IN THE MATTER OF	*	BEFORE THE
HOPE HEALTH SYSTEMS APPLICATION	*	MARYLAND HEALTH
Docket No. 20-03-2444	*	CARE COMMISSION

* * * * * * * * * * * * *

SHEPPARD PRATT HEALTH SYSTEM'S INTERESTED COMMENTS TO HOPE HEALTH SYSTEMS' APRIL 26, 2021 AND AUGUST 19, 2021 RESPONSES TO THE APPOINTED REVIEWER'S REQUESTS FOR ADDITIONAL INFORMATION

Sheppard Pratt Health System, Inc. ("Sheppard Pratt"), by its undersigned counsel and pursuant to COMAR §§ 10.24.01.08E(3) and F as well as Commissioner Boyle's April 29, 2021 and September 24, 2021 orders, submits these comments addressing Hope Health's modified Certificate of Need Application (the "Modified CON Application") and responses to requests for additional information filed by Hope Health Systems, Inc. ("Hope Health") on April 26, 2021 and August 19, 2021. For the reasons described below and stated in its interested party comments filed on March 1, 2021 and March 31, 2021, Sheppard Pratt requests that the Commission deny Hope Health's Modified CON Application.

Statement of Interested Party Status

As recognized by Commissioner Boyle's April 29, 2021 determination, Sheppard Pratt is an "interested party" within the meaning of COMAR § 10.24.01.01B(20) because it is authorized to provide the same service as the applicant, in the same planning region used for purposes of determining need under the State Health Plan.

Introduction

Hope Health seeks to establish a 16-bed special psychiatric hospital to treat children and adolescents in a renovated portion of a commercial office building in Baltimore County. None

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of the principals of Hope Health, a for-profit enterprise, has any claimed experience owning, operating, or working for or at a hospital, much less a special psychiatric hospital for children and adolescents. Hope Health's architect has no apparent experience designing hospital facility space, much less one with unique requirements necessary to safely treat and house children and adolescents suffering from psychiatric diagnoses.

In its interested party comments filed on March 1, 2021 and March 31, 2021, Sheppard Pratt demonstrated that Hope Health failed to satisfy several CON project review criteria. In sum, Hope Health's proposed project:

- is not financially viable or financially feasible;
- is not cost effective;
- is not supported by verifiable or reliable need projections;
- will increase costs to the health delivery system and threaten access to care; and
- has not been designed, planned, or staffed for patient safety or quality.

Indeed, from a review of Hope Health's Modified Application, it is unclear how the facility could accept patients without an ambulance bay or even feed its patients in a "hospital" designed without a commercial kitchen, much less how Hope Health would provide pediatric medical care coverage to its patients or perform required medical screenings.

In response to Sheppard Pratt's comments and Commissioner Boyle's requests for additional information dated April 12, 2021 and August 5, 2021, Hope Health engaged in several machinations to make its proposed facility appear financially feasible and viable. It reclassified its most important employees as "independent contractors" so it would not have to account for any benefits in its financial projections, slashed other employee salaries by more than $68,000 without explanation, and seeks to shift all construction costs to its affiliate Hope Health Properties, Inc. while paying that entity rent at a rate that will not cover the costs of construction or refinanced mortgage payments. Despite this ploy, Hope Health has continued to fail to meet

its burden of proof that the project meets the applicable criteria for review, by a preponderance of the evidence. *See* COMAR § 10.24.01.08G(1).

Hope Health continues to understate its employment and operating costs, overstate its revenue projections, and has failed to establish that it has resources necessary to sustain the proposed facility. Additionally, Hope Health's proposed program is not cost effective. Finally, through its responses to the additional information requests, Hope Health again failed to establish a need for its proposed program.

ARGUMENT

I. HOPE HEALTH'S RESPONSES AGAIN DEMONSTRATE THAT ITS PROPOSED FACILITY IS NOT FINANCIALLY VIABLE OR FEASIBLE, COMAR § 10.24.01.08G(3)(d).

As required under COMAR § 10.24.01.08G(3)(d), the Commission must "consider the availability of financial and nonfinancial resources, including community support, necessary to implement the project within the time frames set forth in the Commission's performance requirements, as well as the availability of resources necessary to sustain the project." The Commission has recognized that this standard requires that an applicant show that the project will generate excess revenues over total expenses (including debt service expenses and plant and equipment depreciation) if utilization forecasts are achieved for the specific services affected by the project within five years or less of initiating operations. *See, e.g.*, *In re: Anne Arundel Med. Ctr. Mental Health Hospital*, No. 16-02-2375, Decision at p. 32 (Mar. 26, 2018); *In re: Sheppard Pratt at Elkridge*, No 15-152367, Decision at p. 20 (Sept. 20, 2016).[1]

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[1] *See also*, Draft State Health Plan for Facilities and Services: Acute Psychiatric Hospital Services, COMAR §§ 10.24.07.05(B)(12)(b) ("Each applicant must document that . . . (iv) The hospital will generate excess revenues over total expenses, including debt service expenses and plant and equipment

As Sheppard Pratt established in its March 1, 2021 and March 31, 2021 interested party comments, Hope Health has significantly overestimated its revenue projections while grossly underestimating its operating costs. These deficiencies persist in Hope Health's April 26, 2021 and August 19, 2021 responses to the appointed Reviewer's requests for additional information. Hope Health also continues to fail to demonstrate that it has the resources necessary to sustain the proposed facility.

