



MARYLAND HEALTH CARE COMMISSION

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

August 05, 2021

By E-Mail

Yinka Fadiora
Hope Health Systems, Inc.
1726 Whitehead Road
Woodlawn, Maryland 21207

Re: Hope Health Systems, Inc.
Application for Certificate of Need
Docket No.: 20-03-2444

Dear Mr. Fadiora:

I have reviewed the April 26 response to completeness questions on the modified application and other filings by Hope Health Systems, Inc. (Hope Health) in this matter and have determined that the application, as modified, is not complete and requires additional information regarding the following areas.

1. Corporate Organization

Please provide a clear and complete description of the Hope Health organization and each Hope Health subsidiary or related entity that details each entity's ownership and role within the organization. Please include an organization chart that shows the relationships between the applicant and the other entities. At a minimum, the chart should include Hope Health Systems, Inc., Hope Health Properties, LLC, and every other entity that exists or will be formed and that is expected play a role in ownership and/or operation of the proposed psychiatric hospital. Supplement the chart with a written description of each involved entity, its role within the organizational structure, detailing whether each is a subsidiary entity, an operating division, a doing business as name, or has other status. My request for this information is based in part on the inconsistencies shown in following information previously provided by Hope Health,

I note that MHCC staff's April 2, 2021 letter gave several examples of Hope Health's inconsistent statements. For example, the applicant has described the ownership of the building that would house the proposed hospital as follows:

- Owned by Hope Health Systems (application, p. 5);¹
- Leased by Hope Health Systems (application, p. 7); and
- Owned by Hope Health Properties, LLC (HHP) in a copy of a lease between Hope Health Properties, LLC (landlord) and Hope Health Hospital (tenant). (application, Exh. 3).

In addition, the ownership of Hope Health Properties is not clear. For example, in its January 7, 2021 response to staff's completeness questions, Hope Health stated that it owns 100% of Hope Health Properties, LLC. (DI #13, p. 9). However, in its April 26 modification, Hope Health stated that it "(HHS) leases space within each of the HHP Properties. HHS is not a member of HHP and there is no hierarchal relationship between the parties." (DI #35, p. 2),

I request that Hope Health correct these inconsistencies and clarify organizational structure and relationships in the requested chart and/or supplemental document.

2. Utilization and Volume Projections

Please provide:

- (a) A list of the mental disorders, by diagnostic code, that the proposed hospital projects treating;
- (b) Projected case volumes, case mix and length of stay, by diagnostic code for the first three years of operation.

Also, please explain:

- (c) Why and how Hope Health projects that it will be able to achieve a lower length of stay than other hospital programs for child and adolescent psychiatric services have been able to achieve. Please detail each underlying assumption and provide supporting data and documentation.

3. Need

- (a) Identify the primary and secondary service areas of the proposed hospital. Please outline the primary service area, specifying those zip code areas from which, cumulatively, Hope Health projects that 60% of its admissions will originate, ranked by order of frequency. For the secondary service area use the zip code areas from which, cumulatively, an additional 25% of admissions will originate, ranked in order of frequency;
- (b) Identify the number of children and adolescents in the primary and secondary service areas;
- (c) Specify the use rates, in terms of admissions per population, by age group, for the defined service area;
- (d) Specify the market share for psychiatric hospitalization that Hope Health expects to capture from the primary and secondary service area; and
- (e) Calculate the projected case volume and patient days (based on an average length of stay assumption that the applicant can support, identifying source of supporting data)

¹ A subsequent filing ("corrected page 5") stated that "[t]he inpatient facility would be established in a renovated portion of a building that HHS leases from Hope Health Properties, LLC."

using the defined service area, use rate assumptions, and market share assumptions outlined in (a) through (d).

4. Viability

- (a) The following table shows fluctuations of Hope Health’s project budget and revenue and expense projections over the period from October 21, 2020 through April 26, 2021. Please provide a detailed explanation of how and why these changes occurred in Hope Health’s projections over that six-month period, addressing each specific line item.

