

# GALLAGHER

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ATTORNEYS AT LAW

March 21, 2023

**VIA EMAIL & FEDERAL EXPRESS MAIL**

Wynee Hawk  
Chief, Certificate of Need  
Maryland Health Care Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215

Bob Gallion  
Associate Director, Revenue and Regulation Compliance  
Health Services Cost Review Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215

Re: Shore Health System, Inc. Responses to Additional Information  
Questions dated February 28, 2023 for Replacement and Relocation of  
University of Maryland Shore Medical Center at Easton

Dear Ms. Hawk and Mr. Gallion:

On behalf of the applicant Shore Health System, Inc., we are submitting an electronic version of the Responses to HSCRC's Additional Information Questions dated February 28, 2023 and related exhibits along with seven (7) hard copies by Federal Express mail. By separate email, we will provide a WORD version of the responses, and copies of EXCEL files for Exhibits 38, 41, 42, 44, and 45.

We hereby certify that a copy of this submission has also been forwarded to the appropriate local health planning agencies as noted below.

If you have questions about the information provided above, please contact us at your convenience.

Very truly yours,



Thomas C. Dame

Mallory Regenbogen

Alison Lutich

cc: Ruby Potter, Health Facilities Coordination Officer, MHCC  
Ben Steffen, Executive Director, MHCC  
Paul Parker, Director, Center for Health Care Planning & Development, MHCC

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Ms. Wynee Hawk  
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**SHORE HEALTH SYSTEM, INC.  
RELOCATION OF UNIVERSITY OF MARYLAND SHORE MEDICAL CENTER AT EASTON  
Matter No. 23-20-2463**

**Responses to Additional Information Follow Up Questions from HSCRC and MHCC  
Dated February 28, 2023**

**Table E**

- 1. Please define UMMS/OVHO \$1,500,000 under Capital Costs (line 32) in the budget.**

**Applicant Response**

UMMS/OVHD refers to the costs associated with the UMMS Design & Construction Department, who act as the “owner’s representative” throughout design and construction. Employees’ time is billed commensurately with each of the projects they are managing.

- 2. As the age of the bid estimates used in the project budget may impact the actual contracted cost and may overtake the projected contingency and inflation allowances, please provide the dates of the contract bids.**

**Applicant Response**

There are no construction bids at this time, nor any construction contracts. The bids will be solicited closer to the end of, or following completion of, the CON process. The cost estimates in the CON application were based on an estimate received in mid-2022. The CON Project Budget (Table E) was developed in November 2022 based on those estimates.

- 3. There has recently seen a 38% hike in construction costs on CON construction projects with aged bid estimates. Are stated values in Not to Exceed (NTE) contracts?**

**Applicant Response**

As stated in response to Question 2 above, there are currently no contracts for this project at this time. SHS intends to utilize a Guaranteed Maximum Price (GMP) contract with the successful Construction Manager. The inflation factor used in the Project Budget is based on the inflation index required by the MHCC and takes into account recent market conditions.

- 4. In the CON application on page 211, the sources of funds include \$38.6M from cash of which \$20M has been spent and \$18.6M is restricted on the balance sheet of University of Maryland Shore Regional Health (UM SRH). The hospital subject to the CON is University of Maryland Shore Medical Center at Easton, but the CON applicant is Shore Health Systems (SHS) which adds in both Cambridge and Queenstown Freestanding Medical Facilities (FMFs). The balance sheet resource is UM SRH which adds in Chestertown Hospital. Which of these four hospitals is expected to have operations performance sufficient to generate an extra \$18.6M beyond its operational needs to contribute toward this project? Please provide projected balance sheets for each of the four hospitals and as consolidated for SHS and UM SRH through 2032 to study ongoing financial viability.**

### Applicant Response

UM SMC at Easton will source the remaining \$18.6M in restricted assets and contribute them to the project sources. UM SMC at Easton has generated the restricted assets as part of a disciplined approach to preserving a portion of their annual operating cash flows after funding their mandated financial requirements and routine replacement capital needs.

Projected balance sheets are not prepared as part of UMMS long-range capital and financial planning process. Key aspects of UMMS' financial position (cash/investments, debt, etc.) are forecasted and evaluated at the UMMS level throughout the process, rather than at the member organization level. Although the historical financial statement audit does provide a lens into an individual member organization's balance sheet, these balance sheets are maintained largely for tracking of historical local investments and their financial value to the organization as a whole. UMMS does not make current or future investment decisions based only on an individual hospital's resources or financial capabilities.

UMMS, like most regional health care delivery systems, makes capital investment decisions to achieve its strategic mission by considering: (a) the consolidated operating cash flows of its member organizations, (b) the expected outcomes of its investing and philanthropic strategies, (c) the forecasted impact of external factors such as capital market conditions, and (d) other relevant factors. Changes in the timing of cash inflows and outflows related to day-to-day operations, which drive many of the changes in its balance sheet accounts, are considered as part of the process, but are not fully evaluated for the purpose of creating a complete projected balance sheet.

UMMS is tactical in the deployment of its capital strategies by employing the strengths of its system-wide balance sheet, in addition to seeking capital grants support from the State of Maryland. This has been a valued partnership as UMMS shares a common mission to deliver high quality health care to Maryland citizens. With the deployment of future strategies, UMMS and its Board of Directors have prioritized the need to strengthen its liquidity metric (Days of Cash on Hand) which is weaker in comparison to UMMS' "A" rated peer health systems. It is also crucial that UMMS maintain and build upon its financial strengths (particularly liquidity) so that it can continue to be viewed favorably by the capital markets. This enables UMMS to issue debt at a cost-effective interest rate, which will support future capital investing strategy and support the ability to be successful in a rapidly-evolving health care industry. As a result, it has been a collective UMMS objective to direct a portion (20% on average) of annual operating cash flows into improving liquidity and leverage.

- 5. Sources of funds include \$50.0M from philanthropy following a feasibility study and using the efforts of a national fund-raising firm. What is the timeline for the realizability of the targeted goal? What is the alternate source should the timeline stretch beyond the planned construction period?**

### Applicant Response

The timeline for University of Maryland Shore Regional Health ("UM SRH") to secure public and private sector funds totaling \$50 million for the UM SMC at Easton Regional Medical Center project is by the end of the construction phase of the project (currently estimated to be Summer of 2028).

The alternate source of funding, should the timeline stretch beyond the planned construction phase of our project, is to use UM Memorial Hospital Foundation unrestricted funds and/or increase borrowings to cover the variance until all contributions intended for the project are received.

- 6. Sources of funds include \$333.3M from bond proceeds and financing costs includes \$2.98M for loan placement fees. Is this to be Maryland Health and Higher Educational Facilities Authority financed? What is the status of the bond financing? What is the timeline for the realizability of bond proceeds? Please specify the obligated group for the bond financing.**

*Applicant Response*

A decision around the issuer of the future bond issuance is not finalized, but the Maryland Health and Higher Education Facilities Authority (“MHHEFA”) may be a likely candidate. UMMS anticipates issuing the bonds in 2<sup>nd</sup> quarter of fiscal year 2025 (Oct 2025). However, should the regulatory process move faster than expected, UMMS could issue as soon as the 2<sup>nd</sup> quarter of fiscal year 2024. The UMMS obligated group is as follows:

Obligated Group Member	Major Facilities Owned/Operated and City/Town where located
<b>University of Maryland Medical System Corporation</b>	University of Maryland Medical Center [Baltimore]
<b>University of Maryland Medical Center, LLC</b>	none; employee leasing company
<b>Maryland General Hospital, Inc.</b>	UM Medical Center Midtown Campus [Baltimore]
<b>The James Lawrence Kernan Hospital, Inc.</b>	UM Rehabilitation and Orthopaedic Institute [Baltimore]
<b>Baltimore Washington Medical Center, Inc.</b>	UM Baltimore Washington Medical Center [Glen Burnie]
<b>Shore Health System, Inc.</b>	UM Shore Medical Center at Easton [Easton]; UM Shore Medical Center at Cambridge [Cambridge]; UM Shore Emergency Center at Queenstown [Queenstown]
<b>Chester River Hospital Center, Inc.</b>	UM Shore Medical Center at Chestertown [Chestertown]
<b>Civista Medical Center, Inc.</b>	UM Charles Regional Medical Center [La Plata]

<b>University of Maryland St. Joseph Medical Center, LLC</b>	UM St. Joseph Medical Center [Towson]
<b>Upper Chesapeake Medical Center, Inc.</b>	UM Upper Chesapeake Medical Center [Bel Air]
<b>Harford Memorial Hospital, Inc.</b>	UM Harford Memorial Hospital [Havre de Grace]
<b>Dimensions Health Corporation d/b/a University of Maryland Capital Region Health</b>	UM Capital Region Medical Center [Largo]; UM Laurel Medical Center [Laurel], UM Bowie Health Center [Bowie]
<b>University of Maryland Medical System Foundation, Inc.</b>	n/a

- 7. Sources of funds include \$100.0M from state grant or appropriation. Has the current governor committed this value? If so, what is the timeline for realizability? If this source is deemed to be unrealizable, then please amend the sources of funds for the project budget and projected P & Ls and balance sheets for the Easton hospital, and the consolidated applicant.**

*Applicant Response*

At the time of filing this response, Governor Moore has not committed State funds for the UM SMC at Easton Regional Medical Center project. With that, UM SRH remains confident it will receive State support in the form of a \$100 million commitment for the project. This confidence is based on the State of Maryland’s long history of partnering with UMMS to address health disparities and market failures that have led to insufficient health care infrastructure in vulnerable communities, with recent examples including significant investments in Baltimore City and Prince George’s County. UM SRH and UMMS believe that this partnership should and will naturally extend to address disparities related to the provision of health care in rural areas on the Eastern Shore.

In the event this source is deemed to be unrealizable, the Applicant will amend the sources of funds for the project budget, and projected P & L’s and balance sheet for the Easton hospital and the consolidated applicant, Shore Health System, Inc.

## Table F

As a preliminary matter, the Applicant notes that in the CON application it prepared MHCC Tables F, G, and H based on the Revenue and Expense projections for Shore Health System, Inc. given that the MHCC Tables are meant to provide support for the Applicant's response to the Financial Feasibility standard set forth at COMAR 10.24.10.04(14). The Financial Feasibility standard is focused on the *hospital* and whether it will generate excess revenue over total expenses within five years or less of initiating operations. As noted in the Applicant's response to this standard on page 99 of the CON application, its freestanding medical facilities, UM SMC at Cambridge and UM Shore EC at Queenstown are, by law, considered outpatient departments of UM SMC at Easton and are required to be financially integrated with the hospital. Accordingly, the Applicant's financial projections in Tables G and H present all three facilities – UM SMC at Easton, UM SMC at Cambridge, and UM Shore EC at Queenstown – that are financially integrated and part of Shore Health System, Inc.

### Revisions to Table F

Attached as **Exhibit 38** is a revised full set of MHCC Tables, that includes a revised version of Table F. The revised values are highlighted in yellow in this version of Table F.

Upon review of the volumes reported in Table F, it was determined that revisions were required for OP MRI RVUs and UM SMC at Dorchester / Cambridge observation volumes to reconcile to the volumes reported in the FY 2021 and FY 2022 HSCRC Annual Filings. These revisions do not impact any of the bed need projections.

UM SMC at Easton Emergency Department visits were also revised to exclude patients who arrived at the UM SMC at Easton Emergency Department but left without being seen before triage. This revision is discussed in additional detail in response to Question 8 below.

### Revisions to Emergency Department Historical and Projected Volumes and ED Treatment Space Response:

As the Applicant worked to reconcile the volumes reported in Table F to the volumes reported in the HSCRC Annual Filings, it was determined that the Emergency Department visits reported in response to this standard included patients who arrived in UM SMC at Easton's Emergency Department but left without being seen before triage. In FY 2021 this included 192 patients and in FY 2022 this included 462 patients. The Applicant has removed these patients and their corresponding length of stay from the historical and projected Emergency Department volumes presented in its response to the Emergency Department Treatment Capacity and Space standard. **Exhibit 39** provides a revised version of the Applicant's original Emergency Department Treatment Space response from pages 100-111 of the CON Application. **Exhibit 40** provides a redline showing all changes that have been made to the original response to this standard.

Even with these patients excluded, UM SMC at Easton still demonstrates projected need for 26 non-behavioral health treatment spaces and an additional three behavioral health treatment spaces. Accordingly, the Applicant still plans to include 25 non-behavioral health ED treatment

spaces and two behavioral health treatment spaces in the replacement facility (a total of 27 ED treatment spaces), as explained more fully in its revised response.

- 8. Upon initial HSCRC staff review, we were not able to tie values for patient days, outpatient visits, and observations to Schedule Vs of annual filings for 2021 & 2022. Please provide breakdown by year and by facility. If past values need to change, does this impact projected values?**

Applicant Response

Variances between the FY 2021 and FY 2022 volumes reported in the Annual Filing and in Table F of the CON are largely immaterial and due to differences in the sources used for each of the two documents. Volumes reported in the Annual Filings are mostly sourced from the HSCRC experience data, while volumes reported in CON Table F come from a variety of sources, including the HSCRC experience data, HSCRC statewide data tapes, and Shore internal data. There are slight differences in volumes per each of these sources, but these differences are immaterial and do not impact the volume projections, as the projections are based on input from Shore’s clinical and operational leadership.

**Reconciliation of Inpatient Volumes:**

Table 124 below presents FY 2021 and FY 2022 admissions and patient days for UM SMC at Easton and UM SMC at Dorchester per the two sources. Inpatient volumes reported in Table F tie to adjusted non-newborn volumes reported in the Annual Filing within a 1% margin for error. In FY 2022, Annual Filing admissions are adjusted by 457 because UMMS determined that the FY 2022 HSCRC experience data and Annual Filings overstated Shore Health System MSG, MIS, and PED admissions by this amount.

**Table 124  
Reconciliation of Inpatient Volumes  
FY 2021 & FY 2022**

SHS Statistic	FY2021		FY2022	
	Admissions	Patient Days	Admissions	Patient Days
<b>A</b> Total Inpatient Volumes per AF <sup>(1)</sup>	6,979	31,305	6,892	30,441
<b>B</b> Less: Newborn Nursery <sup>(1)</sup>	1,000	2,227	976	2,213
<b>C = A - B</b> Non-Newborn Volumes per AF <sup>(1)</sup>	5,979	29,078	5,916	28,228
<b>D</b> Less: AF MSG & MIS Adjustment <sup>(2)</sup>	-	-	467	-
<b>E = C - D</b> Adjusted AF Excluding Newborns <sup>(1)(2)</sup>	<b>5,979</b>	<b>29,078</b>	<b>5,449</b>	<b>28,228</b>
<b>F</b> CON Submission (Table F)	<b>6,027</b>	<b>29,027</b>	<b>5,451</b>	<b>28,045</b>
<b>G = E - F</b> Unreconciled Variance	<b>(48)</b>	<b>51</b>	<b>(2)</b>	<b>183</b>
<b>H = G / F</b> % Variance from CON Submission	<b>-0.8%</b>	<b>0.2%</b>	<b>0.0%</b>	<b>0.7%</b>

Note (1): Annual Filing volumes per Schedules V1-3

Note (2): UMMS determined that Shore’s FY2022 experience data and FY2022 Annual Filings overstated Easton and Dorchester admissions by a total of 467

Note (3): Table F volumes per HSCRC statewide data tapes



## Reconciliation of Emergency Department Volumes:

Table 125 below presents the FY 2021 and FY 2022 ED visits by SHS facility per the Annual Filing and per Table F. Table F was populated using Shore internal data, which differs from the Annual Filing in number of ED visits in FY 2021 and FY 2022. The main driver of the variance in FY 2022 is that Shore's internal data includes patients who arrived at the UM SMC at Easton ED but left without being seen. The Applicant has revised the ED visits reported in Table F and the ED visits and ALOS reported in the Emergency Department Treatment Space Need section of the CON Application to exclude patients who arrived at the UM SMC at Easton ED and left without being seen prior to triage (192 patients in FY 2021 and 462 patients in FY 2022).

Patients who arrived at the UM SMC at Easton ED and left without being seen after triage are included in Shore's internal data, but not in the Annual Filing (which is populated using HSCRC experience data). The Applicant believes that it is appropriate to include these patients (605 in FY 2021 and 2,248 in FY 2022) in the ED need projections since many of these patients are placed in an ED bed prior to leaving the ED.

The Applicant also determined that Queen Anne's FMF ED visits were reported incorrectly in the FY 2021 Annual Filing. The 61,219 units reported as visits in the FY 2021 Queen Anne's Annual Filing are Free Standing ED RVUs as opposed to visits. After correcting for this, the total variance in FY 2021 ED visits is 0.2% of the visits reported in Table F, and the variance in FY 2022 is 4.4%.

**Table 125**  
**Reconciliation of Emergency Department Volumes**  
**FY 2021 & FY 2022**

Statistic	Location	FY2021				FY2022			
		CON (Table F)	Annual Filing <sup>(4)</sup>	Variance	% Variance from CON	CON (Table F)	Annual Filing <sup>(4)</sup>	Variance	% Variance from CON
ED Visits	Easton <sup>(1)(4)</sup>	25,354	25,441	(87)	-0.3%	24,931	22,377	2,554	10.2%
	Dorchester / Cambridge - OP Only <sup>(2)</sup>	12,027	12,027	-	0.0%	14,539	14,539	-	0.0%
	Queen Anne's - OP Only <sup>(3)</sup>	13,716	61,219	(47,503)	-346.3%	18,035	18,035	-	0.0%
	<b>Subtotal - ED Visits</b>	<b>51,097</b>	<b>98,687</b>	<b>(47,590)</b>	<b>-93.1%</b>	<b>57,505</b>	<b>54,951</b>	<b>2,554</b>	<b>4.4%</b>

Note (1): Table F Easton ED visits populated using Shore internal data

Note (2): Table F Dorchester / Cambridge ED visits populated using FY2021 & FY2022 HSCRC Experience Data; Includes OP ED visits only

Note (3): Table F Queen Anne's ED visits populated using FY2021 & FY2022 HSCRC experience data. FSE hours were reported in Queen Anne's FY2021 Annual Filing, where FSE visits should have been reported. In FY2022 visits were reported in the EMG rate center

Note (4): Annual Filing statistics per Schedule V1-3

Note (5): Easton ED volumes revised from original submission to exclude patients who left without being seen before triage

## Reconciliation of Outpatient Volumes:

Table 126 below presents FY 2021 and FY 2022 outpatient volumes by SHS facility per the Annual Filing and per a revised version of Table F. MRI RVUs reported in Table F were revised to align with the values reported in the FY 2021 and FY 2022 Annual Filings. This change impacts the FY 2023 budget and FY 2024 – FY 2032 projections as well, but was not used in any of the need calculations and does not affect any other aspects of the CON.