A. Hope Health Continues to Underestimate Employment and Operating Costs Rendering its Facility Non-Viable and not Financially Feasible.

Despite filing three variations of its revenue and expense and workforce information tables, Hope Health continues to significantly underestimate its employment and operating costs. As described more fully below, Hope Health proposes to provide no benefits to its most important staff, does not account for the contractual costs of physician, educational, or laboratory services, laboratory supplies, or depreciation of movable equipment, and it understates its rent.

In its original CON Application and Modified CON Application, Hope Health failed to account for any benefits to any employees in Table L (Workforce Information). In its interested party comments filed March 31, 2021, Sheppard Pratt, established that Hope Health's proposed facility would lose more than $500,000 annually and lose more than $5 million over its projected six years of projected operations when conservative estimates of employee benefits were added to its workforce costs. (*See* Sheppard Pratt March 31, 2021 Comments at Table 6.)

On April 26, 2021, Hope Health responded by submitting a new Table H (Workforce Information, previously submitted as Table L) that includes 21% benefits to all direct

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depreciation, within five years or less of initiating operations, if utilization forecasts are achieved for the specific services affected by the project. (approved for formal public comment (Feb. 18, 2021)).

employees.[2] (HHS April 26, 2021 Resp. at Ex. 1, Table H.) Apparently recognizing, however, that paying benefits at market rates to its highest paid and most-important staff – its clinical director, psychiatrists, psychologists, and infection control/health safety professional – would render its facility insolvent, Hope Health reclassified these cornerstone staff of any special psychiatric hospital in its Table H as "independent contractors."[3] (*Id.*) Hope Health proposes to grant these staff no benefits; no professional liability insurance coverage, no health care, life, or disability insurance, and no retirement benefits. When asked by the appointed Reviewer to provide a "detailed explanation of how and why" this reclassification of staff occurred, Hope Health responded simply "adjusted assumptions regarding regular employees vs. contracted personnel for certain roles." (HHS Aug. 19, 2021 Resp. at 9-10.)

As the HSCRC recognized in its August 9, 2021 letter to the Commission staff, the marketplace for medical and clinical professional is "very competitive." Hope Health could never retain four psychiatrists specializing in children and adolescents, two child and adolescent psychologists, a qualified clinical director, or a qualified infection control/health safety professional without paying these staff any benefits. Any contrary assertion by Hope Health, whose principals have no experience owning, operating, or working for or at a psychiatric

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[2] Hope Health's estimation of 21% benefits to employees is well below the market rate. *See In re: Sheppard Pratt at Elkridge*, No. 15-152367, Modified App. at Ex. 1, Table L (filed Aug. 22, 2016) (projecting benefit costs at 21.7% of all employee salaries); *In re: Anne Arundel Med. Ctr. Mental Health Hospital*, No. 16-02-2375, App. at p. 571, Table L (filed March 29, 2016) (projecting employee benefit costs at 22% of staff salaries and 20% of physician salaries); *In re: Upper Chesapeake at Aberdeen*, No. 18-12-2436, App. at Ex. 1, Table L (filed Nov. 21, 2018) (projecting employee benefit costs at 22.7% of all employee salaries).

[3] Without explanation, Hope Health also slashed salaries of its listed direct employees by more than $68,000 without any reasonable explanation other than to make its facility appear viable and financially feasible. Adding this $68,000 back to its employment costs would erase any of Hope Health's projected profit through 2027. (*See* HHS April 26, 2019 Resp. at Ex. 1, Table K.)

hospital is simply not credible. If anything, as a new special psychiatric hospital without an established patient base or referral sources, in order to recruit employees and staff Hope Health would likely have to pay employees at the very top of the market.

