

MARYLAND HEALTH CARE COMMISSION

Certificate of Need

TO: Andrew Nicklas
Director, Government Relations,
and Deputy General Counsel
Adventist HealthCare
820 West Diamond Avenue
Gaithersburg, MD 20878

April 15, 2021
Date

RE: Adventist HealthCare Shady Grove Medical Center
Construct a Patient Tower and Renovate Existing Facilities

20-15-2443
Docket No.

PROJECT DESCRIPTION

This Certificate of Need authorizes Adventist HealthCare Shady Grove Medical Center (SGMC) to complete major expansion and renovation of its facility at 9901 Medical Center Drive, in Rockville. The project will add a six-floor patient care tower with 150,352 square-feet (SF) of inpatient service space, and renovation of 25,696 SF of existing hospital building space. The project is not intended to either add to the number of beds the hospital routinely places into operation or introduce new facilities or services. It is planned and designed to modernize the existing facilities and services. SGMC expects to complete the project in two phases scheduled over 66 months (projected completion in August 2026), including six months of final design and planning. Phase 1 – construction of the patient tower, is expected to take 36 months. Phase 2 – renovation of the existing facility, is expected to be completed in 24 months.

The total project cost is estimated at just over \$180 million, consisting of approximately \$103.3 million for new construction, \$9.7 million for renovation, a contingency allowance of \$12.8 million, and an inflation allowance of \$14.7 million. The project will be funded with a \$154 million tax-exempt municipal bond issue, approximately \$10 million in cash, and \$16.0 million in philanthropic donations.

ORDER

The Maryland Health Care Commission reviewed the Staff Report and Recommendation and, based on that analysis and the record of the review, ordered on April 15, 2021, that a Certificate of Need be issued for the project with the following conditions:

1. Prior to its request for first use approval, Adventist HealthCare Shady Grove Medical Center shall identify bed capacity it will retain in operational status, the physical bed capacity it will repurpose but retain as physical bed capacity, and the physical bed capacity it will eliminate. This plan shall specifically address the hospital's assessment

of the need for surge bed capacity and its plan to maintain and deploy adequate surge capacity when needed.

2. Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude \$21,226,090, which includes the estimated new construction costs that exceed the Marshall Valuation Service guideline cost and portions of the contingency allowance and inflation allowance that are based on the excess construction cost.

PERFORMANCE REQUIREMENTS

In accordance with COMAR 10.24.01.12C(3)(b), the project is subject to the following performance requirements:

The applicant states the project will be implemented in two phases, with all phases included in a single construction contract. Taking these two phases into account, the applicant will adhere to the following timeframes for completion of the proposed project:

Binding construction contract obligating not less than 51% of the Commission-approved capital expenditure, as documented by a binding construction contract,	Within 24 months of the date of the Certificate of Need (no later than April 2023)
Initiation of Phase 1 Construction	Within 4 months of binding construction contract
Completion of Phase 1 Construction	Within 36 months of binding construction contract
Completion of Phase 2 Construction	Within 24 months of completion of Phase 1 construction

Failure to meet these performance requirements will render this Certificate of Need void, subject to the requirements of COMAR 10.24.01.12 F through I.

PROPOSED CHANGES TO THE APPROVED PROJECT

Before making any changes to the facts in the Certificate of Need application and other information provided to the Commission, SGMC must notify the Commission in writing and receive Commission approval of each proposed change, including the obligation of any funds above those approved by the Commission in this Certificate of Need, in accordance with COMAR 10.24.01.17. Pursuant to COMAR 10.24.01.17B(2), the project cannot incur capital cost increases that exceed the approved capital cost inflated by an amount determined by applying the Building Cost Index published on a quarterly basis by IHS Economics in the Healthcare Cost Review unless CSI obtains a modification of this Certificate of Need from the Commission. Instructions for determining the threshold that necessitates Commission review and approval of changes to the capital cost approved in this Certificate of Need are located on the Commission's website at:

http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/hcfs_con.aspx

DESIGN APPROVAL AND FACILITIES LICENSURE BY DHMH

This Certificate of Need does not constitute a license or replace any approvals required by the Office of Health Care Quality or others within the Maryland Department of Health (MDH) to construct and operate new space within an existing facility. SGMC must provide MDH with all information it requires for plan approval, facility licensure, and putting into operation renovated space within its existing facility, including information pertaining to project design and specifications.

QUARTERLY STATUS REPORTS

SGMC must submit quarterly status reports on the approved project to the Commission, beginning July 15, 2021, three months from the date of this Certificate of Need, and continuing, at three-month intervals, until the completion of the project.

REQUEST FOR FIRST USE REVIEW

SGMC must request in writing, not less than 60 days but not more than 120 days before the first use of the approved operating room, a first use review from the Commission, specifying the anticipated date of first use and documenting that the project has been substantially completed and will be completed, within 120 days or less, in a manner and at a cost consistent with this Certificate of Need. Commission staff will review the request in consultation, as necessary, with OHCQ, and in accordance with COMAR 10.24.01.18 to determine whether the project conforms with the Certificate of Need. First use approval does not constitute a license or replace any approvals required by OHCQ or others within MDH to operate new space within an existing health care facility. Therefore, SGMC should assure that OHCQ is notified of the imminent completion of the project and should arrange for completion of any inspections and or approvals required by OHCQ in a timely manner. First use approval remains in effect for 90 days. If first use of the new operating room does not occur within 90 days of approval, SGMC shall reapply for first use approval.

ACKNOWLEDGEMENT OF RECEIPT OF CERTIFICATE OF NEED

Acknowledgement of your receipt of this Certificate of Need, stating acceptance of its terms and conditions, is required within thirty (30) days.

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A handwritten signature in black ink that reads "Ben Steffen". The signature is written in a cursive, slightly slanted style.

Ben Steffen
Executive Director

cc: Patricia T. Nay, M.D., Executive Director, Office of Health Care Quality
Travis Gayles, M.D., Ph.D., Health Commissioner, Montgomery County Health
Department