The variance in FY 2022 Same Day Surgery visits at UM SMC at Easton and UM SMC at Dorchester / Cambridge is due to an issue with the volumes reported in the experience data. This issue was discovered by UMMS and Same Day Surgery visits in the corrected experience data reconcile with Same Day Surgery visits reported in CON Table F.

**Table 126  
Reconciliation of Outpatient Volumes  
FY 2021 & FY 2022**

Statistic	Location	FY2021				FY2022			
		CON (Table F) <sup>(1)</sup>	Annual Filing <sup>(2)</sup>	Variance	% Variance from CON	CON (Table F) <sup>(1)</sup>	Annual Filing <sup>(2)</sup>	Variance	% Variance from CON
Same Day Surgery Visits	Easton - OP Only	4,328	4,328	-	0.0%	4,467	4,440	27	0.6%
	Dorchester / Cambridge - OP Only	281	281	-	0.0%	33	32	1	3.0%
	Queen Anne's - OP Only	-	-	-	0.0%	-	-	-	0.0%
	<b>Subtotal - SDS</b>	<b>4,609</b>	<b>4,609</b>	<b>-</b>	<b>0.0%</b>	<b>4,500</b>	<b>4,472</b>	<b>28</b>	<b>0.6%</b>
Laboratory RVUs	Easton - OP Only	3,053,290	3,053,290	-	0.0%	3,492,427	3,492,427	-	0.0%
	Dorchester / Cambridge - OP Only	1,324,395	1,324,395	-	0.0%	1,297,359	1,297,359	-	0.0%
	Queen Anne's - OP Only	610,494	610,494	-	0.0%	1,151,816	1,151,816	-	0.0%
	<b>Subtotal - Lab</b>	<b>4,988,179</b>	<b>4,988,179</b>	<b>-</b>	<b>0.0%</b>	<b>5,941,602</b>	<b>5,941,602</b>	<b>-</b>	<b>0.0%</b>
Imaging RVUs <sup>(3)</sup>	Easton - OP Only	659,226	659,226	-	0.0%	735,797	735,797	-	0.0%
	Dorchester / Cambridge - OP Only	343,399	343,399	-	0.0%	250,910	250,910	-	0.0%
	Queen Anne's - OP Only	160,993	160,993	-	0.0%	237,926	237,926	-	0.0%
	<b>Subtotal - Imaging</b>	<b>1,163,618</b>	<b>1,163,618</b>	<b>-</b>	<b>0.0%</b>	<b>1,224,633</b>	<b>1,224,633</b>	<b>-</b>	<b>0.0%</b>
MRI RVUs <sup>(4)</sup>	Easton - OP Only	63,138	63,138	-	0.0%	74,038	74,038	-	0.0%
	Dorchester / Cambridge - OP Only	44,256	44,256	-	0.0%	9,866	9,866	-	0.0%
	Queen Anne's - OP Only	-	-	-	0.0%	-	-	-	0.0%
	<b>Subtotal - MRI</b>	<b>107,394</b>	<b>107,394</b>	<b>-</b>	<b>0.0%</b>	<b>83,904</b>	<b>83,904</b>	<b>-</b>	<b>0.0%</b>

Note (1): Table F statistics per FY2021 & FY2022 HSCRC Experience Data

Note (2): Annual Filing statistics per Schedule V1-3

Note (3): Includes CAT, RAD, NUC, and EEG outpatient RVUs

Note (4): Table F MRI volumes revised from original submission

**Reconciliation of Observation Volumes:**

Table 127 below presents FY 2021 and FY 2022 outpatient volumes by SHS facility per the Annual Filing and per a revised version of Table F. FY 2021 and FY 2022 UM SMC at Dorchester / Cambridge observation visits were revised to include observation visits and hours classified as inpatient. This change does not impact the FY 2023 budget or FY 2024 – FY 2032 projection period, nor does it impact any other aspects of the CON, including the observation need calculations, which were based on UM SMC at Easton observations cases only.

In FY 2021, an immaterial variance (0.6%) exists between Easton observation visits reported in the Annual Filing versus Table F. In FY 2022, observation visits were not reported in Easton's Annual Filing.

**Table 127  
Reconciliation of Observation Volumes  
FY 2021 & FY 2022**

Statistic	Location	FY2021				FY2022			
		CON (Table F) <sup>(1)</sup>	Annual Filing <sup>(2)</sup>	Variance	% Variance from CON	CON (Table F) <sup>(1)</sup>	Annual Filing <sup>(2)</sup>	Variance	% Variance from CON
Observation Visits	Easton <sup>(3)</sup>	3,581	3,561	20	0.6%	3,602	-	3,602	100.0%
	Dorchester / Cambridge <sup>(4)</sup>	486	486	-	0.0%	134	134	-	0.0%
	Queenstown	-	-	-	0.0%	-	-	-	0.0%
	<b>Total Observation Visits</b>	<b>4,067</b>	<b>4,047</b>	<b>20</b>	<b>0.5%</b>	<b>3,736</b>	<b>134</b>	<b>3,602</b>	<b>96.4%</b>
Observation Hours	Easton	93,658	93,658	-	0.0%	150,523	150,523	-	0.0%
	Dorchester / Cambridge <sup>(4)</sup>	17,730	17,730	-	0.0%	2,646	2,646	-	0.0%
	Queenstown	-	-	-	0.0%	-	-	-	0.0%
	<b>Total Observation Hours</b>	<b>111,388</b>	<b>111,388</b>	<b>-</b>	<b>0.0%</b>	<b>153,169</b>	<b>153,169</b>	<b>-</b>	<b>0.0%</b>

Note (1): Table F statistics per FY2021 & FY2022 HSCRC Experience Data

Note (2): Annual Filing statistics per Schedule V1-3

Note (3): FY2022 Easton observation visits were not reported in FY2022 Annual Filing

Note (4): Table F Dorchester / Cambridge observation visits and hours revised from original submission

**9. Please provide a 3-D build-up (by entity and consolidated to support P & L projections) of Table F.**

Applicant Response

Please see **Exhibit 41** for a 3-D build-up by facility of Table F.

**Table G**

**10. Patient service revenues (PSR) reflect projected contractions in 2028, 2030, 2031, and 2032. There is a projected rate increase for capital of \$24.0M in 2029 (CON application page 99). Given that the projection reflects an increase in PSR in 2029 over 2028 of \$20.475M, that implies a contraction for other reasons of \$3.525M. The assumptions table attached with Table G does not indicate a revenue contraction in these 5 years. What is the nature of these contractions? Which entity or entities of the applicant are requesting a Full Rate Application (FRA)?**

Applicant Response

The contractions in top line revenues are due to an assumption that shared savings adjustments will reduce gross revenue by 0.10% annually from FY 2028 through FY 2032. This is included in the “Other Rates” line of the assumptions tab accompanying Table G.

The Full Rate Application (FRA) request of \$24.0 million is added to gross revenue in Table H in FY 2029. This request is being made by UM SMC at Easton. For simplicity, revenue and expense in Table G are “dis-inflated” by dividing the corresponding cell in Table H by the compounded rate of inflation for each line item. An example of the methodology is presented below in Table 128 below.

**Table 128  
Example Dis-inflation Calculation**

Calculation	Component	FY2025
<b>A</b>	<b>Supplies Expense from Table H</b>	<b>\$ 32,606</b>
<b>B</b>	Annual Inflation Assumption	3.60%
<b>C</b>	Projected Year	2025
<b>D</b>	Base Year	2023
<b>E = C - D</b>	Number of Years to Dis-Inflate	2
<b>F = A / ( 1 + B ) ^ E</b>	<b>Supplies Expense from Table G</b>	<b>\$ 30,380</b>

While this does not perfectly consider certain items that should not be “dis-inflated” (for example the FRA or performance improvements in their first year of implementation), the Applicant believes that the methodology applied is materially accurate. Further, this methodology only skews the first year of implementation as each year is “dis-inflated” independently.

As a result of this simplified approach, gross revenues in Table G only appear to increase by \$20.475 million from FY 2028 to FY 2029. There is no assumed reduction in gross revenue from FY 2028 to FY 2029, aside from the shared service adjustments discussed above.

**11. Current interest expense and current depreciation grow in 2023 over 2022. Was a capital improvement and related debt added in 2023? Please explain.**

Applicant Response

Current interest expense and current depreciation expense grew from FY 2022 to FY 2023 mostly due to the opening of the Cambridge FMF. A full year of building depreciation and interest are included in the FY 2023 budget, while only a partial year was included in FY 2022 actuals.

**12. Operating expenses reflect projected contractions in 2024, 2025, 2026, and 2027. The assumptions table reflects \$15.0M in cumulative performance improvements by 2027. In which line items are the performance improvements reflected? How much in each year?**

Applicant Response

Table 129 below presents the cumulative performance improvements included in the financial projection by year and by line item. This Table includes both revenue enhancements and expense reductions.

**Table 129  
Performance Improvements by Line Item & by Year  
FY2024 & FY2029**

PI Category	Line Item	Cumulative Performance Improvements (\$Ms)					
		FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
<u>Revenue Enhancement:</u>							
QBR Rewards	Gross Patient Revenue	\$ 0.6	\$ 1.2	\$ 1.7	\$ 2.3	\$ 2.3	\$ 2.3
Unregulated Revenue Growth	Gross Patient Revenue	0.3	0.5	0.8	1.0	1.0	1.0
<b>Subtotal - Revenue Enhancement</b>		<b>\$ 0.8</b>	<b>\$ 1.7</b>	<b>\$ 2.5</b>	<b>\$ 3.3</b>	<b>\$ 3.3</b>	<b>\$ 3.3</b>
<u>Expense Reduction:</u>							
Agency Normalization	Salaries	\$ 1.5	\$ 3.0	\$ 4.5	\$ 6.0	\$ 6.0	\$ 6.0
340B Drug Cost Savings	Supplies	3.5	3.7	3.8	4.0	4.0	4.0
Patient Care Units - Staffing to Demand	Salaries	0.5	1.0	1.5	2.0	2.0	2.0
Ordering & Inventory Management	Supplies	0.5	1.0	1.5	2.0	2.0	2.0
340B Additional Savings	Supplies	0.3	0.5	0.8	1.0	1.0	1.0
Other Expense Reductions	Purchased Services	0.1	0.2	0.3	0.3	0.3	0.3
Nursing FTE Efficiencies	Salaries	-	-	-	-	-	0.3
Utilities and R&M Savings	Purchased Services	-	-	-	-	-	0.3
<b>Subtotal - Expense Reductions</b>		<b>\$ 6.4</b>	<b>\$ 9.4</b>	<b>\$ 12.4</b>	<b>\$ 15.3</b>	<b>\$ 15.3</b>	<b>\$ 16.0</b>
<b>Total Performance Improvements</b>		<b>\$ 7.2</b>	<b>\$ 11.0</b>	<b>\$ 14.8</b>	<b>\$ 18.6</b>	<b>\$ 18.6</b>	<b>\$ 19.3</b>

Note (1): This schedule does not reflect inflation applied to performance improvements - only the dollar amounts for revenue enhancements and expense reductions

**13. HSCRC staff needs projected P&Ls by entity, as the changes in patient service revenues and operating expenses will not be impacted equally. The applicant is SHS, is the FRA to apply to all SHS entities, or only Easton?**

[Applicant Response](#)

Please see **Exhibit 42** for uninflated P&Ls for UM SMC at Easton, UM SMC at Dorchester / Cambridge FMF, and UM Queen Anne's ED. An uninflated P&L for Shore Health System consolidated, which includes these three facilities and reconciles to the Revised Table G submitted with the Applicant's first round of Completeness Responses as **Exhibit 27** is also provided. Please see response to Question 15 below for explanation of the revisions that were made to Tables G and H in the Applicant's responses to the MHCC's Additional Information questions dated January 25, 2023. As discussed above in the section titled "Table F" and the responses to Question 8 on pages 5 to 8, several corrections have been made to Table F of **Exhibit 27** in this set of responses and the full set of revised MHCC Tables is provided as **Exhibit 38**.

The financial projections do not include allocations of physician losses, which need to be added back in order to reconcile to the Audited Financial Statements. Physician loss allocations amounted to \$22.57 million in FY 2021 and \$19.92 million in FY 2022 for Shore Health System, and \$3.23 million in FY 2021 and \$3.39 million in FY 2022 for UM SMC at Chestertown. The physician loss allocation amounts by entity are identified in footnotes in each of the projection tabs.

Please see the Applicant's response to Question 17 of MHCC Additional Information Questions dated January 25, 2023, which explains the corporate structure of University of Maryland Shore Regional Health, Inc. ("UM SRH"), which is the parent corporation of Shore Health System, Inc. and Chester River Hospital Center, Inc. As is relevant here, Shore Health System, Inc. is a single legal entity that operates three facilities: UM SMC at Easton, UM SMC at Cambridge, and UM Shore Emergency Center at Queenstown. The Full Rate Application applies to the UM SMC at Easton facility only.

**14. Please supply a 3-D build-up (by entity and consolidated to support P & L projections) of Table G, so as to see which entities change each year.**

[Applicant Response](#)

Please see **Exhibit 42** for uninflated P&Ls for UM SMC at Easton, UM SMC at Dorchester / Cambridge FMF, and UM Queen Anne's ED. An uninflated P&L for Shore Health System consolidated, which includes these three facilities and reconciles to the Revised Table G provided in **Exhibit 38** is also provided.

The financial projections do not include allocations of physician losses, which need to be added back in order to reconcile to the Audited Financial Statements. Physician loss allocations amounted to \$22.57 million in FY 2021 and \$19.92 million in FY 2022 for Shore Health System, and \$3.23 million in FY 2021 and \$3.39 million in FY 2022 for UM SMC at Chestertown. The physician loss allocation amounts by entity are identified in footnotes in each of the projection tabs.

15. The audit presentation (Exhibit 25) of consolidating P&L (pp. 68, 70, and 72) reflects 2022 operating income of \$38.739M by division, \$55.157M by obligated group, and \$40.437M by hospital. None of these numbers tie to \$30.787M per Table G. Please reconcile and repeat for other years presented. Please provide consolidating financials supplementary information for division, obligated group and by hospital for FY 2021 to support this reconciliation.

### Applicant Response

With its first round of Completeness Responses dated February 22, 2023 that were submitted to the MHCC, the Applicant submitted revised versions of Tables G & H as **Exhibit 27** (which are now attached as **Exhibit 38** with minor revisions to Table F) that reconcile to the \$55.157 million by obligated group in FY 2022. The following explanation is provided on page 1 of that submission:

#### **Revisions to MHCC Tables**

Attached as **Exhibit 27** is a revised full set of MHCC Tables. The Applicant is providing revised versions of Tables G and H, with changes to actual revenue and expense reported in FY 2021 and FY 2022. While preparing its completeness responses, the Applicant determined that the amounts reported in these two years were not consistent with the audited financial statements and certain audit adjustments – namely the allocation of physician losses from Shore Medical Group to Shore Health System, Inc. (“SHS”) entities, which are not included in the Tables, the inclusion of which will reconcile to the audited financial statements. In FY 2021 the physician loss allocation was \$22.567 million and in FY 2022 the physician loss allocation was \$19.924 million on the audited financial statements. In the original Table Set, the Shore Medical Group physician loss allocations were excluded from the financial presented in FY 2022 through FY 2032, but were inadvertently included in the FY 2021 financials. This has been corrected for in the Revised Tables and all periods presented are consistent and do not include this physician loss allocation, nor do they include revenue and expense for entities other than UM SMC at Easton, UM SMC at Dorchester / Cambridge, and UM SMC at Queenstown. The Tables do, however, include \$36.28 million in FY 2021 and \$44.99 million in FY 2022 in unregulated gross revenue that falls under the UM SMC at Easton, UM SMC at Dorchester / Cambridge, and UM SMC at Queenstown reporting structures. The accompanying unregulated expense is also included. No other Tables are impacted by this revision.

Please see **Exhibit 43** for UMMS Audited Financial Statements and Supplementary Information for FY 2020 and 2021.

#### **Table H**

16. HSCRC staff requires projected P&Ls by each of the four entities, as the changes in patient service revenues and operating expenses will not be impacted equally. The applicant is SHS, is the FRA to apply to all SHS entities?

### Applicant Response

As noted in response to Question 13 above, the Full Rate Application applies to the UM SMC at Easton facility only.

Please see **Exhibit 44** for Inflated P&Ls for UM SMC at Easton, UM SMC at Dorchester / Cambridge FMF, UM Queen Anne's ED, and UM SMC at Chestertown. A consolidated Shore Health System P&L that includes UM SMC at Easton, UM SMC at Dorchester / Cambridge FMF, and UM Queen Anne's ED is also provided and reconciles to the Revised Table H provided as **Exhibit 38**. UM SMC at Chestertown is operated by Chester River Hospital Center, Inc., a separate legal entity from Shore Health System, and as such is not included in the Shore Health System consolidated projection, nor is it included in any financial or volume projections previously submitted for this CON.

Also provided in this excel workbook are crosswalks to the Audited Financial Statements for FY 2021 and FY 2022 for Shore Health System consolidated and by entity. The largest variance between the amounts presented in Tables G & H and the Audited Financial Statements is the exclusion of physician loss allocations from Tables G & H, which is discussed below. Patient revenue, fringe benefits, and insurance expense were also broken out for the purpose of the financial projections, since these line items are not presented separately in the Audited Financial Statements.

In addition to not including physician losses, for FY 2023 through FY 2032 the UM SMC at Chestertown projection also does not include an allocation of Shore Regional Health overhead.

The financial projections do not include allocations of physician losses, which need to be added back in order to reconcile to the Audited Financial Statements. Physician loss allocations amounted to \$22.57 million in FY 2021 and \$19.92 million in FY 2022 for Shore Health System, and \$3.23 million in FY 2021 and \$3.39 million in FY 2022 for UM SMC at Chestertown. The physician loss allocation amounts by entity are identified in footnotes in each of the projection tabs.

**17. Please reconcile the growth in top line revenues (2024 2.6%, 2025 2.8%, 2026 2.7%, 2027 2.7%, 2028 2.5%, 2029 8.7%) in the Table H assumptions.**

### Applicant Response

Differences in annual growth rates in top line revenues are the result of many different factors that were considered when developing the Shore Health System revenue projections. The baseline revenue growth rate is 2.46% per year. Any variances from this number are due to additional assumptions, which are presented in Table 130 and discussed in detail below.

