

STATE OF MARYLAND

Andrew N. Pollack, M.D.
CHAIR



Ben Steffen
EXECUTIVE DIRECTOR

MARYLAND HEALTH CARE COMMISSION

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

November 4, 2020

Via E-mail and USPS

Andrew Nicklas, Director of Government Relations &
Deputy General Counsel
Adventist HealthCare Shady Grove Medical Center
820 West Diamond Avenue
Gaithersburg, MD 20878

Re: Shady Grove Medical Center Proposed
Construction and Renovation
Matter No. 20-15-2443

Dear Mr. Nicklas:

Staff of the Maryland Health Care Commission (MHCC) has reviewed the Adventist HealthCare Shady Grove Medical Center's (Shady Grove) above-referenced Certificate of Need application for completeness, and we have a number of questions that need to be answered in order to find the application complete; they follow.

PROJECT IDENTIFICATION AND GENERAL INFORMATION

1. You responded to question 5 by identifying the organization as a "Non-profit." In order to complete this answer, provide the state and date of incorporation.
2. Please provide a description of the emergency department's (ED) current physical layout, the changes/improvements planned for the new ED, and what will happen to spaces that are vacated as a result of this portion of the project. Your response should include a "before" and "after" description of all spaces.
3. Please provide a chronological description of each phase of this Patient Tower project, including your plans to renovate/construct the new patient tower "in-place."

4. The project schedule (question 11) shows a total project timeline of 72 months. However, the sum of the projected timeline for the various checkpoints is only 66 months. Please explain, or provide a corrected version of this timeline. A Gantt chart or timeline may be useful.

PROJECT BUDGET

5. Please provide a description of the improvements included with the Central Utility Plant (CUP) upgrade, which has a project budget of \$11.9M. How will this portion of the project improve either the efficiency or operation at Shady Grove?
6. Provide the basis or assumptions used to calculate the following:
 - a) \$12,847,170 in Contingency Allowance;
 - b) \$14,611,596 in Gross Interest during Construction period;
 - c) \$14,682,334 in Inflation Allowance;
 - d) \$1,925,187 in loan placement fees;
 - e) \$560,000 in Interest Income from bond proceeds; and
 - f) \$7,473,375 in Debt Service Reserve Fund.
7. Please respond to the following:
 - a) How much of the \$16M projected philanthropic funds are:
 - (i) in-hand and
 - (ii) already pledged?
 - b) On what basis is the remaining amount projected?
 - c) If there are remaining philanthropic funds that need to be collected, what is the applicant's solicitation plan?
 - d) How will the applicant cover any shortfalls in that projection?
8. The Project Budget (Table B) shows a Total Sources of Funds in each of the columns for the *Hospital Building*, *CUP Upgrade*, and *Total* that does not match the sum of the sources within that section. The difference is in the projected interest income from the bond proceeds. Please submit a mathematically corrected table where Use and Source of Funds are equal.
9. Cite the line item from your audited financial statements that shows the source for the \$10 million in cash.
10. Provide information on the \$154 million in authorized bonds, such as who will underwrite the bonds, the rating for the bond issue, interest rate, term length, and any other details.
11. The Project Budget does not show any legal or other costs for either CON Application Assistance or Non-CON Consulting Fees. Please confirm that this is accurate, or submit a corrected project budget.

CONSISTENCY WITH GENERAL REVIEW CRITERIA (COMAR 10.24.01.08G(3))

(A) THE STATE HEALTH PLAN

COMAR 10.24.10 - ACUTE HOSPITAL SERVICES standards

Charity Care Policy

12. For each of the following subparts of this standard, please provide the quote from the policy that meets each provision, and in what section of the policy it can be found.

Standard	Quote from the policy	Section citation
10.24.01.04A(2) (2) Charity Care Policy. Each hospital shall have a written policy for the provision of charity care for indigent patients to ensure access to services regardless of an individual's ability to pay. (a) The policy shall provide:		
(i) Determination of Probable Eligibility. Within two business days following a patient's request for charity care services, application for medical assistance, or both, the hospital must make a determination of probable eligibility.		
(ii) Minimum Required Notice of Charity Care Policy.		

1. Public notice of information regarding the hospital's charity care policy shall be distributed through methods designed to best reach the target population and in a format understandable by the target population on an annual basis;		
2. Notices regarding the hospital's charity care policy shall be posted in the admissions office, business office, and emergency department areas within the hospital.		
3. Individual notice regarding the hospital's charity care policy shall be provided at the time of preadmission or admission to each person who seeks services in the hospital.		