Enclosed as **Exhibit 3** is a revision to Hope Health's Table H in which Sheppard Pratt conservatively accounted for 20% benefits to the significant positions at a special psychiatric hospital that Hope Health reclassified as "independent contractors."[4] Changes to Hope Health's Modified Table H are highlighted in yellow. As shown by the attached **Exhibit 3**, Table H (Work Force Information) 20% employee benefits to Hope Health's clinical director, psychiatrists, psychologists, and infection control/health safety professional would cost Hope Health at least $256,100 annually and increase its workforce costs to $4,993,873 in 2022. These added expenses alone would erase any profit to Hope Health though 2028. Indeed, Sheppard Pratt revised Hope Health's most recently submitted Table K (Inflated Revenues & Expenses) to account for 20% benefit costs for the four psychiatrists, two psychologists, clinical director, and infection control/health safety professional while leaving all other revenue and expense projections consistent with those submitted by Hope Health. The revised Table K is included with **Exhibit 3**. Even if Hope Health's revenue projections are presumed correct, in its first year of operation alone, Hope Health would suffer a net loss of more than $557,037.[5] As proven in **Exhibit 3**, Table K, Hope Health could not generate revenues in excess of expenses within five years as required by COMAR § 10.24.01.08G(3)(d). Instead, Hope Health would lose at least

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[4] Sheppard Pratt's numbering of its exhibits continues numerically from its prior interested party comments.

[5] In its revisions to Tables K, Sheppard Pratt projected that total staffing costs would increase by 1.9% annually, in accordance with Hope Health's Modified Table K. Hope Health's projected annual staffing increases of 1.9% are incredibly low. Wage inflation for clinical staff has been increasing at between 5% and 7% annually.

$150,000 annually and lose more than $1.7 million over its projected six years of projected operations. Table 8 below shows Hope Health's net annual and cumulative losses assuming Hope Health's projected operating revenue and expense projections with conservative employee benefit costs added.

Table 8[6]
Hope Health Projected Annual and Cumulative Operating Losses Including Employee Benefit Costs

Year	2022	2023	2024	2025	2026	2027	2028
NET OPERATING REVENUE[a]	**$5,844,590**	**$6,352,704**	**$6,495,531**	**$6,638,359**	**$6,781,186**	**$6,924,013**	**$7,066,840**
TOTAL OPERATING EXPENSES[b]	**$6,401,627**	**$6,586,253**	**$6,710,071**	**$6,835,726**	**$6,963,255**	**$7,092,689**	**$7,224,067**
NET INCOME (LOSS)	***($557,037)***	***($233,549)***	***($214,540)***	***($197,367)***	***($182,069)***	***($168,676)***	***($157,227)***
Cumulative Loss							***($1,710,465)***

[a]= Hope Health Projected Net Operating Revenue Hope Health Table K (April 26, 2021)

[b]= Hope Health Projected Total Operating Expenses inclusive of employee benefit costs at 21% of non-physician salaries and 20% for psychiatrist, psychologist, clinical director, and infection control/health safety salaries per Exhibit 3, Revised Table H

In addition to failing to account for employee and staff benefits at market rates, Hope Health grossly understates its other operating costs. In its April 26, 2021 response to the Commissioner Boyle's request for additional information, question 7, Hope Health explained that the "contractual services" identified on its amended Tables J and K included: (1) laundry and linen services; (2) housekeeping; (3) dietary; (4) total med/surg supply costs; and (5) pharmacy supply costs. (HHS April 26, 2021 Resp. at 6-7.) Hope Health did not purport to

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6 Sheppard Pratt continued its numbering of Tables from its initial interested party comments to Hope Health's CON Application.

include any other costs required to operate a special psychiatric hospital – even those necessary under its own proposed policies.

In its January 1, 2021 response to staff request for additional information, question 7, Hope Health included a draft Screening and Admission Policy. (HHS Jan. 1, 2021 Resp. at Ex. 11.) Hope Health's policy provides that each patient will undergo a physical health assessment and physical and medical history examination within 24 hours of admission. (*Id.*) While Hope Health has modeled "admission services" into its proposed per diem rate, Hope Health does not propose to employ any physicians or other qualified providers to perform these examinations nor does it account for the expense of contracting with such providers. (*See* HHS April 26, 2021 Resp. at 4.) Likewise, Hope Health's draft Screening and Admission Policy states that each patient will undergo an educational screening within 24 hours of admission. (HHS Jan. 1, 2021 Resp. at Ex. 11.) Again, Hope Health does not project to employ or contract with any educational specialist to perform such screenings.

Hope Health's proposed per diem rate is also inclusive of laboratory services. (HHS April 16, 2021 Resp. at 4.) The applicant does not, however, account for any laboratory services vendor costs or the costs of any laboratory service supplies.

Finally, Hope Health does not account for real estate taxes due as additional rent under its lease with Hope Health Properties or depreciation of movable equipment. While Hope Health has sought leave to again amend its CON tables to account for these omissions as well as to reduce the amortization of its proposed loan to exclude repayment of principal, the record is clear that Hope Health has had ample opportunities to amend and modify its CON application and associated tables to make them complete and accurate. Hope Health's inexperience with even the basic operations of a special psychiatric hospital for children and adolescents or lack of

knowledge with respect to even its own proposed program reflects that it cannot do so. Moreover, the excluded employee benefit costs to its most-valuable staff members, excluded costs of physician, education, and laboratory services, and excluded costs of rent and depreciation of equipment, far surpass any reduction to Hope Health's amortization of only interest payments on a $1.5 million loan over thirty years at either 4% or 6.5%. Granting Hope Health leave to amend its CON tables yet again would be futile.