**Table 130**  
**Factors Impacting Revenue Growth Assumptions**  
**FY 2024 - FY 2032**

Revenue Growth Factors	Revenue Growth Assumptions						
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030 - FY2032
Projected Revenue Growth	2.64%	2.82%	2.68%	2.68%	2.46%	8.68%	2.46%
Baseline Revenue Growth	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%
Other Factors Impacting Revenue Growth	- Improvements to Quality Performance - Growth in Unregulated Revenue - Reduction to Undercharge	- Improvements to Quality Performance - Growth in Unregulated Revenue - Reversal of HSCRC Corrective Actions	- Improvements to Quality Performance - Growth in Unregulated Revenue	- Improvements to Quality Performance - Growth in Unregulated Revenue		- Full Rate Application	

The FY 2024 revenue growth rate is reflective of an anticipated reduction SHS's undercharge, along with assumptions regarding improvements to SHS's HSCRC Quality Adjustments and a small increase in unregulated revenue, as identified in the response to Question number 12.

In addition to the same Quality and unregulated growth assumptions discussed above, the FY 2025 revenue growth rate is reflective of the anticipated reversal of the temporary components of the HSCRC's System Corrective Actions.

The FY 2026 and FY 2027 growth rates are reflective of the improved Quality performance and the growth in unregulated revenue only.

The FY 2028 and FY 2030 through FY 2032 revenue growth rates reflect SHS's baseline assumptions and no further increases to Quality Adjustments or unregulated revenue growth beyond inflation.

The FY 2029 revenue growth rate is inclusive of the Full Rate Application that Shore Health System intends to file to cover 50% of incremental depreciation and interest related to the project.

**18. Operating expenses reflect projected contractions in 2024, 2025, 2026, and 2027. The assumptions table reflects \$15.0M in cumulative performance improvements by 2027. In which line items are the performance improvements reflected? How much in each year?**

[Applicant Response](#)

Please see response to Question 12 above.

**19. Please provide a 3-D build-up (by entity and consolidated to support P & L projections) of Table H, so staff can see which entities change each year.**

[Applicant Response](#)

Please see **Exhibit 44** for Inflated P&Ls for UM SMC at Easton, UM SMC at Dorchester / Cambridge FMF, UM Queen Anne's ED, and UM SMC at Chestertown. A consolidated Shore Health System P&L that includes UM SMC at Easton, UM SMC at Dorchester / Cambridge FMF, and UM Queen Anne's ED is also provided and reconciles to the Revised Table H provided as **Exhibit 38**. UM SMC at Chestertown is operated by Chester River Hospital Center, Inc., a



separate legal entity from Shore Health System, and as such is not included in the Shore Health System consolidated projection, nor is it included in any financial or volume projections previously submitted for this CON.

Also provided in this excel workbook are crosswalks to the Audited Financial Statements for FY 2021 and FY 2022 for Shore Health System consolidated and by entity. The largest variance between the amounts presented in Tables G & H and the Audited Financial Statements is the exclusion of physician loss allocations from Tables G & H, which is discussed below. Patient revenue, fringe benefits, and insurance expense were also broken out for the purpose of the financial projections, since these line items are not presented separately in the Audited Financial Statements.

In addition to not including physician losses, for FY 2023 through FY 2032 the UM SMC at Chestertown projection also does not include an allocation of Shore Regional Health overhead.

The financial projections do not include allocations of physician losses, which need to be added back in order to reconcile to the Audited Financial Statements. Physician loss allocations amounted to \$22.57 million in FY 2021 and \$19.92 million in FY 2022 for Shore Health System, and \$3.23 million in FY 2021 and \$3.39 million in FY 2022 for UM SMC at Chestertown. The physician loss allocation amounts by entity are identified in footnotes in each of the projection tabs.

### **Tables I, J and K**

**20. These tables were omitted in the CON. Please provide required tables for Easton facility & services.**

### **Applicant Response**

The Applicant did not provide Tables I, J, and K as part of its CON application since it is not a new facility and is not proposing to add any new service lines at the replacement facility. However, in the MHCC's Additional Information Questions dated January 25, 2023, Staff requested as part of Question 48 that the Applicant provide alternative versions of Tables F, G, and H that do not include any revenues or expenses for the FMF operations in Queenstown or Cambridge (i.e., are limited to the revenues and expenses at UM SMC at Easton). The Applicant provided these requested alternative tables as **Exhibit 36**. The Applicant has made minor updates to its alternative Table F in these responses to correct for the ED visit and MRI RVU issues discussed in response to Question 8 above. Please see **Exhibit 45** for an updated alternative set of Tables F, G, and H showing revenues and expenses for UM SMC at Easton only.

### **Balance Sheet Projections**

**21. As an aid to evaluating the initial feasibility and ongoing viability of the project, please share projected balance sheets for each entity and year projected. Include by entity computations of days cash on hand, and debt service coverage.**

*Applicant Response*

Please see response to Question 4 above.

**22. Please define obligated group for debt financing.**

*Applicant Response*

Please see response to Question 6 above.

### Table of Exhibits

Exhibit	Description
38.	Revised MHCC Tables
39.	Revised version of the Applicant's original ED Treatment Space response
40.	Redlined version of the Applicant's original ED Treatment Space response
41.	3-D build-up by facility of Table F
42.	Uninflated P&Ls by Facility
43.	UMMS Audited Financial Statement with Supplementary Information
44.	Inflated P&Ls by Facility
45.	Revised alternative set of Tables F, G, and H showing revenues and expenses for UM SMC at Easton only

### Table of Tables

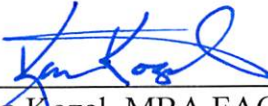
Table	Description
Table 124	Reconciliation of Inpatient Volumes FY 2021 & FY 2022..... 6
Table 125	Reconciliation of Emergency Department Volumes FY 2021 & FY 2022 ..... 7
Table 126	Reconciliation of Outpatient Volumes FY 2021 & FY 2022 ..... 8
Table 127	Reconciliation of Observation Volumes FY 2021 & FY 2022 ..... 8
Table 128	Example Dis-inflation Calculation ..... 9
Table 129	Performance Improvements by Line Item & by Year FY2024 & FY2029.....10
Table 130	Factors Impacting Revenue Growth Assumptions FY 2024 - FY 2032 ..... 14

I hereby declare and affirm under the penalties of perjury that the facts stated in these Responses to the MHCC/HSCRC's Additional Information Questions dated February 28, 2023 and its attachments are true and correct to the best of my knowledge, information, and belief.

March 21, 2023

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Date



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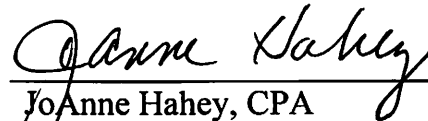
Ken Kozel, MBA FACHE  
President and Chief Executive Officer  
University of Maryland Shore  
Regional Health

I hereby declare and affirm under the penalties of perjury that the facts stated in these Responses to the MHCC/HSCRC's Additional Information Questions dated February 28, 2023 and its attachments are true and correct to the best of my knowledge, information, and belief.

March 21, 2023

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Date



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JoAnne Hahey, CPA  
Senior Vice President and Chief  
Financial Officer  
University of Maryland Shore  
Regional Health

I hereby declare and affirm under the penalties of perjury that the facts stated in these Responses to the MHCC/HSCRC's Additional Information Questions dated February 28, 2023 and its attachments are true and correct to the best of my knowledge, information, and belief.

March 21, 2023

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Date



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Brian Sturm  
Vice President, Corporate Decision  
Support & Capital Planning  
University of Maryland Medical System

I hereby declare and affirm under the penalties of perjury that the facts stated in these Responses to the MHCC/HSCRC's Additional Information Questions dated February 28, 2023 and its attachments are true and correct to the best of my knowledge, information, and belief.

March 21, 2023

Date

DocuSigned by:

Richie Stever

97A8762E51904F5...

Richie Stever, CHFM, CLSS-HC,  
LEED AP, VP, Real Estate and  
Property Management  
University of Maryland Medical  
Systems

I hereby declare and affirm under the penalties of perjury that the facts stated in these Responses to the MHCC/HSCRC's Additional Information Questions dated February 28, 2023 and its attachments are true and correct to the best of my knowledge, information, and belief.

March 21, 2023

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Date



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Lucas Sater  
Senior Director, Reimbursement and  
Revenue Advisory Services  
University of Maryland Medical  
Systems



# **EXHIBIT 38**

<b>Table Number</b>	<b>Table Title</b>	<b>Instructions</b>
<b>Table A</b>	<b>Physical Bed Capacity Before and After Project</b>	All applicants whose project impacts any nursing unit, regardless of project type or scope, must complete Table A.
<b>Table B</b>	<b>Departmental Gross Square Feet</b>	All applicants, regardless of project type or scope, must complete Table B for all departments and functional areas affected by the proposed project.
<b>Table C</b>	<b>Construction Characteristics</b>	All applicants proposing new construction or renovation must complete Table C.
<b>Table D</b>	<b>Site and Offsite Costs Included and Excluded in Marshall Valuation Costs</b>	All applicants proposing new construction or renovation must complete Table D.
<b>Table E</b>	<b>Project Budget</b>	All applicants, regardless of project type or scope, must complete Table E.
<b>Table F</b>	<b>Statistical Projections - Entire Facility</b>	Existing facility applicants must complete Table F. All applicants who complete this table must also complete Tables G and H.
<b>Table G</b>	<b>Revenues &amp; Expenses, Uninflated - Entire Facility</b>	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.
<b>Table H</b>	<b>Revenues &amp; Expenses, Inflated - Entire Facility</b>	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.
<b>Table I</b>	<b>Statistical Projections - New Facility or Service</b>	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.
<b>Table J</b>	<b>Revenues &amp; Expenses, Uninflated - New Facility or Service</b>	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.
<b>Table K</b>	<b>Revenues &amp; Expenses, Inflated - New Facility or Service</b>	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.
<b>Table L</b>	<b>Work Force Information</b>	All applicants, regardless of project type or scope, must complete Table L.

**TABLE A. PHYSICAL BED CAPACITY BEFORE AND AFTER PROJECT**

*INSTRUCTIONS: 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 noted below. Applicants should add columns and recalculate formulas to address rooms with 3 and 4 bed capacity. 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 one or more than one patient (e.g., for psychiatric patients), the physical capacity of such rooms should be counted as they are currently used.*

Before the Project							After Project Completion					
Hospital Service	Location (Floor/Wing)*	Licensed Beds: 7/1/2022	Based on Physical Capacity				Hospital Service	Location (Floor/Wing)*	Based on Physical Capacity			
			Room Count		Total Rooms	Physical Capacity			Room Count		Total Rooms	Physical Capacity
			Private	Semi-Private					Private	Semi-Private		
<b>ACUTE CARE</b>							<b>ACUTE CARE</b>					
<b>General Medical/ Surgical*</b>		62					<b>General Medical/ Surgical*</b>		74			
MedSurg	2 East		19	6	25	31	MedSurg	3	26	0	26	26
Surgical/Medical	3 East		10	10	20	30	MedSurg	4	24	0	24	24
Neuro	4 East		6	2	8	10	MedSurg	5	24	0	24	24
Joint	4 East		5	3	8	11					0	0
Telemetry	4 South		20	4	24	28					0	0
<b>SUBTOTAL Gen. Med/Surg*</b>		<b>62</b>	<b>60</b>	<b>25</b>	<b>85</b>	<b>110</b>	<b>SUBTOTAL Gen. Med/Surg*</b>		<b>74</b>	<b>0</b>	<b>74</b>	<b>74</b>
<b>ICU/CCU</b>		<b>10</b>	10	0	10	10	<b>ICU/CCU</b>	4	12	0	12	12
<i>Other (Specify/add rows as needed)</i>					0	0					0	0
<b>TOTAL MSGA</b>		<b>72</b>	<b>70</b>	<b>25</b>	<b>95</b>	<b>120</b>	<b>TOTAL MSGA</b>		<b>86</b>	<b>0</b>	<b>86</b>	<b>86</b>
<b>Obstetrics Total</b>		<b>13</b>			0	<b>13</b>	<b>Obstetrics Total</b>		11		11	11
5 East (LDRP)	Birthing Center 5E		10	0	10	10	LDRP	3	1	0	1	1
Antepartum	Birthing Center 5E		3	0	3	3	Postpartum	3	8	0	8	8
OR 5 East	Birthing Center 5E		1	0	1	1	Antepartum	3	2	0	2	2
PACU 5 East	Birthing Center 5E		1	0	1	1					0	0
Triage 5 East	Birthing Center 5E		3	0	3	3					0	0
<b>Pediatrics</b>		<b>3</b>	1	2	3	5	<b>Pediatrics</b>	3	1	0	1	1
<b>Psychiatric</b>	3 South	<b>10</b>	4	4	8	12	<b>Psychiatric</b>	6	12	0	12	12
<b>TOTAL ACUTE</b>		<b>98</b>	<b>75</b>	<b>31</b>	<b>106</b>	<b>150</b>	<b>TOTAL ACUTE</b>		<b>110</b>	<b>0</b>	<b>110</b>	<b>110</b>
<b>NON-ACUTE CARE</b>							<b>NON-ACUTE CARE</b>					
<b>Dedicated Observation**</b>					0	0	<b>Dedicated Observation**</b>	1	25	0	25	25
<b>Rehabilitation</b>	5 South	<b>20</b>	3	6	9	15	<b>Rehabilitation</b>	5	12	0	12	12
<b>Comprehensive Care</b>					0	0	<b>Comprehensive Care</b>				0	0
<i>Other (Specify/add rows as needed)</i>					0	0	<i>Other (Specify/add rows as needed)</i>				0	0
<b>TOTAL NON-ACUTE</b>		<b>20</b>	<b>3</b>	<b>6</b>	<b>9</b>	<b>15</b>	<b>TOTAL NON-ACUTE</b>		<b>37</b>	<b>0</b>	<b>37</b>	<b>37</b>
<b>HOSPITAL TOTAL</b>		<b>118</b>	<b>78</b>	<b>37</b>	<b>115</b>	<b>165</b>	<b>HOSPITAL TOTAL</b>		<b>147</b>	<b>0</b>	<b>147</b>	<b>147</b>

\* Include beds dedicated to gynecology and additions, 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.*

DEPARTMENT/FUNCTIONAL AREA	DEPARTMENTAL GROSS SQUARE FEET				Total After Project Completion
	Current	To be Added Thru New Construction	To Be Renovated	To Remain As Is	
<b>Inpatient Nursing Units</b>					
Intensive Care	6,090	12,413	0	0	12,413
Med / Surg (Telemetry / Neuro)	16,317	14,873	0	0	14,873
Rehab (Requard Center)	8,700	13,480	0	0	13,480
Med / Surg (General)	29,738	32,788	0	0	32,788
Pediatric Unit	2,300	incl in M/S Unit	0	0	0
Med / Surg (Joint, Med/Surg)	6,810	incl in M/S Unit	0	0	0
Obstetrics incl. nursery	15,623	20,607	0	0	20,607
Behavioral Health Unit	9,775	11,616			11,616
<b>Subtotal</b>	<b>95,353</b>	<b>105,777</b>	0	0	<b>105,777</b>
<b>Diagnostic &amp; Treatment</b>					
Clinical Lab / Pathology	7,451	10,225	0	0	10,225
Emergency Department	17,570	21,890	0	0	21,890
Inpatient Dialysis	2,298	2,332	0	0	2,332
Imaging Department	16,680	15,605	0	0	15,605
Interventional Suite (incl O.R.'s, Cath, EP, PACU)	23,040	30,968	0	0	30,968
Prep / Stage 2 Recovery	3,889	16,128	0	0	16,128
Pre-Anesthesia Testing	400	710	0	0	710
Observation Unit	0	11,976	0	0	11,976
Respiratory Therapy	1,927	697	0	0	697
<b>Subtotal</b>	<b>73,255</b>	<b>110,531</b>	0	0	<b>110,531</b>
<b>Administrative / Public Services</b>					
Auxiliary	126	310	0	0	310
Admitting / Registration	3,845	1,784	0	0	1,784
Chapel	170	597	0	0	597
Education Center / Med Library	6,289	4,956	0	0	4,956
Gift Shop	1,106	1,255	0	0	1,255
Hospitalist Suite	1,259	0	0	0	0
On-Call	1,034	1,670	0	0	1,670
Executive Admin	6,252	4,631	0	0	4,631
Medical Records	7,933	2,060	0	0	2,060

Quality Team	1,055	incl in Admin	0	0	0
Human Resources / Employee Health	1,900	1,808	0	0	1,808
Nursing Administration / Staff offices	1,835	1,361	0	0	1,361
Information Technology	1,900	2,046	0	0	2,046
Lobby Services	1,255	1,192	0	0	1,192
<b>Subtotal</b>	<b>35,959</b>	<b>23,670</b>	0	0	<b>23,670</b>
<b>Support Services</b>					
EVS / Linen / Facilities / Mat. Mgmt	9,389	13,592	0	0	13,592
Biomed	600	894			894
Maryland Express Care Suite	795	372	0	0	372
Sterile Processing	4,658	7,306	0	0	7,306
Pharmacy	4,181	4,843	0	0	4,843
Security	420	989	0	0	989
Morgue	500	252			252
Food & Nutrition	9,176	13,316	0	0	13,316
<b>Subtotal</b>	<b>29,719</b>	<b>41,564</b>	0	0	<b>41,564</b>
<b>Clinics</b>					
Cardiopulmonary / Vascular	2,502	5,952	0	0	5,952
Education Center	983	incl in Education above			
Behavioral Health Outpatient Clinic	1,077	3,133	0	0	3,133
Cardio Rehab	2,700	3,758	0	0	3,758
Diabetes Clinic	3,487	2,935	0	0	2,935
Infusion Center	1,760	2,178	0	0	2,178
Pain Management Clinic	2,402	3,133	0	0	3,133
Sleep Lab	1,078	0	0	0	0
Multi-Specialty Clinic	1,645	4,039	0	0	4,039
Outpatient Lab Draw	556	751	0	0	751
<b>Subtotal</b>	<b>18,190</b>	<b>25,879</b>	0	0	<b>25,879</b>
<b>Total Department Gross SF</b>	<b>252,476</b>	<b>307,421</b>			<b>307,421</b>
Building Grossing Factor	113,590	75,556	0	0	75,556
Penthouse	5,550	2,510	0	0	2,510
Central Plant	16,917	22,385	0	0	22,385
<b>Total Building Gross SF</b>	<b>366,066</b>	<b>407,872</b>			<b>407,872</b>

**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.*

	NEW CONSTRUCTION		RENOVATION
	Hospital	Central Utility Plant	
<b>BASE BUILDING CHARACTERISTICS</b>	<b>Check if applicable</b>		
<b>Class of Construction</b> (for renovations the class of the building being renovated)*			
Class A	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Class B	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Class C	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Class D	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Type of Construction/Renovation*</b>			
Low	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Average	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Good	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Excellent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Number of Stories</b>	6 plus penthouse		1