PROJECT BUDGET (from Table E)				
	Oct 21, 2020 Application	Mar 15, 2021 Submission	Apr 26, 2021 Submission	Percent Change Oct 2020-Apr 2021
Total Capital Costs	\$3,802,866	\$3,802,866	\$875,000	-77.0%
Total Uses and Sources of Funds	\$4,500,000	\$4,500,000	\$1,500,000	-66.7%
OPERATING BUDGET (from TABLE J –Uninflated)				
Net Operating Revenue	\$6,112,302	\$5,844,590	\$5,844,590	-4.4%
Expenses				
Salaries/Benefits	\$3,558,457	\$3,962,262	\$4,603,463	29.4%
Contractual Expense	\$608,769	\$634,135	\$528,445	-13.2%
Project Amortization	\$341,317	\$341,317	\$113,772	-66.7%
Supplies	\$522,555	\$544,328	\$473,329	-9.4%
Other Expenses	\$305,000	\$125,000	\$125,000	-59.0%
Total Expenses	\$5,336,098	\$5,787,042	\$6,011,217	12.7%
Net Income (Loss)	\$776,205	\$57,548	(\$166,627)	-121.5%

- (b) Please explain the turnaround in Hope Health’s financial status between December 31, 2017 (liabilities exceeded value of assets by 52%; negative equity of approximately \$125,000)² and December 31, 2018 (current assets 3% greater than current liabilities and total equity of \$296,000).³
- (c) Please provide audited financial statements for 2019 and 2020.
- (d) Please provide a Table F and a Table G for each outpatient facility operated by Hope Health. They are listed as Woodlawn, Greenspring, and Carroll County in Maryland, and Middletown in Delaware. (CON application, pp. 14-15).
- (e) Regarding staffing, Hope Health states that it “is uniquely positioned to ensure successful transition (by discharged patients) to an outpatient venue since it is currently successfully operating a suite of outpatient services” and that its “current staff members already have specialization in children and adolescent mental health treatment.” Please clarify whether or not the proposed hospital will be sharing staff with outpatient services that Hope Health or one of its related entities currently

² DI #36 (April 26, 2021 response to staff’s completeness questions on modification), p. 40.

³ DI #36, p. 28.

provide at the site. If so, please include the shared employees on the Workforce Table (Table L) if they are not already included on that table.

5. Zoning

Has Hope Health received approval of its requested zoning change that would enable locating a hospital on the proposed site? If not, detail the steps of the process that have been completed, the steps that remain, and any timetable for completing the process. Please provide relevant documentation from the Baltimore County Department of Planning.

I request that Hope Health provide a response to these questions on or before August 19, 2021.

I remind all parties that this remains a contested case and that the *ex parte* prohibitions in the Administrative Procedure Act, Maryland Code Ann., State Gov't §10-219, apply to this proceeding until the Commission issues a final decision.

Sincerely,



Marcia L Boyle
Commissioner/Reviewer

cc: James C. Buck, Esquire
Dana Farrakhan, Senior Vice President, University of Maryland Medical Center, Inc.
Bryan Niehaus, JD, CHC
Nilesh Kalyanaraman, M.D., Health Officer, Anne Arundel County
Letitia Dzirasa, M.D., Health Officer, Baltimore City
Gregory W. Branch, M.D., Health Officer, Baltimore County
Edwin F. Singer, Health Officer, Carroll County
Russell Moy, M.D., Health Officer, Harford County
Maura J Rossman, M.D., Health Officer, Howard County
Patricia Nay, M.D., Executive Director, Office of Health Care Quality, MDH
Suellen Wideman, Assistant Attorney General
Paul Parker, Director, Center for Health Care Facilities Planning and Development
Wynnee Hawk, Chief, Certificate of Need
Jeanne Marie Gawel, Program Manager
Eric Baker, Program Manager