B. Hope Health Continues to Overstate its Revenue Projections.

Hope Health proposes that its per diem rate inclusive of psychiatric, admission, and laboratory services, group and individual therapy, and drugs will amount to $1,585.73. Notably, Hope Health has not submitted a rate application to the HSCRC, and the HSCRC has indicated that despite repeated requests, Hope Health has failed to provide information that would allow the HSCRC to opine on the proposed facility's financial feasibility, including revenue projections.

It is inconceivable, however, that the HSCRC would approve rates for Hope Health, a 16-bed special psychiatric hospital located in an office building, that exceed the approved rates of Sheppard Pratt, which has much larger facilities, cares for a much more acute population, and incurs significantly higher overhead costs. In sum, Hope Health's projected rates and revenue projections are unreasonably overstated.

C. Hope Health Failed to Establish that it has Resources Necessary to Sustain the Proposed Facility.

Even under its own artificially manipulated revenue and expense projections, Hope Health estimates that it will operate for six years on razor-thin margins. Through its FY 2019 financial statements, Hope Health has only 3.84 days cash on hand ($13,899,846 in annual

expenses divided by 365 days) and a daily payroll of $20,090 ($6,159,969 in payroll expenses plus $1,176,210 in fringe expenses divided by 365 days). Thus, based on its own revenue and expense projections and financial statements, Hope Health, a for-profit entity, would be one unanticipated event away from being forced to close, thereby jeopardizing its patients.

Finally, it should be noted that Sheppard Pratt understands that there may be instances in which the physical plant of a proposed project subject to CON review may owned by an entity other than the CON applicant. Additionally, there may be instances where a third party contributes capital to a CON applicant to assist with a facility's development and operations. Here, however, Hope Health and its affiliate Hope Health Properties, Inc. propose to enter into a series of contrived transactions in order to prevent the Commission and the HSCRC from being able to evaluate the financial feasibility and viability of the proposed facility.

Hope Health System, the CON applicant, proposes to shift $3.5 million in construction costs to its affiliate Hope Health Properties, Inc. in order to reduce its capital costs, startup costs, and facility depreciation costs in order make its proposed facility appear financially feasible and viable. Absent this gambit, the project is clearly not financially feasible nor viable.

After spending $3.5 million to convert a portion of its office building into a hospital, Hope Health Properties would then rent the space back to Hope Health Systems at only $16.50 per square foot – $2.50 less than Hope Health's existing lease for purely outpatient space and less than the market rate for a triple net lease of Class C medical office space in the Greater Baltimore Region. Hope Health's combined rent to Hope Health Properties for the hospital space and existing outpatient space would not even cover Hope Health Properties' contemplated new 30 year mortgage on the property. (*Compare* HHS April 26, 2021 Resp. at Figure 1 *with id*. at Ex. 2.) Moreover, Hope Health Properties is not a joint CON applicant and has submitted no

financial information that would allow the Commission or the HSCRC to assess whether it is in a financial condition to build and effectively subsidize operations of Hope Health Systems for the foreseeable future. Hope Health Systems would also be a full guarantor of a $5.6 million loan on Hope Health Properties building, but none of those costs are attributed to Hope Health Systems in its financial projections submitted to the Commission.

To the extent the Commission countenances this arrangement, future CON applicants could likewise avoid scrutiny of a proposed project's financial feasibility and viability or even the applicable capital expenditure threshold by shifting construction and development costs to sister corporations, including affiliated non-profit charitable foundations.

II. HOPE HEALTH AGAIN FAILED TO DEMONSTRATE THAT ITS PROPOSED PROGRAM IS COST EFFECTIVE, COMAR § 10.24. 01.08G(3)(f).

COMAR § 10.24.01.08G(3)(c) requires that the Commission "compare the cost effectiveness of the proposed project with the cost effectiveness of providing the service through alternative existing facilities[.]" To this end, Standard AP 11 of the State Health Plan, COMAR § 10.24.07, requires that:

> Private psychiatric hospitals applying for a Certificate of Need for acute psychiatric beds must document that the age-adjusted average total cost for an acute (< 30 days) Psychiatric admission is no more than the age-adjusted average total cost per acute psychiatric admission in acute general psychiatric units in the local health planning area.

In its March 31, 2021 interested party comments, Sheppard Pratt demonstrated that Hope Health's projected average cost per discharge of $14,588.72 failed to satisfy this standard for treatment of adolescents. Rather than comply with this applicable CON standard, Hope Health seeks to rewrite it by including in its calculations acute psychiatric admissions at acute general

hospitals that exceed 30 days. Without doing so, Hope Health fails to comply with Standard AP 11. (*See* Sheppard Pratt March 31, 2021 Interested Party Comments at Table 7.)