\*As defined by Marshall Valuation Service

PROJECT SPACE	List Number of Feet, if applicable		
<b>Total Square Footage</b>	<b>385,487</b>	<b>22,385</b>	
Basement	n/a		
First Floor	135,968	22,385	
Second Floor	111,505		
Third Floor	45,044		
Fourth Floor	36,652		
Fifth Floor	35,228		
Sixth Floor	18,580		
Penthouse	2,510		
<b>Average Square Feet</b>	<b>55,070</b>	<b>22,385</b>	
<b>Perimeter in Linear Feet</b>	<b>Linear Feet</b>		
Basement	n/a		
First Floor	2,135	610	
Second Floor	2,076		
Third Floor	1,194		
Fourth Floor	1,079		
Fifth Floor	1,066		
Sixth Floor	648		
Penthouse	204		
<b>Total Linear Feet</b>	<b>8,402</b>	<b>610</b>	
<b>Average Linear Feet</b>	<b>1,200</b>	<b>610</b>	
<b>Wall Height (floor to eaves)</b>	<b>Feet</b>		
Basement	n/a		
First Floor	16	20	
Second Floor	16		
Third Floor	14		
Fourth Floor	14		
Fifth Floor	14		
Sixth Floor	14		
Penthouse	21.83		
<b>Average Wall Height</b>	<b>15.69</b>		
<b>OTHER COMPONENTS</b>			
<b>Elevators</b>	<b>List Number</b>		
Passenger	3	0	
Freight	3	0	
Trauma	1	0	
<b>Sprinklers</b>	<b>Square Feet Covered</b>		
Wet System	385,487	22,385	
Dry System			
<b>Other</b>	<b>Describe Type</b>		
<b>Type of HVAC System for proposed project</b>	Excellent Grade - Forced Air: VAV / Constant Volume, Digitally Controlled		
<b>Type of Exterior Walls for proposed project</b>	Glass Curtain Wall, Brick Veneer, Metal Panels, Cultured Stone		

**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.*

	NEW CONSTRUCTION COSTS	RENOVATION COSTS
<b>SITE PREPARATION COSTS</b>		
Normal Site Preparation	\$649,215	
Utilities from Structure to Lot Line	In Offsite Costs	
<b>Subtotal included in Marshall Valuation Costs</b>	<b>\$649,215</b>	
Paving and Roads	\$6,091,611	
Demolition	\$412,500	
Storm Drains	\$3,282,000	
Rough Grading	\$2,455,794	
Landscaping	\$4,239,791	
Sediment Control & Stabilization	\$375,000	
Helipad	\$55,000	
Water	\$91,350	
Sewer	\$146,160	
Premium for Labor Shortages on Eastern Shore Projects	\$2,664,598	
Premium for Prevailing Wage	\$2,664,598	
Premium for Minority Business Enterprise Requirement	\$1,090,430	
<b>Subtotal On-Site excluded from Marshall Valuation Costs</b>	<b>\$23,568,831</b>	
<b>OFFSITE COSTS</b>		
Roads	\$6,653,000	
Pump Station	\$1,118,520	
8" to 12" Force Main	\$1,560,000	
Misc.	\$780,000	
EASTON ELECTRICAL SERVICE	\$704,369	
EASTON GAS SERVICE TO PROPERTY	\$254,196	
Verizon	\$1,170,497	
MD Broad Band (Fiber)	\$1,592,448	
Chop Tank (Electric)	\$2,826,004	
Cable TV	\$3,532,880	
Other (Specify/add rows if needed)		
<b>Subtotal Off-Site excluded from Marshall Valuation Costs</b>	<b>\$20,191,914</b>	
<b>TOTAL Estimated On-Site and Off-Site Costs not included in Marshall Valuation Costs</b>	<b>\$43,760,745</b>	<b>\$0</b>
<b>TOTAL Site and Off-Site Costs included and excluded from Marshall Valuation Service*</b>	<b>\$44,409,960</b>	<b>\$0</b>
<b>BUILDING COSTS</b>		
Normal Building Costs	\$170,264,261	
<b>Subtotal included in Marshall Valuation Costs</b>	<b>\$170,264,261</b>	
Canopy	\$1,881,250	
Premium for Labor Shortages on Eastern Shore Projects	\$12,998,316	
LEED Silver Premium	\$8,665,544	
Pneumatic Tube System	\$1,125,000	
Signs	\$135,000	
Premium for Prevailing Wage	\$12,998,316	
Premium for Minority Business Enterprise Requirement	\$8,570,914	
<b>Subtotal Building Costs excluded from Marshall Valuation Costs</b>	<b>\$46,374,341</b>	
<b>TOTAL Building Costs included and excluded from Marshall Valuation Service*</b>	<b>\$216,638,602</b>	<b>\$0</b>
<b>A&amp;E COSTS</b>		
Normal A&E Costs	\$11,000,000	
<b>Subtotal included in Marshall Valuation Costs</b>	<b>\$11,000,000</b>	
<b>Subtotal A&amp;E Costs excluded from Marshall Valuation Costs</b>	<b>\$0</b>	
<b>TOTAL A&amp;E Costs included and excluded from Marshall Valuation Service*</b>	<b>\$11,000,000</b>	<b>\$0</b>
<b>PERMIT COSTS</b>		
Normal Permit Costs	\$6,135,000	
<b>Subtotal included in Marshall Valuation Costs</b>	<b>\$6,135,000</b>	
<b>Subtotal Permit Costs excluded from Marshall Valuation Costs</b>	<b>\$0</b>	
<b>TOTAL Permit Costs included and excluded from Marshall Valuation Service*</b>	<b>\$6,135,000</b>	<b>\$0</b>

**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. See additional instruction in the column to the right of the table.

**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.a as a use of funds and on line B.8 as a source of funds

	Hospital Building	CUP	Total
<b>A. USE OF FUNDS</b>			
<b>1. CAPITAL COSTS</b>			
a. Land Purchase	\$2,464,658		\$2,464,658
<b>b. New Construction</b>			
(1) Building	\$210,528,602	\$6,110,000	\$216,638,602
(2) Fixed Equipment	In Building	In Building	In Building
(3) Site and Infrastructure	\$36,933,315	\$7,476,645	\$44,409,960
(4) Architect/Engineering Fees	\$9,013,929	\$1,986,071	\$11,000,000
(5) Permits (Building, Utilities, Etc.)	\$5,027,314	\$1,107,686	\$6,135,000
<b>SUBTOTAL</b>	<b>\$261,503,160</b>	<b>\$16,680,402</b>	<b>\$278,183,562</b>
<b>c. Renovations</b>			
(1) Building			\$0
(2) Fixed Equipment (not included in construction)			\$0
(3) Architect/Engineering Fees			\$0
(4) Permits (Building, Utilities, Etc.)			\$0
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>d. Other Capital Costs</b>			
(1) Movable Equipment	\$85,060,730	\$40,000,000	\$125,060,730
(2) Contingency Allowance	\$16,974,712	\$2,478,023	\$19,452,735
(3) Gross interest during construction period	\$44,210,733	\$5,788,267	\$49,999,000
(4) Other (Specify/add rows if needed)			
Easton Utility Fees	\$9,000,000		\$9,000,000
EDU'S			\$0
Impact Fee (Town) / County	\$1,500,000		\$1,500,000
Forest Conservation			\$0
Builder's Risk Insurance	\$500,000		\$500,000
HOSPITAL MOVE	\$2,000,000		\$2,000,000
UMMS/OVHO	\$1,500,000		\$1,500,000
Previous Expenditures (Design/Planning/etc)	\$10,078,129		\$10,078,129
<b>SUBTOTAL</b>	<b>\$170,824,304</b>	<b>\$48,266,290</b>	<b>\$219,090,594</b>
<b>TOTAL CURRENT CAPITAL COSTS</b>	<b>\$434,792,122</b>	<b>\$64,946,691</b>	<b>\$499,738,814</b>
e. Inflation Allowance	\$25,435,020	\$3,305,038	\$28,740,058
<b>TOTAL CAPITAL COSTS</b>	<b>\$460,227,142</b>	<b>\$68,251,729</b>	<b>\$528,478,871</b>
<b>2. Financing Cost and Other Cash Requirements</b>			
a. Loan Placement Fees	\$2,635,012	\$344,988	\$2,980,000
b. Bond Discount	\$0		\$0
c. CON Application Assistance			\$0
<b>c1. Legal Fees</b>			
	\$150,000		\$150,000
<b>c2. Other (Specify/add rows if needed)</b>			
Accounting, Architectural, Planning	\$850,000		\$850,000
<b>d. Non-CON Consulting Fees</b>			
<b>d1. Legal Fees</b>			
			\$0
<b>d2. Other (Specify/add rows if needed)</b>			
IT Design	\$75,000		\$75,000
SHA Study	\$300,000		\$300,000
Geo-tech consult (if needed)	\$75,000		\$75,000
Project Development Consultant	\$4,500,000		\$4,500,000
CM Preconstruction Fees	\$200,000		\$200,000
Exterior Wall Mock Up & Testing	\$500,000		\$500,000
Scheduling	\$200,000		\$200,000
Third Party Inspections	\$750,000		\$750,000
Third Party Building Permit Review	\$400,000		\$400,000
Curtainwall Testing	\$100,000		\$100,000
e. Debt Service Reserve Fund	\$0		\$0
f. Other (Specify/add rows if needed)			\$0
			\$0
			\$0
<b>e. Liquidation of Existing Debt</b>			
			\$0
f. Debt Service Reserve Fund	\$0		\$0
g. Other (Specify/add rows if needed)			\$0
<b>SUBTOTAL</b>	<b>\$10,735,012</b>	<b>\$344,988</b>	<b>\$11,080,000</b>
<b>3. Working Capital Startup Costs</b>			
			\$0
<b>##### TOTAL USES OF FUNDS</b>	<b>\$470,962,155</b>	<b>\$68,596,717</b>	<b>\$539,558,871</b>
<b>B. Sources of Funds</b>			
1. Cash	\$38,588,871	\$0	\$38,588,871
2. Philanthropy (to date and expected)	\$50,000,000	\$0	\$50,000,000
3. Authorized Bonds	\$264,727,283	\$68,596,717	\$333,324,000
4. Interest Income from bond proceeds listed in #3	\$17,646,000		\$17,646,000
5. Mortgage			\$0
6. Working Capital Loans			\$0
<b>7. Grants or Appropriations</b>			
a. Federal			\$0
b. State	\$100,000,000		\$100,000,000
c. Local			\$0
8. Other (Specify/add rows if needed)			\$0
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$470,962,154</b>	<b>\$68,596,717</b>	<b>\$539,558,871</b>
<b>Annual Lease Costs (if applicable)</b>			
1. Land			\$0
2. Building			\$0
3. Major Movable Equipment			\$0
4. Minor Movable Equipment			\$0
5. Other (Specify/add rows if needed)			\$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.			



## **Budget Assumptions for the UM Shore Health Regional Medical Center**

- 1. Building:** The construction cost of the RMC is a Rough Order of Magnitude (“ROM”) provided Clark Construction, the Construction Manager who completed the construction of UM Capital Region Medical Center in Largo, MD in June 2021. This ROM was developed from a combination of Schematic Design Documents from 2022, and previous iterations of this project which were at a Design Development level of completion.
- 2. Fixed Equipment:** The cost of fixed equipment was developed internally by UMMS Facilities’ Design and Construction Department, utilizing actual costs from UM Capital Region Medical Center as a benchmark for pricing, while adjusting for differences in scope and current day pricing.
- 3. Architect/Engineering Fees:** The cost of design and engineering was provided in a proposal from HKS, the architectural firm designing the Regional Medical Center. HKS is an interdisciplinary global design firm with extensive experience in the Healthcare sector. They are the designers of the UM Upper Chesapeake Bed Tower Expansion in Bel Air, MD, which is currently under construction.
- 4. Permit Fees:** The cost of the permit fees for this project was developed by Clark Construction based on their experience working in Talbot County, adjusted for a project of this size and complexity.
- 5. Movable Equipment:** The cost of movable equipment was developed internally by UMMS Clinical Engineering department, a group which includes in-house medical equipment planners. This cost was established in a room-by-room format using Attania pricing models, and cross-checked using UM Capital Region actual purchase prices adjusted for current day pricing.
- 6. Contingency:** The contingency for this project was developed using UM Capital Region Medical Center and other UMMS projects as a guideline. The amount of contingency was adjusted for scope differences, drawing completion levels, and the extensive site infrastructure and development requirements for this location.
- 7. Information Technology (IT):** Information Technology budgets were developed internally by UMMS IT project development group based on the actual costs of UM Capital Region Medical Center’s IT infrastructure and implementation. The costs were adjusted for differences in scope and current pricing.
- 8. Legal Fees:** The legal fee estimate was provided by Gallagher Evelius & Jones, LLP, a firm currently advising the organization on the CON application process. The estimate is based on working on other projects of this magnitude.
- 9. Non-legal Consultant Fees:** The estimate for non-legal consultant fees for this project was developed by UMMS Facilities’ Design and Construction department, based on actual consultant fees paid throughout the course of the UM Capital Region Medical Center Project.

**TABLE F. STATISTICAL PROJECTIONS - Shore Health System**

*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 (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>1. DISCHARGES</b>												
a. MSGA	4,245	3,885	3,944	4,004	4,065	4,129	4,194	4,260	4,329	4,400	4,472	4,547
<b>Total MSGA</b>	<b>4,245</b>	<b>3,885</b>	<b>3,944</b>	<b>4,004</b>	<b>4,065</b>	<b>4,129</b>	<b>4,194</b>	<b>4,260</b>	<b>4,329</b>	<b>4,400</b>	<b>4,472</b>	<b>4,547</b>
b. Pediatrics	8	27	27	27	27	27	27	27	27	27	27	27
c. Obstetrics	1,030	999	1,004	1,012	1,020	1,028	1,036	1,044	1,052	1,060	1,069	1,077
e. Psych	432	349	350	351	352	353	355	356	478	480	481	483
f. Rehabilitation	312	191	198	206	214	222	231	239	249	259	269	279
<b>Total Acute</b>	<b>6,027</b>	<b>5,451</b>	<b>5,523</b>	<b>5,599</b>	<b>5,678</b>	<b>5,759</b>	<b>5,842</b>	<b>5,927</b>	<b>6,135</b>	<b>6,225</b>	<b>6,318</b>	<b>6,413</b>
g. Other (Specify/add rows of needed)												
<b>TOTAL DISCHARGES</b>	<b>6,027</b>	<b>5,451</b>	<b>5,523</b>	<b>5,599</b>	<b>5,678</b>	<b>5,759</b>	<b>5,842</b>	<b>5,927</b>	<b>6,135</b>	<b>6,225</b>	<b>6,318</b>	<b>6,413</b>
<b>2. PATIENT DAYS</b>												
a. MSGA	20,454	21,888	22,224	22,469	22,720	22,978	23,242	23,619	24,006	24,403	24,812	25,231
<b>Total MSGA</b>	<b>20,454</b>	<b>21,888</b>	<b>22,224</b>	<b>22,469</b>	<b>22,720</b>	<b>22,978</b>	<b>23,242</b>	<b>23,619</b>	<b>24,006</b>	<b>24,403</b>	<b>24,812</b>	<b>25,231</b>
b. Pediatrics	20	72	72	72	72	72	72	72	72	72	72	72
c. Obstetrics	1,865	1,892	1,901	1,916	1,931	1,946	1,962	1,977	1,993	2,008	2,024	2,040
e. Psych	3,648	1,996	2,014	2,033	2,052	2,071	2,091	2,111	2,854	2,882	2,910	2,938
f. Rehabilitation	3,040	2,197	2,280	2,367	2,457	2,550	2,648	2,750	2,857	2,967	3,083	3,203
<b>Total Acute</b>	<b>29,027</b>	<b>28,045</b>	<b>28,492</b>	<b>28,857</b>	<b>29,232</b>	<b>29,618</b>	<b>30,015</b>	<b>30,529</b>	<b>31,781</b>	<b>32,333</b>	<b>32,900</b>	<b>33,485</b>
g. Other (Specify/add rows of needed)												
<b>TOTAL PATIENT DAYS</b>	<b>29,027</b>	<b>28,045</b>	<b>28,492</b>	<b>28,857</b>	<b>29,232</b>	<b>29,618</b>	<b>30,015</b>	<b>30,529</b>	<b>31,781</b>	<b>32,333</b>	<b>32,900</b>	<b>33,485</b>

**TABLE F. STATISTICAL PROJECTIONS - Shore Health System**

*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 (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>3. AVERAGE LENGTH OF STAY (patient days divided by discharges)</b>												
a. MSGA	4.8	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.5
<b>Total MSGA</b>	<b>4.8</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>
b. Pediatrics	2.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
c. Obstetrics	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
e. Psych	8.4	5.7	5.8	5.8	5.8	5.9	5.9	5.9	6.0	6.0	6.0	6.1
f. Rehabilitation	9.7	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
<b>Total Acute</b>	<b>4.8</b>	<b>5.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>
g. Other (Specify/add rows of needed)												
<b>TOTAL AVERAGE LENGTH OF STAY</b>	<b>4.8</b>	<b>5.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>
<b>4. NUMBER OF LICENSED BEDS</b>												
a. MSGA	70	75	76	77	78	79	80	81	82	84	85	86
<b>Total MSGA</b>	<b>70</b>	<b>75</b>	<b>76</b>	<b>77</b>	<b>78</b>	<b>79</b>	<b>80</b>	<b>81</b>	<b>82</b>	<b>84</b>	<b>85</b>	<b>86</b>
b. Pediatrics	1	1	1	1	1	1	1	1	1	1	1	1
c. Obstetrics	11	10	10	11	11	11	11	11	11	11	11	11
e. Psych	14	8	8	8	8	8	8	8	11	11	11	12
f. Rehabilitation	11	8	8	9	9	9	10	10	10	11	11	12
<b>Total Acute</b>	<b>107</b>	<b>102</b>	<b>103</b>	<b>106</b>	<b>107</b>	<b>108</b>	<b>110</b>	<b>111</b>	<b>115</b>	<b>118</b>	<b>119</b>	<b>122</b>
g. Other (Specify/add rows of needed)												
<b>TOTAL LICENSED BEDS</b>	<b>107</b>	<b>102</b>	<b>103</b>	<b>106</b>	<b>107</b>	<b>108</b>	<b>110</b>	<b>111</b>	<b>115</b>	<b>118</b>	<b>119</b>	<b>122</b>