13. The applicant's policy states that the determination of probable eligibility will be made within two days of a completed application. It is required that the determination of probable eligibility occur within 2 days of a request. Change your charity care policy accordingly.

14. In Exhibit 12 or Exhibit 14, provide a citation and excerpt the language that discusses the type of information a patient must provide for a "determination of probable eligibility" to be in compliance with Paragraph .04A(2)(i).

15. Provide a copy of your procedures, if any, and other documents that detail your process for making a determination of probable eligibility and your procedures, if any, for making a final determination.

Note that requiring the completion of an application and requiring documentation does not comply with this standard, which is intended to ensure that a procedure is in place to inform a potential charity/reduced fee care recipient of his/her probable eligibility within two business days of initial inquiry or application.

A two-step process that allows for a probable determination to be communicated within two days based on an abridged set of information, followed by a final determination based on a completed application with the required documentation is permissible, but the policy must include the more easily navigated determination of probable eligibility.

16. The application document provided by Shady Grove that is required for the determination of probable eligibility presents several issues which need correction:
- This application should not request information regarding citizenship or immigration status.
 - The application should not require significant documentation in order to provide a determination for presumptive eligibility (as noted above in question 15).

Amend the document to address these issues.

Adverse Impact

17. Under what circumstances or conditions will Shady Grove discuss with HSCRC the potential of renegotiating an increase in reimbursement rates to fund the incremental depreciation and interest costs of the project?

Construction Cost of Hospital Space

18. Each of the five floors shows differing square footage (ranging from 21,486 to 38,560 SF), perimeters (ranging from 375 to 821 feet) and wall height (ranging from 15 to 16 feet). Please confirm and explain why.
19. How will the existing CVIR space on the third floor be repurposed after project completion?

Inpatient Nursing Unit Space

20. The size of the nursing unit spaces on floors three, four, and five shown in the table on page 73 of the application occupy approximately half of the square footage shown for these floors in Table C of Exhibit 1. Yet the drawings of these floors contained in Exhibit 3 appear to show the nursing units comprising the entirety of these floors. Explain the major discrepancy in square footage between the two.

Efficiency

21. Your response to this standard is inadequate. Guidance offered by staff in the *Acute Care Hospital Review Standards* document shared with you states that: “Ideally an applicant would compare productivity and staffing metrics to illustrate improvements resulting from the proposed project.” According to Table L, this project adds a significant number of FTEs in a project that does not add new services or capacity, on the face of it perhaps

making the facility less efficient in terms of output per FTE (e.g., visits, patient days, or other volume measures per FTE).

Your response describes a variety of features/improvements that will inevitably have an effect on efficiency. Your task in responding to this standard is to quantify the impact of these improvements on operational efficiency in the ED, CDU, CVIR and perioperative services, patient care (MSGa), and critical care (ICU) units. In short, we are looking for you to provide estimated metrics related to productivity and efficiency.

22. Please illustrate how the addition of 48.8 FTEs will improve the efficiency or operations of Shady Grove upon project completion. A metric such as the number of FTEs per Equivalent Inpatient Admission (EIPA) before and after the project will be illustrative.

Patient Safety

23. Provide additional information that addresses how the project addresses patient safety and organize it in terms of how it will impact the patients, the workplace, and/or the design of the unit.

Emergency Department Treatment Capacity and Space

24. The applicant is requesting an expansion of emergency room capacity from 69 to 71 treatment spaces. As instructed in subparagraph B(14) (a),

An applicant proposing a new or expanded emergency department shall classify service as low range or high range based on the parameters in the most recent edition of Emergency Department Design: A Practical Guide to Planning for the Future from the American College of Emergency Physicians. The number of emergency department treatment spaces and the departmental space proposed by the applicant shall be consistent with the range set forth in the most recent edition of the American College of Emergency Physicians Emergency Department Design: A Practical Guide to Planning for the Future, given the classification of the emergency department as low or high range and the projected emergency department visit volume.

Provide a classification of the proposed emergency room as either low range or high range based on the most recent edition of Emergency Department Design: A Practical Guide to Planning for the Future from the American College of Emergency Physicians. Provide the rationale used for the classification.