Hope Health's proposed explanation for including inpatients stays exceeding 30 days is nonsensical. It asserts that the "State Health Plan indicates that the intent of a definition [*sic*] was to limit those services for patients provided care in an acute setting, rather than [*sic*] long term care setting." (HHS April 26, 2021 Resp. at 4.) Maryland acute general hospitals, however, have never provided care to psychiatric patients in a long term care setting; by definition "long term setting" cases would not be acute hospital admissions. For the reasons stated in Sheppard Pratt's March 31, 2021 interested party comments, the Commission should deny Hope Health's Modified CON Application for failing to comply with Standard AP 11.

Additionally, despite claiming there is a need for 11 acute psychiatric beds for children and 102 acute psychiatric beds for adolescents (HHS April 26, 2021 Resp. at 5), by year 5 of its operations, Hope Health projects to siphon fully 84% of its admissions by year 5 of operations from existing providers with lower rates, including Sheppard Pratt. (HHS CON App. at 71-72 & Ex. Table I.) Hope Health's proposed project is not cost effective.

Finally, in its August 19, 2021 responses to Commissioner Boyle's question 2.c., Hope Health continues its unsupportable contention that it is somehow "uniquely positioned" to reduce lengths of stay. (HHS Aug. 19, 2021 Resp. at 4.) Hope Health does not credibly explain how it can lower the length of stay a patient requires. Neither Hope Health nor any of its principals have any experience owning, operating, or working at or for a special psychiatric hospital. Nothing in Hope Health's CON Application, Modified Application, or responses to repeated additional information requests suggests that Hope Health's program can decrease lengths of stay or provide more quality care at a lower cost than existing providers. Sheppard Pratt, Brooklane,

and other exiting facilities offer many more outpatient and “wraparound” service options at their respective campuses than would Hope Health.

III. HOPE HEALTH’S RESPONSES AGAIN FAIL TO DEMONSTRATE NEED FOR THE PROPOSED PROGRAM.

Commissioner Boyle’s August 5, 2021 request for additional information, question 3 required Hope Health to detail its assumptions regarding its bed need analysis in a transparent manner and following the hallmarks of CON need methodology, something Hope Health had previously failed to do. (*See, e.g.,* Sheppard Pratt March 1, 2021 Comments at 10-14.) Based on its response, Hope Health has continued to fail to demonstrate need for its proposed program.

Hope Health’s more detailed discussion of its need assumptions makes clear that it will rely significantly on drawing patients from outside the Central Region, and it has not demonstrated the need for a 16-bed program in Central Maryland to serve those patients or its ability to capture that volume. Hope Health, refused to define its service area by Zip Codes as requested, and instead defined its primary service area as Baltimore City and Baltimore County, and its Secondary Service Area as the remaining counties in Maryland’s Central Region. (HHS Aug. 19, 2021 Resp. at 6.) Hope Health projects that approximately 80% of its volume will come from these counties in its first year of operation – 3,772 patient days out of its projected total patient days of 4,672. (*Id.* at 8 and CON Appl., Table I.) As shown in the following Table 9, in its first year of operation, Hope Health would need to capture an additional 899 patient days – 98 patients – to meet its volume projections. Hope Health must then increase its market share outside of Central Maryland significantly after its first year of operation.[7] Its projected patient

[7] Hope Health’s need analysis in response to Commissioner Boyle’s request for additional information, question 3 did not include any increase in market share within its service area, nor has it

days grow from a total of 4,672 to 4,964, requiring it to capture 1,191 patient days or 143 patients from outside of Central Maryland in year 2 and beyond.

Table 9
Hope Health Projected Discharges and Patient Days from Inside and Outside Primary and Secondary Service Areas

	2022	2023	2024	2025	2026	2027	2028
Acute Psych Discharges[a]	508	540	550	562	573	585	597
Patient Days[a]	4,672	4,964	4,964	4,964	4,964	4,964	4,964
ALOS[a]	9.2	9.2	9.0	8.8	8.7	8.5	8.3
Patient Days from PSA and SSA[b]	3,773	3,773	3,773	3,773	3,773	3,773	3,773
Patient days outside PSA and SSA	899	1,191	1,191	1,191	1,191	1,191	1,191
Admits from outside PSA and SSA	97.7	129.5	132.0	134.7	137.5	140.3	143.1
Percentage of admits from outside PSA and SSA	19.2%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Percentage of patient days outside PSA and SSA	19.2%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%

Sources: [a] HHS October 21, 2021 CON App. at Table I
[b] HHS August 19, 2021 Resp. at 8

Hope Health has not demonstrated any ability to have a statewide draw. Indeed, Hope Health touts itself as being "uniquely positioned to provide its discharged inpatients with continued follow up to help reintegrate them into the community," (CON App. at 6) and relies heavily on its existing outpatient services as support for its projected patients. (CON App. at 5-6, 21, 26.) But Hope Health has no presence outside of its proposed service area and has not demonstrated any plan to increase its presence statewide in conjunction with the proposed project. Further, with the exception of MedStar Franklin Square, every provider of acute psychiatric services in the proposed service area provides all of the services as currently provided

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shown any basis for increasing its market share beyond its already lofty goals. (HHS Aug 19, 2021 Resp. at 7.) Thus, any additional volume in year 2 and beyond must come from outside of Central Maryland.

by Hope Health.[8] In sum, Hope Health has not demonstrated that Central Maryland needs a 16-bed program that will draw almost a quarter of its volume from outside of the region.

