

$$1/8'' = 1'-0''$$


WILMOT**SANZ**
ARCHITECTURE
PLANNING

IN THE MATTER OF
THE CONVERSION OF
UNIVERSITY OF MARYLAND
LAUREL REGIONAL HOSPITAL TO A
FREESTANDING MEDICAL FACILITY

*
* BEFORE THE
* MARYLAND HEALTH CARE
* COMMISSION
*
* Docket No. 18-16-EX002
*

* * * * *

AMENDED REQUEST FOR POST-APPROVAL PROJECT CHANGE

Dimensions Health Corporation *d/b/a* University of Maryland Capital Region Health (“UM CRH”), University of Maryland Laurel Medical Center (formerly University of Maryland Laurel Regional Hospital), and University of Maryland Capital Region Medical Center, by the undersigned counsel, respectfully requests the Maryland Health Care Commission (the “Commission”) approve a project change to the Certificate of Need (“CON”) exemption issued on September 20, 2018, as described herein.

I. BACKGROUND OF APPROVED PROJECT

On September 20, 2018, the Commission granted a CON exemption (Docket No. 18-16-EX002), authorizing UM-CRH to convert University of Maryland Laurel Regional Hospital (“UM LRH”) to a freestanding medical facility (“FMF”), operating as University of Maryland Laurel Medical Center (“UM LMC”).

The Commission approved the conversion of UM LRH to an FMF as a two phase project with the FMF initially located in the existing hospital building (Phase 1), and then moved to a newly constructed building on the southwestern portion of the campus (Phase 2). When the new building is complete, the FMF will be relocated there and the existing hospital building will be demolished or repurposed. The FMF project was approved for a variety of outpatient services,

including: emergency services, observation services, ancillary diagnostic services to support emergency services, outpatient surgical services, psychiatric partial hospitalization / intensive outpatient services, and the Wound Care and Hyperbaric Medicine Center at UM Capital Region Health (the “Wound Care Center”), which is located in an existing building on the campus.

The implementation of Phase 1, operational conversion of UM LRH from an acute hospital to an FMF occurred on January 1, 2019. Phase 2, involving construction of a new FMF building on the southwestern portion of the current UM LRH campus, is under construction. The approved Phase 2 building was approved to have two floors totaling 75,855 SF. The total approved project budget is \$53.1 million.

UM CRH desires to change the physical plant design and project budget as described below.

II. BASIS FOR REQUESTED PROJECT CHANGE

UM CRH requests a project change to make certain changes in the physical plant design of the Phase 2 building and to increase project costs.

A. Description of requested project changes.

Following approval of the project, UM CRH continued to evaluate alternate configurations of services on the UM LMC campus that will be cost effective, efficient, and enhance patient experience. As a result of this planning, UM CRH determined to use the new FMF building to house more outpatient services. Specifically, the project change involves increasing capital costs and redesigning expanding the facility by 7,888 square feet to accommodate more physician clinic space and shell space for future expansion of clinic services as well as the eventual relocation of the Wound Care Center, currently located in a separate building on the UM LMC campus.

B. Impact on project budget and schedule.

The Commission approved Phase 2 of the project with a total ~~cost~~ capital costs of \$52,222,000 and total project costs of \$53,100,000. As shown in the revised Table E, included as **Exhibit 1**, the ~~revised~~ total capital ~~costs~~ cost for Phase 2 has been revised to ~~\$71,580,221~~ \$70,500,669, an increase of \$18,152,814. The total project cost for Phase 2 has been revised to \$71,580,221, an increase of \$18,354,366. The primary cost increases, accounting for 97% of the total amount of increase, are discussed below. Much of the increase is due to escalations in the cost of the construction caused by changes in economic conditions following initial approval.

1. Building Costs (Line 1.a.(1))

The cost of constructing the new FMF building is estimated to increase by approximately \$7.6 million. UM CRH estimates that approximately \$2.4 million is attributable to adding 7,888 square feet of space, and the remaining \$5.2 million is attributable to inflated construction costs. The construction of the building was delayed during portions of the pandemic, and construction costs increased during this time due to global economic conditions, including supply chain

challenges. As one indicator of the increase, the MVS benchmark for the building construction cost increased from \$441.68 in April, 2018 to \$535.49 in November, 2021 (the date of the last MVS update). As calculated and explained in **Exhibit 2**, the projected building costs do not exceed the updated MVS benchmark.