**TABLE F. STATISTICAL PROJECTIONS - Shore Health System**

*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.*

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>5. OCCUPANCY PERCENTAGE</b> <i>IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.</i>												
a. MSGA	80.0%	80.0%	80.0%	79.8%	80.0%	80.0%	80.0%	79.8%	80.0%	80.0%	80.0%	79.8%
<b>Total MSGA</b>	<b>80.0%</b>	<b>80.0%</b>	<b>80.0%</b>	<b>79.8%</b>	<b>80.0%</b>	<b>80.0%</b>	<b>80.0%</b>	<b>79.8%</b>	<b>80.0%</b>	<b>80.0%</b>	<b>80.0%</b>	<b>79.8%</b>
b. Pediatrics	5.5%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%
c. Obstetrics	46.5%	51.8%	52.1%	47.6%	48.1%	48.5%	48.9%	49.1%	49.6%	50.0%	50.4%	50.7%
e. Psych	71.4%	68.4%	69.0%	69.4%	70.3%	70.9%	71.6%	72.1%	71.1%	71.8%	72.5%	66.9%
f. Rehabilitation	75.7%	75.2%	78.1%	71.8%	74.8%	77.6%	72.6%	75.1%	78.3%	73.9%	76.8%	72.9%
<b>Total Acute</b>	<b>74.3%</b>	<b>75.4%</b>	<b>75.7%</b>	<b>74.4%</b>	<b>75.0%</b>	<b>75.4%</b>	<b>75.0%</b>	<b>75.2%</b>	<b>75.6%</b>	<b>75.3%</b>	<b>75.8%</b>	<b>74.7%</b>
i. Other (Specify/add rows of needed)												
<b>TOTAL OCCUPANCY %</b>	<b>74.3%</b>	<b>75.4%</b>	<b>75.7%</b>	<b>74.4%</b>	<b>75.0%</b>	<b>75.4%</b>	<b>75.0%</b>	<b>75.2%</b>	<b>75.6%</b>	<b>75.3%</b>	<b>75.8%</b>	<b>74.7%</b>
<b>6. OUTPATIENT VISITS (RVU's)</b>												
a. Emergency Department - Easton	25,354	24,931	25,144	25,363	25,588	25,819	26,056	26,300	26,551	26,809	27,074	27,347
b. Emergency Department - Dorchester/Cambridge (OP Only)	12,027	14,539	14,663	14,791	14,922	15,057	15,195	15,338	15,484	15,634	15,789	15,948
c. Emergency Department - Queen Anne's (OP Only)	13,716	18,035	18,189	18,347	18,510	18,677	18,849	19,026	19,207	19,394	19,586	19,783
d. Same Day Surgery (OP Only)	4,609	4,500	4,538	4,578	4,619	4,660	4,703	4,747	4,792	4,839	4,887	4,936
e. Laboratory RVUs (OP Only)	4,988,179	5,941,602	5,992,382	6,044,543	6,098,133	6,153,198	6,209,787	6,267,950	6,327,740	6,389,212	6,452,420	6,517,424
f. Imaging RVUs (OP Only)	1,163,618	1,224,633	1,235,099	1,245,850	1,256,896	1,268,245	1,279,909	1,291,897	1,304,221	1,316,891	1,329,919	1,343,317
g. MRI RVUs (OP Only)	107,394	83,904	84,621	85,358	86,114	86,892	87,691	88,513	89,357	90,225	91,117	92,035
<b>TOTAL OUTPATIENT VISITS (RVU's)</b>	<b>6,314,897</b>	<b>7,312,144</b>	<b>7,374,637</b>	<b>7,438,831</b>	<b>7,504,782</b>	<b>7,572,548</b>	<b>7,642,190</b>	<b>7,713,770</b>	<b>7,787,352</b>	<b>7,863,003</b>	<b>7,940,792</b>	<b>8,020,790</b>

**TABLE F. STATISTICAL PROJECTIONS - Shore Health System**

*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.*

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>7. OBSERVATIONS**</b>												
a. Number of Patients - Easton	3,581	3,602	3,633	3,664	3,697	3,730	3,765	3,800	3,836	3,873	3,912	3,951
b. Hours - Easton	93,658	150,523	150,291	150,084	149,900	149,741	149,607	149,498	149,415	149,358	149,327	149,323
c. Number of Patients - Dorchester/Cambridge	486	134	134	135	137	138	139	140	142	143	144	146
d. Hours - Dorchester/Cambridge	17,730	2,646	2,277	2,297	2,317	2,338	2,360	2,382	2,405	2,428	2,452	2,477

\* 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 - Shore Health System**

**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 (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>1. REVENUE</b>												
a. Inpatient Services	\$124,234	\$129,265	\$122,858	\$122,675	\$123,276	\$123,732	\$124,173	\$124,090	\$131,531	\$131,439	\$131,363	\$131,287
b. Outpatient Services	\$204,536	\$233,541	\$216,296	\$217,014	\$217,346	\$217,441	\$217,527	\$217,382	\$230,417	\$230,256	\$230,123	\$229,989
<b>Gross Patient Service Revenues</b>	<b>\$328,770</b>	<b>\$362,806</b>	<b>\$339,154</b>	<b>\$339,689</b>	<b>\$340,622</b>	<b>\$341,172</b>	<b>\$341,699</b>	<b>\$341,472</b>	<b>\$361,948</b>	<b>\$361,694</b>	<b>\$361,485</b>	<b>\$361,276</b>
c. Deductions	\$61,770	\$70,527	\$63,036	\$63,136	\$63,309	\$63,412	\$63,509	\$63,467	\$67,273	\$67,226	\$67,187	\$67,148
<b>Net Patient Services Revenue</b>	<b>\$267,000</b>	<b>\$292,279</b>	<b>\$276,117</b>	<b>\$276,553</b>	<b>\$277,312</b>	<b>\$277,761</b>	<b>\$278,190</b>	<b>\$278,005</b>	<b>\$294,675</b>	<b>\$294,469</b>	<b>\$294,298</b>	<b>\$294,128</b>
d. Grants	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
e. Other Operating Revenue	\$12,462	\$11,145	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405
<b>NET OPERATING REVENUE</b>	<b>\$279,462</b>	<b>\$303,424</b>	<b>\$283,523</b>	<b>\$283,959</b>	<b>\$284,718</b>	<b>\$285,166</b>	<b>\$285,595</b>	<b>\$285,410</b>	<b>\$302,080</b>	<b>\$301,874</b>	<b>\$301,704</b>	<b>\$301,533</b>
<b>2. EXPENSES</b>												
a. Salaries & Wages (including benefits)	\$109,453	\$116,928	\$115,870	\$113,988	\$112,179	\$110,509	\$108,902	\$109,362	\$110,013	\$110,622	\$111,235	\$111,854
b. Contractual Services	\$47,970	\$55,769	\$56,418	\$56,418	\$56,322	\$56,229	\$56,141	\$56,141	\$55,856	\$55,856	\$55,856	\$55,856
c. Interest on Current Debt	\$2,346	\$3,044	\$4,993	\$4,893	\$4,795	\$4,699	\$4,605	\$4,513	\$4,423	\$4,335	\$4,248	\$4,163
d. Interest on Project Debt	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$15,694	\$15,362	\$15,014	\$14,647
e. Current Depreciation and Amortization	\$16,972	\$17,243	\$20,336	\$17,914	\$17,028	\$17,231	\$16,483	\$16,566	\$14,232	\$14,791	\$15,446	\$16,102
f. Project Depreciation and Amortization	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$27,961	\$27,961	\$27,961	\$27,961
g. Supplies	\$36,197	\$35,922	\$34,741	\$30,878	\$30,380	\$29,931	\$29,530	\$29,737	\$30,005	\$30,189	\$30,375	\$30,563
h. Professional Fees	\$15,530	\$15,147	\$18,382	\$18,491	\$18,570	\$18,649	\$18,729	\$18,810	\$18,928	\$19,049	\$19,171	\$19,293
i. Insurance & Other	\$3,337	\$4,214	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718
j. Fixed Cost Additions	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
<b>TOTAL OPERATING EXPENSES</b>	<b>\$231,805</b>	<b>\$248,267</b>	<b>\$255,457</b>	<b>\$247,301</b>	<b>\$243,992</b>	<b>\$241,967</b>	<b>\$239,109</b>	<b>\$239,847</b>	<b>\$281,831</b>	<b>\$282,883</b>	<b>\$284,023</b>	<b>\$285,158</b>
<b>3. INCOME</b>												
a. Income From Operation	\$47,657	\$55,157	\$28,065	\$36,658	\$40,726	\$43,199	\$46,486	\$45,563	\$20,250	\$18,991	\$17,681	\$16,375
b. Non-Operating Income	\$28,052	\$(20,369)	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187
<b>SUBTOTAL</b>	<b>\$75,709</b>	<b>\$34,788</b>	<b>\$43,253</b>	<b>\$51,845</b>	<b>\$55,913</b>	<b>\$58,386</b>	<b>\$61,674</b>	<b>\$60,751</b>	<b>\$35,437</b>	<b>\$34,179</b>	<b>\$32,868</b>	<b>\$31,563</b>
c. Income Taxes	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
<b>NET INCOME (LOSS)</b>	<b>\$75,709</b>	<b>\$34,788</b>	<b>\$43,253</b>	<b>\$51,845</b>	<b>\$55,913</b>	<b>\$58,386</b>	<b>\$61,674</b>	<b>\$60,751</b>	<b>\$35,437</b>	<b>\$34,179</b>	<b>\$32,868</b>	<b>\$31,563</b>

**TABLE G. REVENUES & EXPENSES, UNINFLATED - Shore Health System**

**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 (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>4. PATIENT MIX</b>												
<b>a. Percent of Total Revenue</b>												
1) Medicare	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%
2) Medicaid	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%
3) Blue Cross	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
4) Commercial Insurance	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6) Other	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>b. Percent of Equivalent Inpatient Days</b>												
1) Medicare	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%
2) Medicaid	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
3) Blue Cross	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
4) Commercial Insurance	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6) Other	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Values presented do not include SHS allocations of Shore Medical Group losses, which totaled \$22.57M in FY2021 and \$19.92M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements

**Table G – Key Financial Projection Assumptions for Shore Health System (Uninflated)**

Projection is based on the UM Shore Health System FY2023 budgeted revenues and expenses with assumptions identified below

Projection period reflects FY2024 – FY2032

Volumes	— See Table F of the application for volume projections
<b>Patient Revenue</b> <ul style="list-style-type: none"> <li>• <b>FY2024</b> <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 0.00%</li> <li>○ Quality Adjustments — -0.12%</li> <li>○ Other Rates — 0.40%</li> <li>○ Volume — 0.05%</li> <li>— Total <u>0.33%</u></li> </ul> </li> <li>• <b>FY2025</b> <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 0.00%</li> <li>○ Quality Adjustments — 0.00%</li> <li>○ Other Rates — 0.03%</li> <li>○ Volume — 0.05%</li> <li>— Total <u>0.08%</u></li> </ul> </li> <li>• <b>FY2026+</b> <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 0.00%</li> <li>○ Quality Adjustments — 0.00%</li> <li>○ Other Rates — -0.10%</li> <li>○ Volume — 0.05%</li> <li>— Total <u>-0.05%</u></li> </ul> </li> <li>• <b>Deductions from Gross Revenue</b> — 18.6%</li> <li>• <b>Revenue Enhancements</b> — In FY2029, Shore Health System will request a full rate adjustment of \$24.0M, equal to 50% of depreciation and interest related to the project — Includes an HSCRC Markup factor of 1.1</li> </ul>	
<b>Other Revenue</b> <ul style="list-style-type: none"> <li>• <b>Other Operating Revenue Inflation</b> — 2.0%</li> </ul>	
<b>Expenses</b> <ul style="list-style-type: none"> <li>• <b>Inflation</b> <ul style="list-style-type: none"> <li>○ Salaries &amp; Benefits — 0.0%</li> <li>○ Professional Fees — 0.0%</li> <li>○ Supplies — 0.0%</li> <li>○ Purchased Services — 0.0%</li> <li>○ Insurance &amp; Other — 0.0%</li> </ul> </li> <li>• <b>Volume Variability</b> <ul style="list-style-type: none"> <li>○ Salaries &amp; Benefits — 45.0%</li> <li>○ Professional Fees — 80.0%</li> <li>○ Supplies — 50.0%</li> <li>○ Purchased Services — 50.0%</li> <li>○ Insurance &amp; Other — 0.0%</li> </ul> </li> <li>• <b>Interest Expense</b> <ul style="list-style-type: none"> <li>○ Project Debt — Interest expense on \$333.3M proceeds from a 30-year issuance of debt at an interest rate of 5%</li> </ul> </li> <li>• <b>Depreciation and Amortization</b> — Reflects depreciation on a \$539.6M project with a weighted average useful life of 19.2 years</li> <li>• <b>Shore Medical Group Physician Loss Allocations</b> — SHS allocations of Shore Medical Group physician losses, totaling \$22.57M in FY2021 and \$19.92M in FY2022 are not included in this projection. This will need to be added back in order to reconcile to the audited financial statements</li> <li>• <b>Performance Improvements</b> <ul style="list-style-type: none"> <li>○ <b>Identified PI:</b> <ul style="list-style-type: none"> <li>— Agency Reductions — \$6.0M by FY2027</li> <li>— FTE Savings — \$2.5M by FY2027</li> <li>— 340B Savings — \$4.0M in drug savings &amp; \$1.0M in other savings by FY2027</li> <li>— Inventory Management — \$2.0M by FY2027</li> <li>— Other PI — <u>\$0.5M by FY2027</u></li> <li>○ <b>Total Identified PI:</b> — \$15.0M by FY2027 (cumulative)</li> <li>○ <b>Unidentified PI:</b> — No unidentified PI included in the projection</li> </ul> </li> </ul> </li> </ul>	



**TABLE H. REVENUES & EXPENSES, INFLATED - Shore Health System**

**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 (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>Indicate CY or FY</b>												
<b>1. REVENUE</b>												
a. Inpatient Services	\$ 124,234	\$ 129,265	\$ 122,858	\$ 125,719	\$ 129,538	\$ 133,288	\$ 137,134	\$ 140,501	\$ 152,691	\$ 156,448	\$ 160,297	\$ 164,240
b. Outpatient Services	\$ 204,536	\$ 233,541	\$ 216,296	\$ 222,398	\$ 228,386	\$ 234,235	\$ 240,232	\$ 246,132	\$ 267,486	\$ 274,066	\$ 280,809	\$ 287,717
<b>Gross Patient Service Revenues</b>	<b>\$ 328,770</b>	<b>\$ 362,806</b>	<b>\$ 339,154</b>	<b>\$ 348,117</b>	<b>\$ 357,924</b>	<b>\$ 367,523</b>	<b>\$ 377,366</b>	<b>\$ 386,633</b>	<b>\$ 420,177</b>	<b>\$ 430,514</b>	<b>\$ 441,105</b>	<b>\$ 451,958</b>
c. Deductions	\$ 61,770	\$ 70,527	\$ 63,036	\$ 64,702	\$ 66,525	\$ 68,309	\$ 70,139	\$ 71,861	\$ 78,096	\$ 80,017	\$ 81,985	\$ 84,002
<b>Net Patient Services Revenue</b>	<b>\$ 267,000</b>	<b>\$ 292,279</b>	<b>\$ 276,117</b>	<b>\$ 283,415</b>	<b>\$ 291,399</b>	<b>\$ 299,214</b>	<b>\$ 307,227</b>	<b>\$ 314,772</b>	<b>\$ 342,081</b>	<b>\$ 350,497</b>	<b>\$ 359,120</b>	<b>\$ 367,955</b>
d. Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e. Other Operating Revenue	\$ 12,462	\$ 11,145	\$ 7,405	\$ 7,553	\$ 7,704	\$ 7,859	\$ 8,016	\$ 8,176	\$ 8,340	\$ 8,506	\$ 8,676	\$ 8,850
<b>NET OPERATING REVENUE</b>	<b>\$ 279,462</b>	<b>\$ 303,424</b>	<b>\$ 283,523</b>	<b>\$ 290,968</b>	<b>\$ 299,104</b>	<b>\$ 307,072</b>	<b>\$ 315,243</b>	<b>\$ 322,948</b>	<b>\$ 350,421</b>	<b>\$ 359,003</b>	<b>\$ 367,796</b>	<b>\$ 376,805</b>
<b>2. EXPENSES</b>												
a. Salaries & Wages (including benefits)	\$ 109,453	\$ 116,928	\$ 115,870	\$ 117,408	\$ 119,011	\$ 120,757	\$ 122,571	\$ 126,781	\$ 131,361	\$ 136,051	\$ 140,910	\$ 145,944
b. Contractual Services	\$ 47,970	\$ 55,769	\$ 56,418	\$ 57,546	\$ 58,597	\$ 59,671	\$ 60,769	\$ 61,984	\$ 62,903	\$ 64,161	\$ 65,444	\$ 66,753
c. Interest on Current Debt	\$ 2,346	\$ 3,044	\$ 4,993	\$ 4,893	\$ 4,795	\$ 4,699	\$ 4,605	\$ 4,513	\$ 4,423	\$ 4,335	\$ 4,248	\$ 4,163
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,694	\$ 15,362	\$ 15,014	\$ 14,647
e. Current Depreciation and Amortization	\$ 16,972	\$ 17,243	\$ 20,336	\$ 17,914	\$ 17,028	\$ 17,231	\$ 16,483	\$ 16,566	\$ 14,232	\$ 14,791	\$ 15,446	\$ 16,102
f. Project Depreciation and Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,961	\$ 27,961	\$ 27,961	\$ 27,961
g. Supplies	\$ 36,197	\$ 35,922	\$ 34,741	\$ 31,990	\$ 32,606	\$ 33,281	\$ 34,018	\$ 35,489	\$ 37,099	\$ 38,669	\$ 40,308	\$ 42,018
h. Professional Fees	\$ 15,530	\$ 15,147	\$ 18,382	\$ 19,046	\$ 19,700	\$ 20,378	\$ 21,080	\$ 21,806	\$ 22,601	\$ 23,428	\$ 24,285	\$ 25,173
i. Insurance and Other	\$ 3,337	\$ 4,214	\$ 4,718	\$ 4,812	\$ 4,908	\$ 5,007	\$ 5,107	\$ 5,209	\$ 5,313	\$ 5,419	\$ 5,528	\$ 5,638
<b>TOTAL OPERATING EXPENSES</b>	<b>\$231,805</b>	<b>\$248,267</b>	<b>\$255,457</b>	<b>\$253,610</b>	<b>\$256,647</b>	<b>\$261,024</b>	<b>\$264,632</b>	<b>\$272,348</b>	<b>\$321,587</b>	<b>\$330,177</b>	<b>\$339,143</b>	<b>\$348,401</b>
<b>3. INCOME</b>												
a. Income From Operation	\$ 47,657	\$ 55,157	\$ 28,065	\$ 37,358	\$ 42,457	\$ 46,048	\$ 50,611	\$ 50,600	\$ 28,834	\$ 28,826	\$ 28,654	\$ 28,405
b. Non-Operating Income	\$ 28,052	\$ (20,369)	\$ 15,187	\$ 15,491	\$ 15,801	\$ 16,117	\$ 16,439	\$ 16,768	\$ 14,303	\$ 17,445	\$ 17,794	\$ 18,150
<b>SUBTOTAL</b>	<b>\$ 75,709</b>	<b>\$ 34,788</b>	<b>\$ 43,253</b>	<b>\$ 52,849</b>	<b>\$ 58,258</b>	<b>\$ 62,165</b>	<b>\$ 67,050</b>	<b>\$ 67,368</b>	<b>\$ 43,137</b>	<b>\$ 46,272</b>	<b>\$ 46,448</b>	<b>\$ 46,555</b>
c. Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET INCOME (LOSS)</b>	<b>\$ 75,709</b>	<b>\$ 34,788</b>	<b>\$ 43,253</b>	<b>\$ 52,849</b>	<b>\$ 58,258</b>	<b>\$ 62,165</b>	<b>\$ 67,050</b>	<b>\$ 67,368</b>	<b>\$ 43,137</b>	<b>\$ 46,272</b>	<b>\$ 46,448</b>	<b>\$ 46,555</b>