Hope Health's need analysis also fails to demonstrate any credible support for its market share projections within its service area. Hope Health projects capturing 10% and 14.75% of market share in its primary service area for ages 0-12 and 13-17 respectively, and 6.65% and 7.47% of market share for those respective age groups in its secondary service area. (HHS Aug. 5, 2021 Resp. at 7.) To achieve this market share, Hope Health appears to rely on the strength of its existing outpatient programming, but has not provided documentation supporting its ability to obtain these volumes, such as referral agreements or letters of support from likely sources of significant referrals. Its ability to capture a significant market share in a market with other established programs is especially suspect in light of the deficiencies in its planned facility, such as the lack of any outdoor space, insufficient safety features, lack of an adequate number of seclusion rooms, lack of an ambulance bay, and even a commercial kitchen for appropriate meal service. (*See* Sheppard Pratt March 1, 2021 Comments at 22-24.)

Hope Health's need analysis also continues to ignore that the University of Maryland Medical Center's 16-bed child and adolescent unit recently opened or that Sheppard Pratt has recently opened its new facility in Elkridge with 75 private and 5 semi-private rooms, which expands capacity and may very well improve waiting times that previously resulted from the unavailability of private beds. Moreover, if there were truly a need for the child and adolescent psychiatric beds that Hope Health projects, it would not need to draw 84% of its admissions from existing facilities. (HHS CON App. at 71-72 & Ex. Table I.)

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[8] MedStar Franklin Square does not provide partial hospitalization or intensive outpatient programs to children and adolescents.

Hope Health's response to the Commission's requested utilization data is also concerning. When asked to provide a "list of the mental disorders, by diagnostic code, that the proposed hospital projects treating," together with projected case mix and length of stay, Hope Health provided estimates based on the volume experienced by acute care hospitals without consideration of age group, and its response suggests it had not previously considered what mental health conditions it would actually treat. (HHS Aug. 19, 2021. Resp. at 3.) If Hope Health has conducted no analysis of these matters other than to only recently look at what disorders acute care hospitals with inpatient psychiatric units treat, Hope Health plainly has not demonstrated that there is a need for its program, and has not demonstrated the careful analysis and research that should be expected of a CON applicant. A proposed health care provider should be able to demonstrate what disorders it projects treating. Hope Health's failure to provide data utilization estimates tied with its volume projections further demonstrates, as Sheppard Pratt has raised in prior comments, that Hope Health's need and length of stay assumptions lack foundation.

Conclusion

For the reasons stated above and in Sheppard Pratt's interested party comments filed on March 1, 2021 and March 21, 2021, Sheppard Pratt requests that the Commission recognize exercise its "gatekeeping" function and deny Hope Health's Modified Application.

Respectfully submitted,

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October 4, 2021

Table of Exhibits

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I hereby declare and affirm under the penalties of perjury that the facts stated in Sheppard Pratt Health System's Comments on Hope Health System's April 26, 2021 and August 19, 2021 Responses to the Appointed Reviewer's Requests for Additional Information and its attachments are true and correct to the best of my knowledge, information, and belief.

DocuSigned by:
Kelly Savoca
0956C57E5870471...

October 4, 2021
Date

Kelly Savoca
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I hereby declare and affirm under the penalties of perjury that the facts stated in Sheppard Pratt Health System's Comments on Hope Health System's April 26, 2021 and August 19, 2021 Responses to the Appointed Reviewer's Requests for Additional Information and its attachments are true and correct to the best of my knowledge, information, and belief.

October 4, 2021
Date

DocuSigned by:
Jennifer Wilkerson
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VP – Chief Strategy Officer

CERTIFICATE OF SERVICE

I hereby certify that on the 4th day of October, 2021, a copy of Sheppard Pratt Health System, Inc.'s Interested Party Comments on Hope Health System, Inc.'s April 26, 2021 and August 19, 2021 Responses to Requests for Additional Information was sent via email and first-class mail to:

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#758523

EXHIBIT 3

ALTERNATIVE TABLE K. REVENUES & EXPENSES, INFLATED - NEW FACILITY OR SERVICE (Sheppard Pratt Comments on Hope Health's April 26, 2021 and August 19, 2021 Completeness Responses)

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.