25. The applicant is proposing 71 total ED treatment rooms (including behavioral health rooms). That is very high in comparison to the ACEP standard, which offers a range of 35 to 47 total ED treatment spaces for an applicant with the Shady Grove ED volume

(around 60,000 visits/year). Provide an explanation of why Shady Grove is requesting such a large number of ED treatment rooms.

26. Please respond to the following:

- a) Identify the zip codes in Shady Grove's primary service area for the ED.
- b) As indicated on p. 85 of the CON, why are EDs located at such hospitals such as either Holy Cross Germantown or MedStar Montgomery not included in your primary service area?

27. What is the source for the "Statewide Data" cited in the tables located on pages 86 and 87 of the application?

28. Provide and cite the source of the ED use rate and population growth data discussed on page 87 of the application.

29. Identify the name and location for the two urgent care centers cited on page 87 of the application. Please provide copies of the educational material provided to the local community "to increase awareness of the availability of urgent care centers for non-emergent services."

30. Provide the historical volume of behavioral health patients to Shady Grove's ED for the last five years. Provide some background information on the top ten diagnoses or types of behavioral health patients that appear at Shady Grove's ED.

(B) NEED

31. The application shows that Shady Grove's patient days have been steadily decreasing since 2016. The applicant also states that the occupancy rate in 2020 is projected to be 88.5% despite the impact of COVID-19. How much of that 88.5% projection is due to COVID? Has there been a further decrease in non-COVID related hospital stays?

32. Shady Grove's market share for both primary and secondary service areas has steadily decreased by 10% from 2016-2018 (Page 30). How does the applicant account for this decrease? It is projected that market share will stabilize through 2026. How does the applicant predict the project will result in a stable market share?

33. Cite the source labelled as "Statewide Data" for all of the tables in the Need section.

(C) AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES

34. Consider and discuss the alternative of other hospitals in the service area meeting the same needs of the community that you propose to address with the project.

TABLES

Table A

35. Within “After Project Completion,” under Psychiatric Beds, 6 private beds and 64 semi-private beds are listed; the total is listed as 133 beds. This is inconsistent with the total that MHCC staff calculated, which was 134 beds. Please resolve this discrepancy as to whether Shady Grove will have 403 or 404 physical beds after project completion.
36. Please provide an explanation as to what will happen to the following patient rooms removed from service after project completion:
- a. The 11 Private and 13 semi-private rooms on Unit 2D;
 - b. The 2 private and 10 semi-private rooms on Unit 4C;
 - c. The 2 private and 10 semi-private rooms on Unit 4D;
 - d. The 8 semi-private rooms on Unit 3D; and
 - e. The 9 semi-private rooms on Unit 2C
37. Why does floor “2C” become “2nd” after project completion?

Table F

38. Did COVID-19 have a disproportionate impact on pediatric inpatient stays and ALOS in CY2020? If not, what accounts for the substantial decrease of pediatric inpatient stays compared to other categories?
39. Discuss the current impact of COVID-19 on the inpatient utilization and revenue/expenses at Shady Grove. Does the applicant anticipate any long-term impact due to the pandemic on either your future revenue/expense projections or utilization projections?

Table L

40. Explain how and why you are reducing contractual labor from 114 FTE to 53.7 FTE.
41. Do you expect any difficulty in recruiting 48.8 additional FTEs for the new project? How will the applicant recruit these personnel? In addition, what are the reasons for the additional 59.5 FTEs stated as “other expected changes in operations through the last year of projection?” Explain why the number of FTEs is shifting considerably.
42. Why does the “revenue cycle” category drop from 74 FTEs to zero FTEs?

Please submit four copies of the responses to completeness questions and the additional information requested in this letter within ten working days of receipt. Also, submit the response electronically, in both Word and PDF format, to Ruby Potter (ruby.potter@maryland.gov). Given the number of questions posed, as well as the time required for staff to compile these questions, we will certainly grant an extension to the ten-day target specified in regulation as soon as you would request it.

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

Should you have any questions regarding this matter, feel free to contact me at (410) 764-5982.

Sincerely,

A handwritten signature in black ink, appearing to read "William D. Chan". The signature is fluid and cursive, with the first name "William" being the most prominent.

William D. Chan
Program Manager

Cc: Paul Parker
Kevin McDonald
Daniel Cochran, President, Adventist Healthcare Shady Grove Medical Center
Howard L. Sollins, Esq.
Travis Gayles, MD, Health Officer, Montgomery County Health Department