2. *Site and Infrastructure (Line 1.a.(3))*

The cost for site and infrastructure increased by approximately \$1.4 million due to the new design of the first level of the building and due to the need to redesign utilities as a result of inaccurate “as-built” information.

3. *Architect and Engineering Fees (Line 1.a.(4))*

The architect and engineering fees increased by approximately \$2.3 million as a result of the redesign of the first level of the building.

4. *Movable Equipment (Line 1.c.(1))*

The moveable equipment cost increased by approximately \$5.2 million due to the need to purchase more new equipment than initially projected. Originally, UM CRH expected to use more existing medical equipment, but then discovered that some of this equipment needed to be replaced as it was deemed to be at “end of life.” Also, under new surgical leadership, it was determined that additional equipment is needed.

5. *Gross Interest During Construction Period (Line 1.c.(3))*

The gross interest cost increased by approximately \$2.6M due to the delayed construction period.

The new FMF facility is planned to be completed in the fall of 2022, and is expected to be ready to commence operations by January 1, 2023.

C. Impact on facility design and outpatient services offerings.

The approved Phase 2 project was planned to consist of two floors with approximately 75,855 square feet. Under the revised plan, the building will remain a two-story structure with approximately 83,743 square feet, an increase of 7,888 square feet. A revised set of project drawings is attached as **Exhibit 3**.

As originally approved, the new FMF was planned to include physician specialty clinics such as primary care-internal medicine, pulmonary medicine, obstetrics/gynecology, maternal fetal medicine, pain management, thoracic surgery, and breast health. After opening, UM CRH will seek to develop other programs, including outpatient behavioral health clinic (psychiatrists, therapists, etc.), an endocrine/diabetes/metabolic disorders program, cardiology, and uro-gynecology clinics. Most of these clinic programs will be staffed with employed physicians and other professionals, or contracted medical professionals.

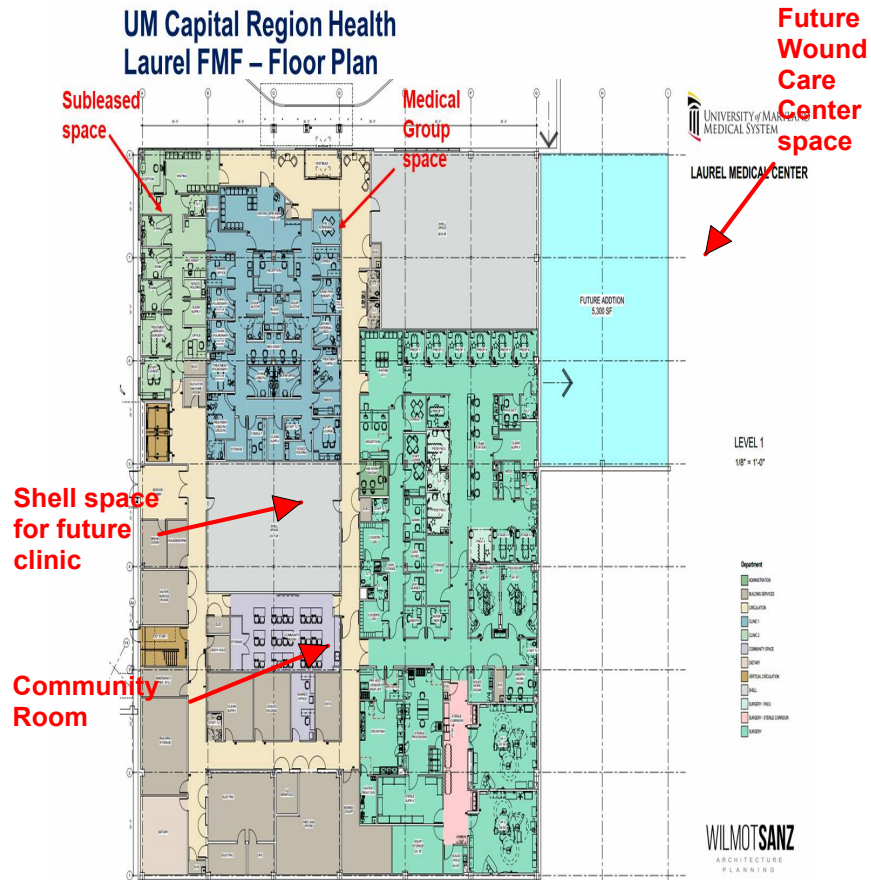
In addition, the new FMF will provide the following services:

- Emergency medicine services, available 24 hours a day, seven days a week
- Imaging and diagnostic services to support emergency and observation services (non-emergent outpatient imaging services will be provided by an imaging center that is proposed to be located in a new medical office building to be constructed next to the new FMF facility)
- Behavioral health services
 - Behavioral health assessment center within a designated area of the emergency department.
 - Expanded partial hospitalization program and intensive outpatient program offering an array of treatment modalities
- Observation / Clinical Decision Unit to treat and monitor patients to determine the need for inpatient care
- Primary care and specialty care services, as identified above

As modified, the plan for the new FMF will better enable a campus-wide destination supporting the overall health of surrounding communities. Under the revised plan, the second floor of the new FMF ~~remains unchanged~~has only insignificant changes. The first floor design (depicted below and in Exhibit 3) is modified to redesign the originally planned space and include new space for additional clinics, the relocation of the Wound Care Center, and a community room.

The Wound Care Center is currently housed in a building on the campus that will be demolished for future development. Thus, the Wound Care Center must be relocated eventually, and the new FMF building is an excellent location to coordinate with other outpatient services.

The shell space that is planned for additional clinics will allow patients to receive one-stop services in the same building. For example, UM CRH plans to offer clinic space to practitioners who will perform outpatient surgical procedures in the FMF, thus allowing patients to receive pre-operative and post-operative care in the same building as their surgical treatment. In addition, the revised plan will include a community room that will allow clinical teams to organize in-person events for the residents of the community, such as health and wellness and/or other health focused screening and awareness.



D. UM LMC will remain cost effective, and the combined UM CRH is financially feasible, with the requested project changes.

UM CRH has included revised Tables B, C, D, E, and F through L in Exhibit 1. Tables F-K present utilization and financial projections related to revenue and expenses for UM LMC, as well as UM CRH, the parent of University of Maryland Capital Region Medical Center and UM LMC.

1. UM LMC Emergency and Observation Department Utilization

Table F presents utilization projections of both the inpatient and outpatient utilization of UM CRH, as well as emergency department visits, observation cases, and other outpatient services at UM Capital Region Medical Center, UM LMC and UM Bowie Health Center. **Table**

I includes utilization projections that reflect UM LMC, including outpatient emergency department visits, observation cases, operating room cases, and outpatient psychiatry services at UM LMC.

The projection of emergency department visits at UM LMC assumes the continuation of existing emergency services through fiscal year 2027. While emergency department visits declined in fiscal years 2021 and 2021, they are expected to recover partially in fiscal year 2023 as the facilities (1) recover from the current negative impact of COVID-19 on volumes and (2) the construction of the FMF demonstrating UM CRH's commitment to serve the community. The construction of the new FMF building is expected to bolster utilization of the emergency department.

2. Projected UM LMC Revenue

The presentations of projected revenue in **Tables H** and **K** reflect the approved Global Budget Revenue (GBR) for UM CRH in total and UM LMC specifically. The GBR is projected to increase with the HSCRC annual update factors, shared savings, demographic adjustments, and other adjustments consistent with the HSCRC payment policies. These assumptions are included with the tables.

3. Projected UM LMC Staffing and Expenses

The presentation of projected staffing at UM LMC for 2027 (the final year of the projection period), as presented in **Table L**, reflects the outpatient services currently provided in the FMF housed in the existing hospital facility less reductions in staffing related to the move to a new right sized facility.

4. Projected UM CRH and UM LMC Financial Performance

As an emergency department with ancillary services, UM LMC is projected to have operating losses each year as presented in **Table K**. UM LMC's operating losses will be

absorbed, though, by the operating profits of UM CRH. As shown in **Table H**, UM CRH is projected to generate a positive operating income after adding back depreciation (a non-cash expenditure).

CONCLUSION

For the reasons set forth above, UM CRH respectfully requests that the Commission authorize the changes in the UM LMC project previously approved by the Commission.

Respectfully submitted,



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*Attorneys for University of Maryland Capital
Region Health*

April 7²¹, 2022

TABLE OF EXHIBITS

1	Revised MHCC Tables
2	Revised MVS Analysis
3	Revised Project Drawings

Document comparison by Workshare 10.0 on Thursday, April 21, 2022 10:18:42 AM

Input:	
Document 1 ID	PowerDocs://DOCS/706527/9
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Document 2 ID	PowerDocs://DOCS/784625/1
Description	DOCS-#784625-v1-Amended_Request_for_Post_Approval_Project_Change_-_UM_Laurel_Medical_Center_FMF_Exemption
Rendering set	Standard-No Comments

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	14
Deletions	10
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	24