**TABLE H. REVENUES & EXPENSES, INFLATED - Shore Health System**

**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 (Actual)		Current Year Budgeted	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.									
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	
<b>4. PATIENT MIX</b>													
<b>a. Percent of Total Revenue</b>													
1) Medicare	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	
2) Medicaid	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	
3) Blue Cross	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	
4) Commercial Insurance	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
6) Other	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>b. Percent of Equivalent Inpatient Days</b>													
<b>Total MSGA</b>													
1) Medicare	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	
2) Medicaid	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	
3) Blue Cross	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	
4) Commercial Insurance	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
6) Other	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

Note: Values presented do not include SHS allocations of Shore Medical Group losses, which totaled \$22.57M in FY2021 and \$19.92M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements

**Table H – Key Financial Projection Assumptions for Shore Health System (Includes HSCRC Annual Update Factors & Expense Inflation)**

Projection is based on the UM Shore Health System FY2023 budgeted revenues and expenses with assumptions identified below

Projection period reflects FY2024 – FY2032

Volumes	— See Table F of the application for volume projections
<b>Patient Revenue</b> <ul style="list-style-type: none"> <li>• <b>FY2024</b> <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 2.48%</li> <li>○ Quality Adjustments — -0.12%</li> <li>○ Other Rates — 0.40%</li> <li>○ Volume — 0.05%</li> <li>— Total 2.81%</li> </ul> </li> <li>• <b>FY2025</b> <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 2.50%</li> <li>○ Quality Adjustments — 0.00%</li> <li>○ Other Rates — 0.03%</li> <li>○ Volume — 0.05%</li> <li>— Total 2.58%</li> </ul> </li> <li>• <b>FY2026+</b> <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 2.50%</li> <li>○ Quality Adjustments — 0.00%</li> <li>○ Other Rates — -0.10%</li> <li>○ Volume — 0.05%</li> <li>— Total 2.45%</li> </ul> </li> <li>• <b>Deductions from Gross Revenue</b> — 18.6%</li> <li>• <b>Revenue Enhancements</b> — In FY2029, Shore Health System will request a full rate adjustment of \$24.0M, equal to 50% of depreciation and interest related to the project — Includes an HSCRC Markup factor of 1.1</li> </ul>	
<b>Other Revenue</b> <ul style="list-style-type: none"> <li>• <b>Other Operating Revenue Inflation</b> — 2%</li> </ul>	
<b>Expenses</b> <ul style="list-style-type: none"> <li>• <b>Inflation</b> <ul style="list-style-type: none"> <li>○ Salaries &amp; Benefits — 3.0%</li> <li>○ Professional Fees — 3.6%</li> <li>○ Supplies — 3.0%</li> <li>○ Purchased Services — 2.0%</li> <li>○ Insurance &amp; Other — 2.0%</li> </ul> </li> <li>• <b>Volume Variability</b> <ul style="list-style-type: none"> <li>○ Salaries &amp; Benefits — 45%</li> <li>○ Professional Fees — 80%</li> <li>○ Supplies — 50%</li> <li>○ Purchased Services — 50%</li> <li>○ Insurance &amp; Other — 0%</li> </ul> </li> <li>• <b>Interest Expense</b> <ul style="list-style-type: none"> <li>○ Project Debt — Interest expense on \$333.3M proceeds from a 30-year issuance of debt at an interest rate of 5%</li> </ul> </li> <li>• <b>Depreciation and Amortization</b> — Reflects depreciation on a \$539.6M project with a weighted average useful life of 19.2 years</li> <li>• <b>Shore Medical Group Physician Loss Allocations</b> — SHS allocations of Shore Medical Group physician losses, totaling \$22.57M in FY2021 and \$19.92M in FY2022 are not included in this projection. This will need to be added back in order to reconcile to the audited financial statements</li> <li>• <b>Performance Improvements</b> <ul style="list-style-type: none"> <li>○ <b>Identified PI:</b> <ul style="list-style-type: none"> <li>— Agency Reductions — \$6.0M by FY2027</li> <li>— FTE Savings — \$2.5M by FY2027</li> <li>— 340B Savings — \$4.0M in drug savings &amp; \$1.0M in other savings by FY2027</li> <li>— Inventory Management — \$2.0M by FY2027</li> <li>— Other PI — \$0.5M by FY2027</li> </ul> </li> <li>○ <b>Total Identified PI:</b> — \$15.0M by FY2027 (cumulative)</li> <li>○ <b>Unidentified PI:</b> — No unidentified PI included in the projection</li> </ul> </li> </ul>	

**TABLE L. WORKFORCE INFORMATION - SHS**

**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.

Job Category	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) *	
	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)
<b>1. Regular Employees</b>											
Administration (List general categories, add rows if needed)											
<b>Total Administration</b>	218.5	\$ 66,260	\$ 14,477,936			\$ -			\$ 4,411,660	218.5	\$ 18,889,596
Direct Care Staff (List general categories, add rows if needed)											
Med/Surg Acute	195.1	\$ 77,437	\$ 15,110,442	(4.4)	\$ 77,437	\$ (343,515)	(11.6)	\$ (309,787)	\$ 3,606,835	179.1	\$ 18,373,762
Pediatrics	9.6	74,226	712,577				-	-	216,930	9.6	929,507
Obstetrics	43.1	98,711	4,252,496				(3.7)	(241,815)	900,247	39.4	5,152,743
Operating Room	87.2	83,993	7,325,329				(9.1)	(146,895)	1,341,606	78.1	8,666,935
Psych	23.8	77,541	1,845,478				1.5	543,275	791,307	25.3	2,636,785
Rehab	42.0	82,923	3,482,791				7.0	258,857	1,815,100	49.0	5,297,891
Emergency Department	122.6	98,200	12,038,972				(8.6)	(328,762)	2,822,469	114.0	14,861,442
Lab	79.7	69,125	5,512,095				(5.2)	(257,920)	1,335,058	74.6	6,847,153
Pharmacy	32.7	91,911	3,005,495				(2.1)	(342,940)	727,946	30.6	3,733,441
Radiology	74.3	90,200	6,706,249				(4.8)	(336,558)	1,624,288	69.5	8,330,537
Other Ancillary Services	187.4	68,273	12,797,255				(14.2)	(218,178)	3,100,666	173.2	15,897,921
<b>Total Direct Care</b>	897.7	\$ 81,088	\$ 72,789,180	(4.4)	\$ 77,437	\$ (343,515)	(51.0)	\$ (358,815)	\$ 18,282,452	842.3	\$ 90,728,116
Support Staff (List general categories, add rows if needed)											
Security	25.6	\$ 45,896	\$ 1,174,938				-	-	358,090	25.6	1,533,028
Environmental Services	51.6	34,251	1,767,347				-	-	538,640	51.6	2,305,988
Other Support Staff	52.7	74,400	3,921,675				0.3	3,828,440	1,216,971	53.0	5,138,646
<b>Total Support</b>	129.9	\$ 52,836	\$ 6,863,961				0.3	\$ 6,649,439	\$ 2,113,701	130.2	\$ 8,977,662
<b>REGULAR EMPLOYEES TOTAL</b>	1,246.1	\$ 75,542	\$ 94,131,076	-4.4	\$ 77,437	\$ (343,515)	(50.6)	\$ (489,940)	\$ 24,807,813	1,191.0	\$ 118,595,374
<b>2. Contractual Employees</b>											
Administration (List general categories, add rows if needed)											
<b>Total Administration</b>											
Direct Care Staff (List general categories, add rows if needed)											
<b>Total Direct Care Staff</b>											
Support Staff (List general categories, add rows if needed)											
<b>Total Support Staff</b>											
<b>CONTRACTUAL EMPLOYEES TOTAL</b>											
<b>Benefits (State method of calculating benefits below):</b>			\$ 21,738,646						\$ 5,610,297		\$ 27,348,944
<b>23.1% of Salaries</b>											
<b>TOTAL COST</b>	1,246.1		115,869,723	(4.4)		\$ (343,515)	(50.6)		\$ 30,418,111		\$ 145,944,318

# **EXHIBIT 39**

**Standard .04B(14) – Emergency Department Treatment Capacity and Space**

(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.

(b) In developing projections of emergency department visit volume, the applicant shall consider, at a minimum:

(i) The existing and projected primary service areas of the hospital, historic trends in emergency department utilization at the hospital, and the number of hospital emergency department service providers in the applicant hospital's primary service areas;

(ii) The number of uninsured, underinsured, indigent, and otherwise underserved patients in the applicant's primary service area and the impact of these patient groups on emergency department use;

(iii) Any demographic or health service utilization data and/or analyses that support the need for the proposed project;

(iv) The impact of efforts the applicant has made or will make to divert non-emergency cases from its emergency department to more appropriate primary care or urgent care settings; and

(v) Any other relevant information on the unmet need for emergency department or urgent care services in the service area.

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[Applicant Response:](#)

**REVISED RESPONSE**

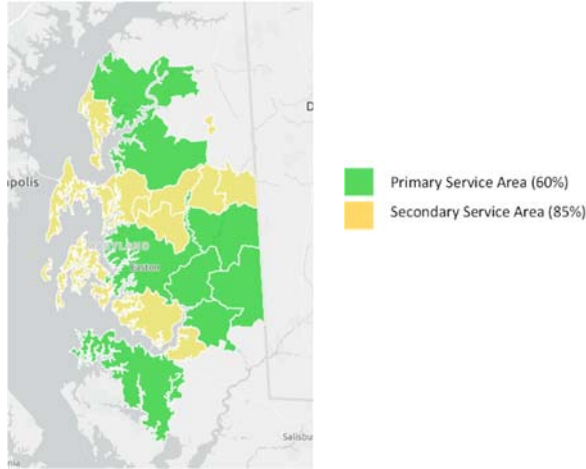
**Emergency Department Visits in UM SMC at Easton Service Area for the Last Five Years – COMAR 10.24.10(4)(B)(14)(b)**

The State Health Plan requires that applicants seeking a new or expanded emergency department provide the number of emergency department visits by residents in the hospital's service area for at least the most recent five years.

**A. Definition of UM SMC at Easton Service Area**

In fiscal year 2022, 85% of UM SMC at Easton’s Emergency Department (“ED”) visits came from the residents of 23 ZIP codes in Talbot County, Caroline County, Dorchester County, Kent County, and Queen Anne’s County (*i.e.*, UM SMC at Easton’s ED service area) as listed and depicted in REVISED Table 1 below.

**REVISED Table 1**  
**UM SMC at Easton ED Service Area**



ZIP	City	County	Discharges	Cumulative %
21601	Easton	Talbot County	7,260	29.1%
21613	Cambridge	Dorchester County	2,336	38.5%
21629	Denton	Caroline County	2,003	46.5%
21632	Federalsburg	Caroline County	1,300	51.7%
21655	Preston	Caroline County	1,216	56.6%
21643	Hurlock	Dorchester County	1,071	60.9%
21663	Saint Michaels	Talbot County	864	64.4%
21639	Greensboro	Caroline County	850	67.8%
21673	Trappe	Talbot County	788	70.9%
21660	Ridgely	Caroline County	681	73.7%
21617	Centreville	Queen Anne's County	610	76.1%
21625	Cordova	Talbot County	527	78.2%
21666	Stevensville	Queen Anne's County	281	79.4%
21620	Chestertown	Kent County	273	80.5%
21654	Oxford	Talbot County	244	81.4%
21631	East New Market	Dorchester County	233	82.4%
21658	Queenstown	Queen Anne's County	229	83.3%
21671	Tilghman	Talbot County	218	84.2%
21638	Grasonville	Queen Anne's County	201	85.0%
<b>Service Area Total</b>			<b>21,185</b>	<b>85.0%</b>
<b>Out of Service Area Total</b>			<b>3,746</b>	<b>15.0%</b>
<b>Easton Total</b>			<b>24,931</b>	<b>100.0%</b>

Source: hMetrix FY2022 statewide non-confidential utilization data tapes

**B. Historical Emergency Department Utilization in Service Area**

In fiscal year 2022, there were 48,585 visits to Maryland hospital emergency departments by residents of the UM SMC at Easton ED service area (see REVISED Table 2). UM SMC at Easton’s emergency department utilization by residents of its service area declined by 27.5% from 29,223 visits in fiscal year 2017 to 21,185 visits in fiscal year 2022. This decline is slightly greater than the 17.4% reduction in Maryland hospital emergency department visits to all Maryland hospitals by residents of the UM SMC at Easton ED service area. With these declines in volume, it is important to right-size the emergency department in the replacement hospital to enable it to continue to provide access to emergency services for the service area population, especially in a growing and aging rural market.

**REVISED Table 2**  
**UM SMC at Easton Service Area Emergency Department Visits**  
**FY 2017 – FY 2022**

Hospital	Historical ED Service Area Visits						2022 % of Total	2017-2022 % Change
	2017	2018	2019	2020	2021	2022		
UM SMC at Easton	29,223	29,661	27,951	23,607	21,851	21,185	43.6%	-27.5%
UM SMC at Dorchester (Cambridge FMF)	16,883	16,687	16,004	13,343	10,832	12,631	26.0%	-25.2%
UM Queen Anne's ED	10,208	10,440	11,065	10,302	9,547	12,978	26.7%	27.1%
UM SMC at Chestertown	775	598	355	302	243	125	0.3%	-83.9%
Anne Arundel Medical Center	896	870	874	733	793	783	1.6%	-12.6%
Peninsula Regional Medical Center	230	214	236	248	263	300	0.6%	30.2%
Hospitals with <200 Visits	577	580	564	496	510	582	1.2%	0.9%
<b>Total Service Area ED Visits</b>	<b>58,792</b>	<b>59,051</b>	<b>57,048</b>	<b>49,031</b>	<b>44,039</b>	<b>48,585</b>	<b>100.0%</b>	<b>-17.4%</b>

Source: hMetrix statewide non-confidential utilization data tapes & Shore internal data

UM SMC at Easton’s 21,185 emergency department service area visits in fiscal year 2022 represented 43.6% of the total service area emergency department visits to Maryland hospitals within the service area (not including potential visits at Delaware hospitals). Other hospitals with smaller market share of emergency department visits in the service area in fiscal year 2022 included UM SMC at Dorchester (which converted to the Cambridge FMF in fiscal year 2022) (26.0%), UM Shore EC at Queenstown (26.7%), UM SMC at Chestertown (0.3%), Anne Arundel Medical Center (1.6%), and Peninsula Regional Medical Center (0.6%). The remaining 1.2% of emergency department visits by the service area population were seen at other Maryland hospitals, with no other individual hospital accounting for more than 200 visits annually.

**C. Number and Size of Emergency Treatment Spaces – COMAR 10.24.10(4)(B)(14)(a)**

The State Health Plan requires that applicants seeking a new or expanded emergency department demonstrate that the proposed number and size of emergency treatment spaces proposed by the Applicant are consistent with applicable guidance included in the most current edition of the *Emergency Department Design: A Practical Guide to Planning for the Future*, published by the American College of Emergency Physicians (the “ACEP Guide”), based on reasonably projected visit volume.

As presented in



REVISED **Table 3** below, the emergency department visits to UM SMC at Easton from its service area ZIP Codes declined by 27.5% between fiscal years 2017 and 2022. Emergency department visits at UM SMC at Easton from individuals outside of the service area also declined by 19.5% over the same period. Combined, UM SMC at Easton’s total emergency department visits declined by 26.4% from 33,876 visits in fiscal year 2017 to 24,931 visits in fiscal year 2022.

**REVISED Table 3**  
**UM SMC at Easton Historical Emergency Department Visits**  
**FY 2017 – FY 2022**

	ED Visits to UM Easton						2017-2022
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	% Change
<b>Service Area</b>							
Inpatient	4,475	4,073	3,386	2,855	2,819	3,193	-28.6%
Outpatient	24,748	25,588	24,565	20,752	19,032	17,992	-27.3%
<i>Subtotal</i>	29,223	29,661	27,951	23,607	21,851	21,185	-27.5%
<b>Outside Service Area</b>							
Inpatient	736	627	574	527	446	583	-20.8%
Outpatient	3,917	3,911	3,960	3,462	3,057	3,163	-19.2%
<i>Subtotal</i>	4,653	4,538	4,534	3,989	3,503	3,746	-19.5%
<b>Total</b>	<b>33,876</b>	<b>34,199</b>	<b>32,484</b>	<b>27,597</b>	<b>25,354</b>	<b>24,931</b>	<b>-26.4%</b>

**Source:** hMetrix statewide non-confidential utilization data tapes & Shore internal data

The recent opening of UM SRH-owned urgent care facilities is one of the primary drivers of the decrease in emergency department volumes within UM SMC at Easton’s ED service area. Since 2019, UM SRH established three new urgent care facilities within the ED service area: UM Urgent Care – Kent Island (Chester, MD; 2022), UM Urgent Care – Easton (formerly ChoiceOne Urgent Care) (Easton, MD; 2016), and UM Urgent Care – Denton (Denton, MD; 2016). Increasing the availability of urgent care sites is part of an ongoing UM SRH initiative to ensure that patients are seen in the appropriate setting in line with the goals of the Total Cost of Care model. UM SRH also has an extended network of primary care locations in the Mid-Shore area as shown in **Error! Reference source not found.** of the Project Description, and is focused on delivering care in the right location in accordance with patients’ needs and the Total Cost of Care model.