	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	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
1. REVENUE							
a. Inpatient Services	$7,408,531.00	$8,052,610.00	$8,233,656.00	$8,414,702.00	$8,595,748.00	$8,776,794.00	$8,957,840.00
b. Outpatient Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gross Patient Service Revenues	***$ 7,408,531***	***$ 8,052,610***	***$ 8,233,656***	***$ 8,414,702***	***$ 8,595,748***	***$ 8,776,794***	***$ 8,957,840***
c. Allowance For Bad Debt	$ 814,938	$ 885,787	$ 905,702	$ 925,617	$ 945,532	$ 965,447	$ 985,362
d. Contractual Allowance	$ 444,512	$ 483,157	$ 494,020	$ 504,882	$ 515,745	$ 526,608	$ 537,471
e. Charity Care	$ 304,491	$ 330,962	$ 338,403	$ 345,844	$ 353,285	$ 360,726	$ 368,167
Net Patient Services Revenue	***$ 5,844,590***	***$ 6,352,704***	***$ 6,495,531***	***$ 6,638,359***	***$ 6,781,186***	***$ 6,924,013***	***$ 7,066,840***
f. Other Operating Revenues (Specify/add rows of needed)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET OPERATING REVENUE	***$ 5,844,590***	***$ 6,352,704***	***$ 6,495,531***	***$ 6,638,359***	***$ 6,781,186***	***$ 6,924,013***	***$ 7,066,840***
2. EXPENSES							
a. Salaries & Wages (including benefits at 21% for all employees, 21% for clinical director and contractual direct care staff)	$ 4,993,873	$ 5,088,757	$ 5,185,443	$ 5,283,966	$ 5,384,362	$ 5,486,665	$ 5,590,911
b. Contractual Services	$ 528,445	$ 572,702	$ 583,932	$ 595,161	$ 606,391	$ 617,620	$ 628,850
c. Interest on Current Debt	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
d. Interest on Project Debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -
e. Current Depreciation	$ -	$ -	$ -	$ -	$ -	$ -	$ -
f. Project Depreciation	$ -	$ -	$ -	$ -	$ -	$ -	$ -
g. Current Amortization	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***	***$ -***
h. Project Amortization	$ 113,772	$ 113,772	$ 113,772	$ 113,772	$ 113,772	$ 113,772	$ 113,772
i. Supplies	$ 473,329	$ 512,970	$ 523,028	$ 533,087	$ 543,145	$ 553,203	$ 563,261
j. Other Expenses: Marketing, recruitment, training, miscellaneous	$ 125,000	$ 127,500	$ 130,000	$ 132,500	$ 135,000	$ 137,500	$ 140,000
j. Other Expenses: Lease	$ 167,208	$ 170,552	$ 173,896	$ 177,240	$ 180,585	$ 183,929	$ 187,273
TOTAL OPERATING EXPENSES	**$6,401,627**	**$ 6,586,253**	**$ 6,710,071**	**$ 6,835,726**	**$ 6,963,255**	**$ 7,092,689**	**$ 7,224,067**
3. INCOME							
a. Income From Operation	**$ (557,037)**	**$ (233,549)**	**$ (214,540)**	**$ (197,367)**	**$ (182,069)**	**$ (168,676)**	**$ (157,227)**
b. Non-Operating Income	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUBTOTAL	***$ (557,037)***	***$ (233,549)***	***$ (214,540)***	***$ (197,367)***	***$ (182,069)***	***$ (168,676)***	***$ (157,227)***
c. Income Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME (LOSS)	***$ (557,037)***	***$ (233,549)***	***$ (214,540)***	***$ (197,367)***	***$ (182,069)***	***$ (168,676)***	***$ (157,227)***

ALTERNATIVE TABLE K. REVENUES & EXPENSES, INFLATED - NEW FACILITY OR SERVICE (Sheppard Pratt Comments on Hope Health's April 26, 2021 and August 19, 2021 Completeness Responses)

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.

	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	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
4. PATIENT MIX							
a. Percent of Total Revenue							
1) Medicare	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2) Medicaid	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%
3) Blue Cross	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
4) Commercial Insurance	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
5) Self-pay	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
6) Other	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
TOTAL	***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%
2) Medicaid	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%	85.9%
3) Blue Cross	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
4) Commercial Insurance	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
5) Self-pay	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
6) Other	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
TOTAL	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

ALTERNATIVE TABLE H. WORKFORCE INFORMATION (Sheppard Pratt Comments on Hope Health's April 26, 2021 and August 19, 2021 Completeness Responses

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 Tables F and G.