COVID-19 related staffing shortages, particularly on its inpatient units, have required UM SMC at Easton to increase frequency of its MIEMSS Alerts significantly from fiscal year 2019 to fiscal year 2022, which has also contributed to decreased emergency department utilization. Table 4 below presents the number and total duration of MIEMSS Yellow and Red Alerts<sup>1</sup> at UM

<sup>1</sup> Red Alert means the hospital has no ECG monitored beds available, which includes critical care and telemetry beds, and requests that patients who are likely to require this type of care not be transported to their facility. Yellow Alert means the ED temporarily requests that it receive absolutely no patients in need of urgent medical care. When these alerts are active, regional hospitals will still receive unstable (Priority I) monitored

SMC at Easton by fiscal year. From fiscal year 2019 to fiscal year 2022, the number of MIEMSS Alerts increased by 365.5% and the total hours with a Yellow or Red Alert in place increased by 3,754.2%. As a result of these alerts, a number of patients who would have otherwise been routed to UM SMC at Easton’s emergency department or inpatient units were instead routed to the emergency departments at other facilities.

**Table 4**  
**UM SMC at Easton’s Historical MIEMSS Red & Yellow Alerts**  
**FY 2019 – FY 2022**

<b>Easton MIEMSS Alerts</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY19 - FY22 % Variance</b>
Yellow Alert	49	27	95	178	263.3%
Red Alert	6	27	154	78	1,200.0%
<b>Total Alerts</b>	<b>55</b>	<b>54</b>	<b>249</b>	<b>256</b>	<b>365.5%</b>
Hours on Yellow Alert	151	81	600	2,084	1,282.2%
Hours on Red Alert	59	358	2,984	6,019	10,023.2%
<b>Total Hours on Alert</b>	<b>210</b>	<b>439</b>	<b>3,584</b>	<b>8,104</b>	<b>3,754.2%</b>

Source: CHATS Hospital MIEMSS Alert Tracker

In addressing the number of treatment spaces needed to care for the emergency department patients seen at UM SMC at Easton and consistency with ACEP guidance, it should be noted that the ACEP Guide categorizes emergency department designs into low, mid, and high-range using 16 factors. The Guide indicates, though, that these low, mid, and high ranges are “general guideline[s]” used to set “preliminary benchmarks for sizing emergency departments,” which can be adjusted for “each unique emergency department project” and that the size parameters are mere “estimates.” (ACEP Guide at 109, 116-117).

As presented in Table 5 below, 10 of the 16 factors for the replacement hospital fall in the “high - range” as shown in the “Future Hospital” column, including (a) the average length of stay of a patient over 4 hours; (b) there will be all private rooms; (c) the inner waiting and result waiting takes place in the patient bay; (d) the location of observation beds are adjacent to the ED; (e) the boarding of admitted patients is over 150 minutes; (f) less than 25% of patients are nonurgent; (g) 34% of patients are age 65 and over; (h) imaging within the ED is extensive; (i) there will be multiple spaces for family amenities; and (j) there will be a module with support for geriatric patients. The Applicant has also highlighted in red in Table 5 how the existing hospital scores on the various ACEP factors.

Six factors fall in the “medium - range,” including (a) 18.4% of patients are admitted; (b) turnaround time for diagnostic tests is 60 minutes; (c) 4-6% of patients have behavioral health diagnoses; (d) there are designated areas for pediatrics; (e) there are designated areas for

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patients from within its catchment area for initial stabilization, and subsequent transfer to another facility for admission may be necessary.

detention; and (f) the new facility will include moderate administrative and teaching space. None of the sixteen factors fall in the "low - range."

**Table 5**  
**UM SMC at Easton Comparison to ACEP Guide**

Factor	Current Hospital (Red)			Future Hospital
	Low	Medium	High	
% Admitted Patients	< 8%	<b>12-20%</b>	> 25%	Medium (18.4%)
ALOS	<2.25 Hours	2.5-3.75 Hours	<b>&gt;4 Hours</b>	High (6.4 Hrs)
Private Rooms	Few	Majority	<b>All</b>	High
Inner Waiting and Result Waiting Areas	Available	Limited	<b>Pts. Stay in Bay</b>	High
Location of Observation Beds	<b>Outside ED</b>	Limited	Inside ED	High
Boarding of Admitted Pts.	Stay < 60 Min	Stay 90-120 Min	<b>Stay Over 150 Min.</b>	High
Turnaround Time Dx Tests	< 45 Minutes	<b>60 Minutes</b>	> 90 Minutes	Medium
% Behavioral Health Patients*	< 3%	<b>4-6%</b>	>7%	Medium (6.7%)
% Nonurgent Pts.	>45%	25-45%	<b>&lt;25%</b>	High (19%)
Age of Patient	<10% Age 65+	10-20% Age 65+	<b>&gt;20% Age 65+</b>	High (34%)
Imaging w/n ED	No	General and CT	<b>Extensive</b>	High
Family Amenities	None	<b>Limited Consult</b>	Multiple Consult. Grieving	High
Specialty Components: Geriatrics	<b>None</b>	Designated Area	Module with Support	High
Specialty Components: Pediatrics	<b>None</b>	Designated Area	Module with Support	Medium
Specialty Components: Detention	<b>None</b>	Designated Area	Module with Support	Medium
Admin/Teaching Space	<b>Minimal</b>	Moderate	Extensive	Medium

\* - Future hospital is expected to experience an increase in number of Behavioral Health ED patients due to the location of inpatient Psych beds

Source: Factors = Emergency Department Design: A Practical Guide to Planning for the Future, published by the American College of Emergency Physicians  
 Future Hospital = SRH management reports and input by SRH Department of Emergency Medicine Medical Director  
 Data based on SRH internal data & HSCRC non-confidential statewide data

The applicable edition of the ACEP Guide (2d. ed. 2014), Figure 5.1 estimates treatment space need per emergency department visit in five thousand visit increments, starting at 10,000 visits per year. (ACEP Guide, p. 116). It also provides an estimated visits per space measure. The emergency department visits at UM SMC at Easton are projected to grow with 0.9% annual population growth from 24,931 visits in fiscal year 2022 to 27,347 visits in fiscal year 2032 (**REVISED Table 6**).<sup>2</sup>

**REVISED Table 6**  
**UM SMC at Easton Projected Emergency Department Visits**

	Historical				Projected									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Easton ED Visits	32,484	27,597	25,354	24,931	25,144	25,363	25,588	25,819	26,056	26,300	26,551	26,809	27,074	27,347
% Change		-15.0%	-8.1%	-1.7%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%

Source: HSCRC statewide data tapes & Shore internal data

The Applicant believes that to best account for the clinical and operational differences in the treatment of the patients seen in the emergency department at UM SMC at Easton, it is

<sup>2</sup> Throughout the projection period, older age cohorts with higher use rates have greater growth than younger age cohorts, like the MSGA service area population. This is not accounted for in the aggregate for emergency department visits.

most appropriate to separately project the need for behavioral health and general emergency department treatment spaces.

### **Replacement Hospital ED Design**

The replacement hospital ED design includes a total of 27 ED treatment spaces, two of which will be psychiatric exam spaces. The replacement hospital ED is also planned to include three behavioral health holding spaces that will not be treatment spaces. By comparison, the existing hospital has a total of 32 ED treatment spaces, plus an additional four non-monitored non-treatment spaces.

The replacement hospital ED is designed around a pod concept to provide critical visibility and accommodate fluctuating patient census, with an observation unit located directly adjacent to the ED. The pods integrate isolation exam rooms as well as exam rooms appropriate for pediatric patients, patients of size, behavioral health patients, and SAFE examinations. Behavioral health patients will be triaged at a dedicated intake space and then taken to a psych-appropriate exam room for medical treatment, if necessary. After medical clearance, these patients will move to a three-room behavioral health holding suite, as needed, for longer stays while awaiting transfer. The new department incorporates lessons learned thus far from the COVID-19 pandemic and provides three airborne infection isolation rooms with dedicated toilets. A clear path of travel from the ambulance drop off area to resuscitation and the primary exam pod creates straightforward workflows. Appropriate clinical support space is integrated into the center of the ED exam pods and staff support is located within the department, providing convenient opportunities for respite.

The ED is located between a 25-bed observation unit and comprehensive imaging department, with immediate access to a trauma elevator connecting to surgery services above. A helipad is located at grade directly outside the department. Please see **Exhibit Error!** Reference source not found., page 5 for a diagram of the ED and these adjacent spaces.

### **Request for 2 Dedicated Behavioral Health and Isolation / Detention Treatment Spaces**

Patients with behavioral health issues are included in the historical and projected emergency department visits shown in REVISED Table 2,

REVISED **Table 3** and REVISED Table **6** above. In fiscal year 2022, 1,707 of UM SMC at Easton’s emergency department visits were diagnosed with a behavioral health condition. Behavioral health emergency department visits are anticipated to grow to 1,872 in fiscal year 2032 based on 0.9% to 1.0% annual population growth (REVISED Table 7).

**REVISED Table 7**  
**UM SMC at Easton**  
**Historical and Projected Behavioral Health ED Visits**

	Historical			Projected									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Easton BH ED Visits	2,036	1,976	1,707	1,722	1,737	1,752	1,768	1,784	1,801	1,818	1,836	1,854	1,872
% Change		-2.9%	-13.6%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%

The ACEP guidelines, as shown in REVISED Table **8** “ALOS” row, define the following parameters for ED average length of stay (ALOS): “low - range” is less than 2.25 hours, “medium – range” is between 2.5 and 3.75 hours, and “high – range” is greater than 4 hours (REVISED Table **8**). Comparing UM SMC at Easton’s ALOS to the ACEP Guide, the hospital is

well above the “high – range” assumption of 4 hours at 8.6 hours per behavioral health visit for fiscal year 2022. The longer ALOS for behavioral health emergency department visits is appropriate due to the complications related to treating these patients, as well as finding an inpatient placement for patients requiring admission. The ACEP Guide provides general sizing recommendations intended for typical ED visits and does not factor in considerations related to the treatment of behavioral health patients.

Because 10 out of the 16 ACEP future hospital measures for UM SMC at Easton fall within the “high – range,” ED volumes for behavioral health patients are projected using the high space need recommendation of 909 visits per treatment space for annual ED volume of less than 10,000 visits. Applying the recommendation of 909 visits per treatment space to the projected 1,872 behavioral health emergency department visits in fiscal year 2032 results in a need for two behavioral health emergency department treatment spaces.

This recommendation does not, however, account for the longer ALOS for behavioral health emergency department visits experienced at UM SMC at Easton. As shown in REVISED Table 8 below, UM SMC at Easton’s behavioral health emergency department visit ALOS of 8.6 hours in fiscal year 2022 is 216% of the 4.0 hour length of stay assumed in the “high – range” of the ACEP Guide. The Applicant assumes that as staffing shortages and COVID-related pressures are relieved, the ALOS for these patients will decline by 3.0% annually through fiscal year 2032. By the end of the projection period, the Applicant assumes that behavioral health ALOS will return to historical levels equal to that of fiscal year 2020. The fiscal year 2032 projected ALOS for behavioral health emergency department visits is 6.3 hours, which is 159% of the ACEP assumed 4.0 hour ALOS.

As shown in REVISED Table 8 below, the Applicant calculates ACEP equivalent ALOS adjusted emergency department visits by determining the projected behavioral health emergency department ALOS as a percentage of the 4.0 hour ALOS assumed by the ACEP Guide and multiplying this percentage by the ACEP Guide’s projected behavioral health emergency department visits, by year.

For example, the projected 6.3 hour ALOS in fiscal year 2032 is 159% of the 4.0 hour ALOS for the ACEP “high – range.” Multiplying 159% by 1,872 projected visits results in the ACEP equivalent ALOS adjusted visits of 2,970. This ACEP equivalent ALOS adjusted visits number is then divided by the ACEP Guide recommendation for visits per emergency department treatment space (909 for the “high – range,” as discussed above) to determine the number of justified behavioral health treatment spaces. In fiscal year 2032, this calculation justifies the need for three behavioral health emergency department treatment spaces.

**REVISED Table 8**  
**UM SMC at Easton**

**Projected Need for Behavioral Health & Detention / Isolation Treatment Spaces**

	Historical			Projected									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Easton BH ED Visits	2,036	1,976	1,707	1,722	1,737	1,752	1,768	1,784	1,801	1,818	1,836	1,854	1,872
% Change		-2.9%	-13.6%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%
ACEP ALOS - High Space Need	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Easton BH ED ALOS	6.3	7.4	8.6	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.7	6.5	6.3
% Change		17.4%	16.1%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
ALOS Adjustment	159%	186%	216%	210%	203%	197%	191%	185%	180%	174%	169%	164%	159%
ACEP Equivalent ALOS Adjusted Visits <sup>(1)</sup>	3,230	3,680	3,690	3,608	3,529	3,451	3,376	3,304	3,233	3,164	3,098	3,033	2,970
ACEP Visits per Treatment Space													
High Space Need (<10,000 Visits)	909	909	909	909	909	909	909	909	909	909	909	909	909
Easton BH ED Treatment Space Need	3.6	4.0	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3
<b>Projected Need for BH ED Treatment Spaces</b>									<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Requested BH ED Treatment Spaces</b>									<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

Note (1): Reflects projection of ED visits adjusted for the variance of Easton ALOS from ACEP High-Space threshold

Source for Historical ED Visits and ALOS data: UM SMC Internal ED Data Set

Source for ACEP Visits per Treatment Space: American College of Emergency Physicians - Emergency Department Design, A Practical Guide Planning for the Future

The potential need to accommodate more than one behavioral health patient in the emergency department is essential given the fact that behavioral health patients stay longer in the emergency department than non-behavioral health patients. In fiscal year 2022, the ALOS of 8.6 hours for behavioral health patients at UM SMC at Easton is 41% higher than ALOS for general visits of 6.1 hours.

The Applicant is projecting need for 3.3 behavioral health treatment spaces in 2032. The replacement hospital has been designed to meet this need by having two dedicated behavioral health treatment spaces and an adjacent behavioral health suite with three behavioral health holding spaces. The treatment spaces are within the emergency department and will meet appropriate environment of care requirements, as outlined in FGI 2022 2.2-3.1.4.3(4). The holding spaces will not be outfitted for treatment of patients. At the replacement hospital, UM SMC at Easton intends to triage patients at intake and send them to a behavioral health treatment space if medically necessary; other behavioral health patients may be transferred directly to a behavioral health holding space as they await transfer to another facility. These three holding rooms are in a secured suite with integral patient and staff support spaces.

**Request for 25 General Treatment Spaces (Non-Behavioral Health)**

The remaining ED visits not classified as behavioral health are projected using a similar methodology. General emergency department volumes are projected using the high space need recommendation of 1,233 visits per treatment space based on the fact that a majority of the replacement hospital ACEP factors fall into the high range. Applying the ACEP's recommendation of 1,233 visits per treatment space to the projected 25,475 general emergency department visits in fiscal year 2032 results in a need for 21 general emergency department treatment spaces.

However, the ACEP guide's treatment space recommendations do not account for UM SMC at Easton's longer ALOS for emergency department visits, which has increased in part

due to COVID-related patient throughput and staffing issues. As shown in REVISED Table 9 below, UM SMC at Easton’s general emergency department visit ALOS of 6.1 hours in fiscal year 2022 is 153% of the 4.0 hour length of stay assumed in the “high – range” of the ACEP Guide. The Applicant assumes that as staffing shortages and COVID-related pressures are relieved, the ALOS for these patients will decline by 2.0% annually through fiscal year 2032. By the end of the projection period, general ALOS returns to historical levels equal to that of fiscal year 2021. The fiscal year 2032 projected ALOS for general emergency department visits is 5.0 hours; 125% of the ACEP assumed 4.0 hour ALOS.

As shown in REVISED Table 9 below, the Applicant calculates ACEP equivalent ALOS adjusted visits by determining the projected general emergency department ALOS as a percentage of the 4.0 hour ALOS assumed by the ACEP Guide and multiplying this percentage by the projected general emergency department visits, by year. For example, the projected 5.0 hour ALOS in fiscal year 2032 is 125% of the 4.0 hour ALOS for the ACEP “high – range,” which is then multiplied by 25,475 projected visits to calculate the ACEP equivalent ALOS adjusted visits of 31,799. This ACEP equivalent ALOS adjusted visits number is then divided by the average ACEP Guide recommendation for visits per emergency department treatment space (1,216 for the “high – range” in the case of 30,000 visits annually, 1,250 for the “high – range” in the case of 35,000 visits annually, averaging 1,233 visits per treatment space) to determine the number of justified general treatment spaces. In fiscal year 2032, the applicant projects a need for 26 general emergency department treatment spaces.

**REVISED Table 9**  
**UM SMC at Easton**  
**Projected Need for General (Non-Behavioral Health)**  
**Emergency Department Treatment Spaces**

	Historical			Projected									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Easton ED Visits</b>													
Total Visits	27,597	25,354	24,931	25,144	25,363	25,588	25,819	26,056	26,300	26,551	26,809	27,074	27,347
Less: BH Visits	(2,035)	(1,975)	(1,707)	(1,722)	(1,737)	(1,752)	(1,768)	(1,784)	(1,801)	(1,818)	(1,836)	(1,854)	(1,872)
<b>Non-BH ED Visits</b>	<b>25,562</b>	<b>23,379</b>	<b>23,224</b>	<b>23,422</b>	<b>23,626</b>	<b>23,836</b>	<b>24,051</b>	<b>24,272</b>	<b>24,500</b>	<b>24,733</b>	<b>24,974</b>	<b>25,221</b>	<b>25,475</b>
% Change		-8.5%	-0.7%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%
ACEP ALOS - High Space Need	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
<b>Easton Non-BH ED ALOS</b>	<b>4.2</b>	<b>5.0</b>	<b>6.1</b>	<b>6.0</b>	<b>5.9</b>	<b>5.8</b>	<b>5.6</b>	<b>5.5</b>	<b>5.4</b>	<b>5.3</b>	<b>5.2</b>	<b>5.1</b>	<b>5.0</b>
% Change		18.5%	22.7%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
<b>ALOS Adjustment</b>	<b>105%</b>	<b>124%</b>	<b>153%</b>	<b>150%</b>	<b>147%</b>	<b>144%</b>	<b>141%</b>	<b>138%</b>	<b>135%</b>	<b>133%</b>	<b>130%</b>	<b>127%</b>	<b>125%</b>
<b>ACEP Equivalent ALOS Adjusted Visits <sup>(1)</sup></b>	<b>26,858</b>	<b>29,105</b>	<b>35,480</b>	<b>35,067</b>	<b>34,665</b>	<b>34,273</b>	<b>33,891</b>	<b>33,519</b>	<b>33,156</b>	<b>32,803</b>	<b>32,459</b>	<b>32,124</b>	<b>31,799</b>
<b>ACEP Visits per Treatment Space</b>													
High Space Need													
35,000 Visits	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
30,000 Visits	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216
Average	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233
<b>ED Treatment Space Need</b>													
Based on ALOS Adjusted ED Visits	21.8	23.6	28.8	28.4	28.1	27.8	27.5	27.2	26.9	26.6	26.3	26.1	25.8
<b>Projected Need for Gen. ED Treatment Spaces</b>									<b>27</b>	<b>27</b>	<b>26</b>	<b>26</b>	<b>26</b>
<b>Requested Gen. ED Treatment Spaces</b>									<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>

Note (1): Reflects projection of ED visits adjusted for the variance of Easton ALOS from ACEP High-Space threshold

Source for Historical ED Visits: UM SMC Internal ED Data Set

Source for ALOS data: UM SMC Internal ED Data Set

Source for ACEP Visits per Treatment Space: American College of Emergency Physicians - Emergency Department Design, A Practical Guide Planning for the Future

The sizing recommendations in the ACEP Guide were most recently published in 2016, years before the COVID-19 pandemic. Average length of stay for emergency department visits increased in fiscal years 2021 and 2022, indicative of COVID-19 induced struggles experienced



by UM SMC at Easton. Complications from the pandemic impacted staffing at all levels, from the emergency department to observation and inpatient units, significantly inhibiting throughput ability. Further, necessity for a higher degree of cleaning standards and protocols increased the turnaround time between patients in emergency department treatment spaces. Given these changes to hospital experience since the ACEP Guide was published, the Applicant believes it is reasonable to project future need based on their actual ALOS with assumptions for some degree of normalization to historical levels.