	CURRENT ENTIRE FACILITY			*PROJECTED CHANGES AS A RESULT OF THE PROPOSED PROJECT THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)*			*OTHER EXPECTED CHANGES IN OPERATIONS THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)*			*PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS) **	
Job Category	**Current Year FTEs**	**Average Salary per FTE**	**Current Year Total Cost**	**FTEs**	**Average Salary per FTE**	**Total Cost** *(should be consistent with projections in Table G, if submitted).*	**FTEs**	**Average Salary per FTE**	**Total Cost**	**FTEs**	**Total Cost** *(should be consistent with projections in Table G)*
1. Regular Employees											
Administration *(List general categories, add rows if needed)*											
Administrator			$0	1.0	$150,000	$150,000			$0	1.0	$150,000
			$0			$0			$0	0.0	$0
			$0			$0			$0	0.0	$0
Total Administration			$0	1.0		$150,000			$0	1.0	$150,000
Direct Care Staff *(List general categories, add rows if needed)*											
Recreation Therapist			$0	1.0	$45,000	$45,000			$0	1.0	$45,000
Social Worker			$0	3.0	$52,000	$156,000			$0	3.0	$156,000
RN			$0	9.5	$76,000	$722,000			$0	9.5	$722,000
Occ. Therapist			$0	1.0	$87,000	$87,000			$0	1.0	$87,000
Psych Tech			$0	16.0	$35,000	$560,000			$0	16.0	$560,000
Nurse Manager			$0	1.0	$100,000	$100,000			$0	1.0	$100,000
Total Direct Care			$0	31.5		$1,670,000			$0	38.0	$1,670,000
Support Staff *(List general categories, add rows if needed)*											
Discharge Coordinator			$0	1.5	$60,000	$90,000			$0	1.5	$90,000
Finance Staff			$0	3.0	$71,000	$213,000			$0	3.0	$213,000
Food and Nutrition			$0	2.5	$41,000	$102,500			$0	2.5	$102,500
Reception/Assistant			$0	3.5	$32,000	$112,000			$0	3.5	$112,000
UR/Billing			$0	2.5	$53,000	$132,500			$0	2.5	$132,500
HIM/Medical Records			$0	1.0	$45,000	$45,000			$0	1.0	$45,000
Patient Services/Accounts			$0	2.0	$37,000	$74,000			$0	2.0	$74,000
Purchasing /Materials Management			$0	0.5	$16,500	$8,250			$0	0.5	$8,250
Total Support			$0	16.5		$777,250			$0	16.5	$777,250
REGULAR EMPLOYEES TOTAL			$0	***49.0***		$2,597,250			$0	49.0	$2,597,250
2. Contractual Employees											

ALTERNATIVE TABLE H. WORKFORCE INFORMATION (Sheppard Pratt Comments on Hope Health's April 26, 2021 and August 19, 2021 Completeness Responses

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	CURRENT ENTIRE FACILITY			*PROJECTED CHANGES AS A RESULT OF THE PROPOSED PROJECT THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)*			*OTHER EXPECTED CHANGES IN OPERATIONS THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)*			*PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS) **	
Job Category	**Current Year FTEs**	**Average Salary per FTE**	**Current Year Total Cost**	**FTEs**	**Average Salary per FTE**	**Total Cost** *(should be consistent with projections in Table G, if submitted).*	**FTEs**	**Average Salary per FTE**	**Total Cost**	**FTEs**	**Total Cost** *(should be consistent with projections in Table G)*
Administration *(List general categories, add rows if needed)*											
Clinical Director			$0	1.0	$109,300	$109,300			$0	0.0	$109,300
			$0			$0			$0	0.0	$0
			$0			$0			$0	0.0	$0
			$0			$0			$0	0.0	$0
Total Administration			$0	1.0		$109,300			$0	0.0	$109,300
Direct Care Staff *(List general categories, add rows if needed)*											
Psychologist			$0	2.0	$70,600	$141,200			$0	0.0	$141,200
Pyschiatrist			$0	4.0	$250,000	$1,000,000			$0	0.0	$1,000,000
Infection Control / Health & Safety			$0	0.5	$60,000	$30,000			$0	0.0	$30,000
			$0			$0			$0	0.0	$0
Total Direct Care Staff			$0	6.5		$1,171,200			$0	0.0	$1,171,200
Support Staff *(List general categories, add rows if needed)*											
Security Officer			$0	7.2	$36,500	$262,800			$0	7.2	$262,800
Physical Plan Management / Maintenance			$0	1.4	$37,000	$51,800			$0	1.4	$51,800
			$0			$0			$0	0.0	$0
			$0			$0			$0	0.0	$0
Total Support Staff			$0	8.6		$314,600			$0	8.6	$314,600
CONTRACTUAL EMPLOYEES TOTAL			$0	***16.1***		$1,595,100			$0	16.1	$1,595,100
Benefits *(State method of calculating benefits below)**:***											
21% for regular employees; 20% benefits for Clinical Director and Direct Care Staff listed as Independent Contractors						**$801,523**					**$801,523**
TOTAL COST	***0.0***		***$0***	***65.1***		***$4,993,873***	***0.0***		***$0***		***$4,993,873***