The Applicant is projecting need for 25.8 treatment spaces in 2032 for general emergency department patients. The replacement regional medical center is currently designed to have 25 general emergency department treatment spaces plus two behavioral health spaces for a total of 27 treatment spaces. Within the general treatment spaces, there are provisions for airborne isolation rooms, sexual assault forensic exam, patient of size exam, and pediatric exam. The replacement regional medical center emergency department will meet the service area's projected needs because it is designed to achieve greater throughput efficiency and overflow flexibility than the current emergency department at UM SMC at Easton. The replacement regional medical center will include a dedicated observation unit with 25 observation beds located directly adjacent to the emergency department, which could provide overflow capacity for patients in the event of a surge in patient census, as well as transfer patients with longer anticipated lengths of stay out of the primary emergency department pods' treatment spaces, as clinically appropriate. In comparison, the existing facility does not have a dedicated observation unit currently and there is no adjacent space for overflow emergency department patients in the existing facility. As stated in the response to the efficiency standard, construction of treatment spaces was designed with consideration for staff workflow, patients and family, and optimization of caregiver time with the patient. Improved efficiency of staff workflow and patient throughput should in turn reduce unnecessary time spent in patient care treatment spaces.

# **EXHIBIT 40**

**Standard .04B(14) — Emergency Department Treatment Capacity and Space**

(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.

(b) In developing projections of emergency department visit volume, the applicant shall consider, at a minimum:

(i) The existing and projected primary service areas of the hospital, historic trends in emergency department utilization at the hospital, and the number of hospital emergency department service providers in the applicant hospital's primary service areas;

(ii) The number of uninsured, underinsured, indigent, and otherwise underserved patients in the applicant's primary service area and the impact of these patient groups on emergency department use;

(iii) Any demographic or health service utilization data and/or analyses that support the need for the proposed project;

(iv) The impact of efforts the applicant has made or will make to divert non-emergency cases from its emergency department to more appropriate primary care or urgent care settings; and

(v) Any other relevant information on the unmet need for emergency department or urgent care services in the service area.

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[Applicant Response:](#)

**REVISED RESPONSE**

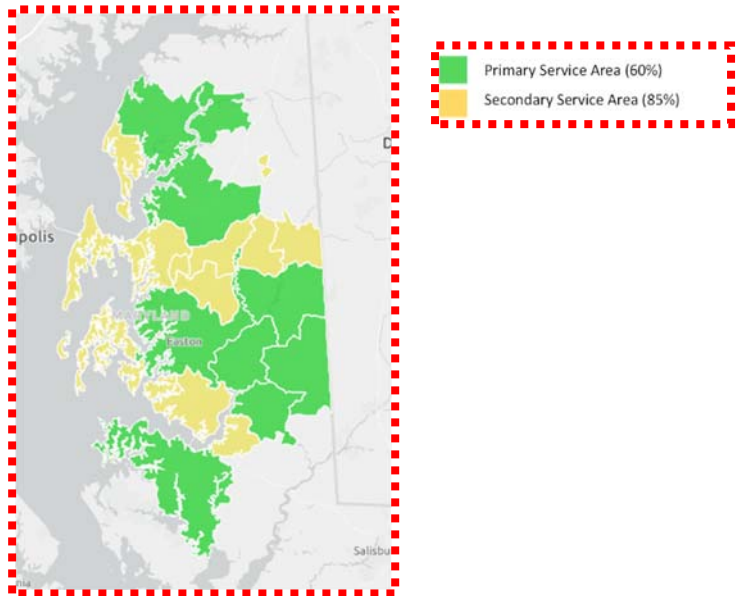
**Emergency Department Visits in UM SMC at Easton Service Area for the Last Five Years  
— COMAR 10.24.10(4)(B)(14)(b)**

The State Health Plan requires that applicants seeking a new or expanded emergency department provide the number of emergency department visits by residents in the hospital's service area for at least the most recent five years.

**A. Definition of UM SMC at Easton Service Area**

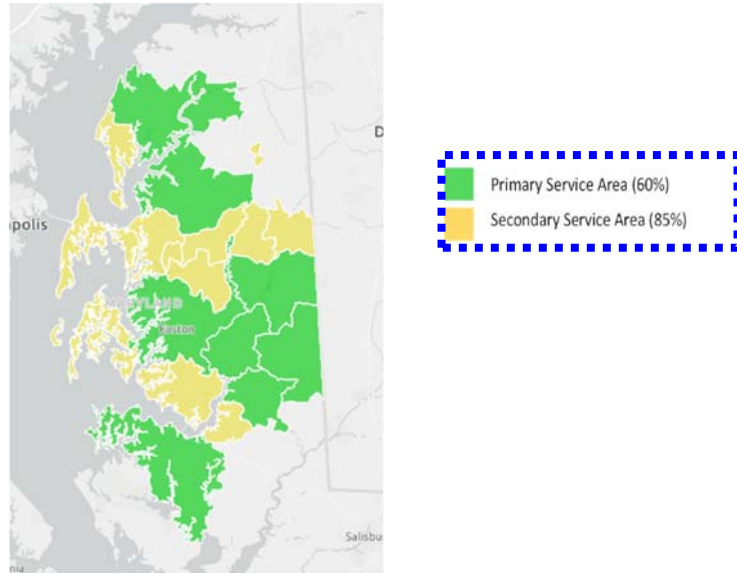
In fiscal year 2022, 85% of UM SMC at Easton’s Emergency Department (“ED”) visits came from the residents of 23 ZIP codes in Talbot County, Caroline County, Dorchester County, Kent County, and Queen Anne’s County (*i.e.*, UM SMC at Easton’s ED service area) as listed and depicted in Table 41 below.

ZIP	City	County	Discharges	Cumulative %
21601	Easton	Talbot County	7,395	29.1%
21613	Cambridge	Dorchester County	2,380	38.5%
21629	Denton	Caroline County	2,041	46.5%
21632	Federalsburg	Caroline County	1,324	51.7%
21655	Preston	Caroline County	1,238	56.6%
21643	Hurlock	Dorchester County	1,090	60.9%
21663	Saint Michaels	Talbot County	880	64.4%
21639	Greensboro	Caroline County	866	67.8%
21673	Trappe	Talbot County	802	70.9%
21660	Ridgely	Caroline County	693	73.7%
21617	Centreville	Queen Anne’s County	621	76.1%
21625	Cordova	Talbot County	537	78.2%
21666	Stevensville	Queen Anne’s County	286	79.4%
21620	Chestertown	Kent County	279	80.5%
21654	Oxford	Talbot County	248	81.4%
21631	East New Market	Dorchester County	238	82.4%
21658	Queenstown	Queen Anne’s County	233	83.3%
21671	Tilghman	Talbot County	222	84.2%
21638	Grasonville	Queen Anne’s County	205	85.0%
<b>Service Area Total</b>			<b>21,577</b>	<b>85.0%</b>
Out of Service Area Total			3,816	15.0%
<b>SHS Total</b>			<b>25,393</b>	<b>100.0%</b>



Source: hMetrix FY2022 statewide non-confidential utilization data tapes

**REVISED Table 1**  
**UM SMC at Easton ED Service Area**



ZIP	City	County	Discharges	Cumulative %
21601	Easton	Talbot County	7,260	29.1%
21613	Cambridge	Dorchester County	2,336	38.5%
21629	Denton	Caroline County	2,003	46.5%
21632	Federalsburg	Caroline County	1,300	51.7%
21655	Preston	Caroline County	1,216	56.6%
21643	Hurlock	Dorchester County	1,071	60.9%
21663	Saint Michaels	Talbot County	864	64.4%
21639	Greensboro	Caroline County	850	67.8%
21673	Trappe	Talbot County	788	70.9%
21660	Ridgely	Caroline County	681	73.7%
21617	Centreville	Queen Anne's County	610	76.1%
21625	Cordova	Talbot County	527	78.2%
21666	Stevensville	Queen Anne's County	281	79.4%
21620	Chestertown	Kent County	273	80.5%
21654	Oxford	Talbot County	244	81.4%
21631	East New Market	Dorchester County	233	82.4%
21658	Queenstown	Queen Anne's County	229	83.3%
21671	Tilghman	Talbot County	218	84.2%
21638	Grasonville	Queen Anne's County	201	85.0%
<b>Service Area Total</b>			<b>21,185</b>	<b>85.0%</b>
<b>Out of Service Area Total</b>			<b>3,746</b>	<b>15.0%</b>
<b>Easton Total</b>			<b>24,931</b>	<b>100.0%</b>

[Source: hMetrix FY2022 statewide non-confidential utilization data tapes](#)

## B. Historical Emergency Department Utilization in Service Area

In fiscal year 2022, there were ~~49,485~~48,585 visits to Maryland hospital emergency departments by residents of the UM SMC at Easton ED service area (see Table 42). UM SMC at Easton's emergency department utilization by residents of its service area declined by ~~30.3~~27.5% from ~~30,954~~29,223 visits in fiscal year 2017 to ~~21,577~~21,185 visits in fiscal year 2022. This decline is slightly greater than the ~~20.5~~17.4% reduction in Maryland hospital emergency department visits to all Maryland hospitals by residents of the UM SMC at Easton ED service area. With these declines in volume, it is important to right-size the emergency department in the replacement hospital to enable it to continue to provide access to emergency services for the service area population, especially in a growing and aging rural market.

Hospital	Historical ED Service Area Visits						2022	2017-2022
	2017	2018	2019	2020	2021	2022	% of Total	% Change
UM SMC at Easton	30,954	31,419	29,607	25,006	23,066	21,577	43.6%	-30.3%
UM SMC at Dorchester (Cambridge FMF)	17,884	17,675	16,952	14,134	11,435	12,865	26.0%	-28.1%
UM Queen Anne's ED	10,813	11,059	11,721	10,912	10,078	13,219	26.7%	22.2%
UM SMC at Chestertown	821	634	376	320	257	127	0.3%	-84.5%
Anne Arundel Medical Center	949	922	925	776	837	798	1.6%	-15.9%
Peninsula Regional Medical Center	244	227	250	262	277	306	0.6%	25.2%
Hospitals with <200 Visits	611	614	597	526	539	593	1.2%	-3.0%
<b>Total Service Area ED Visits</b>	<b>62,276</b>	<b>62,550</b>	<b>60,429</b>	<b>51,937</b>	<b>46,489</b>	<b>49,485</b>	<b>100.0%</b>	<b>-20.5%</b>

Source: hMetrix statewide non-confidential utilization data tapes

**REVISED Table 2**  
**UM SMC at Easton Service Area Emergency Department Visits**  
**FY 2017 — FY 2022**

Hospital	Historical ED Service Area Visits						2022	2017-2022
	2017	2018	2019	2020	2021	2022	% of Total	% Change
UM SMC at Easton	29,223	29,661	27,951	23,607	21,851	21,185	43.6%	-27.5%
UM SMC at Dorchester (Cambridge FMF)	16,883	16,687	16,004	13,343	10,832	12,631	26.0%	-25.2%
UM Queen Anne's ED	10,208	10,440	11,065	10,302	9,547	12,978	26.7%	27.1%
UM SMC at Chestertown	775	598	355	302	243	125	0.3%	-83.9%
Anne Arundel Medical Center	896	870	874	733	793	783	1.6%	-12.6%
Peninsula Regional Medical Center	230	214	236	248	263	300	0.6%	30.2%
Hospitals with <200 Visits	577	580	564	496	510	582	1.2%	0.9%
<b>Total Service Area ED Visits</b>	<b>58,792</b>	<b>59,051</b>	<b>57,048</b>	<b>49,031</b>	<b>44,039</b>	<b>48,585</b>	<b>100.0%</b>	<b>-17.4%</b>

Source: hMetrix statewide non-confidential utilization data tapes & Shore internal data

UM SMC at Easton's ~~21,577~~21,185 emergency department service area visits in fiscal year 2022 represented 43.6% of the total service area emergency department visits to Maryland hospitals within the service area (not including potential visits at Delaware hospitals). Other hospitals with smaller market share of emergency department visits in the service area in fiscal year 2022 included UM SMC at Dorchester (which converted to the Cambridge FMF in fiscal year 2022) (26.0%), UM Shore EC at Queenstown (26.7%), UM SMC at Chestertown (0.3%), Anne Arundel Medical Center (1.6%), and Peninsula Regional Medical Center (0.6%). The remaining 1.2% of emergency department visits by the service area population were seen at other Maryland hospitals, with no other individual hospital accounting for more than 200 visits annually.

**C. Number and Size of Emergency Treatment Spaces ~~=~~ COMAR 10.24.10(4)(B)(14)(a)**

The State Health Plan requires that applicants seeking a new or expanded emergency department demonstrate that the proposed number and size of emergency treatment spaces proposed by the Applicant are consistent with applicable guidance included in the most current edition of the *Emergency Department Design: A Practical Guide to Planning for the Future*, published by the American College of Emergency Physicians (the “ACEP Guide”), based on reasonably projected visit volume.

As presented in Table 43 below, the emergency department visits to UM SMC at Easton from its service area ZIP Codes declined by ~~25.5~~27.5% between fiscal years 2017 and 2022. Emergency department visits at UM SMC at Easton from individuals outside of the service area also declined by ~~25.0~~19.5% over the same period. Combined, UM SMC at Easton’s total emergency department visits declined by ~~29.2~~26.4% from ~~35,883~~33,876 visits in fiscal year 2017 to ~~25,393~~24,931 visits in fiscal year 2022.

**REVISED Table 3**  
**UM SMC at Easton Historical Emergency Department Visits**  
**FY 2017 ~~=~~ FY 2022**

Service Area	ED Visits to UM Easton						2017-2022
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	% Change
<b>Service Area</b>							
Inpatient	4,475	4,073	3,386	2,855	2,819	3,193	-28.6%
Outpatient	24,748	25,588	24,565	20,752	19,032	17,992	-27.3%
<i>Subtotal</i>	29,223	29,661	27,951	23,607	21,851	21,185	-27.5%
<b>Outside Service Area</b>							
Inpatient	736	627	574	527	446	583	-20.8%
Outpatient	3,917	3,911	3,960	3,462	3,057	3,163	-19.2%
<i>Subtotal</i>	4,653	4,538	4,534	3,989	3,503	3,746	-19.5%
<b>Total</b>	<b>33,876</b>	<b>34,199</b>	<b>32,484</b>	<b>27,597</b>	<b>25,354</b>	<b>24,931</b>	<b>-26.4%</b>

**Source:** hMetrix statewide non-confidential utilization data tapes & Shore internal data

	ED Visits to UM Easton						2017-2022
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	% Change
<b>Service Area</b>							
Inpatient	4,740	4,314	3,587	3,024	2,976	3,252	-31.4%
Outpatient	26,215	27,104	26,020	21,982	20,091	18,325	-30.1%
Subtotal	30,954	31,419	29,607	25,006	23,066	21,577	-25.5%
<b>Outside Service Area</b>							
Inpatient	780	664	608	558	471	594	-23.8%
Outpatient	4,149	4,143	4,195	3,668	3,227	3,222	-22.4%
Subtotal	4,929	4,807	4,802	4,226	3,698	3,816	-25.0%
<b>Total</b>	<b>35,883</b>	<b>36,225</b>	<b>34,409</b>	<b>29,232</b>	<b>26,764</b>	<b>25,393</b>	<b>-29.2%</b>

**Source:** hMetrix statewide non-confidential utilization data tapes and Easton internal data

The recent opening of UM SRH-owned urgent care facilities is one of the primary drivers of the decrease in emergency department volumes within UM SMC at Easton’s ED service area. Since 2019, UM SRH established three new urgent care facilities within the ED service area: UM Urgent Care — Kent Island (Chester, MD; 2022), UM Urgent Care — Easton (formerly ChoiceOne Urgent Care) (Easton, MD; 2016), and UM Urgent Care — Denton (Denton, MD; 2016). Increasing the availability of urgent care sites is part of an ongoing UM SRH initiative to ensure that patients are seen in the appropriate setting in line with the goals of the Total Cost of Care model. UM SRH also has an extended network of primary care locations in the Mid-Shore area as shown in Table 1 of the Project Description, and is focused on delivering care in the right location in accordance with patients’ needs and the Total Cost of Care model.

COVID-19 related staffing shortages, particularly on its inpatient units, have required UM SMC at Easton to increase frequency of its MIEMSS Alerts significantly from fiscal year 2019 to fiscal year 2022, which has also contributed to decreased emergency department utilization. Table 44 below presents the number and total duration of MIEMSS Yellow and Red Alerts<sup>1</sup> at UM SMC at Easton by fiscal year. From fiscal year 2019 to fiscal year 2022, the number of MIEMSS Alerts increased by 365.5% and the total hours with a Yellow or Red Alert in place increased by 3,754.2%. As a result of these alerts, a number of patients who would have otherwise been routed to UM SMC at Easton’s emergency department or inpatient units were instead routed to the emergency departments at other facilities.

<sup>1</sup> Red Alert means the hospital has no ECG monitored beds available, which includes critical care and telemetry beds, and requests that patients who are likely to require this type of care not be transported to their facility. Yellow Alert means the ED temporarily requests that it receive absolutely no patients in need of urgent medical care. When these alerts are active, regional hospitals will still receive unstable (Priority I) monitored patients from within its catchment area for initial stabilization, and subsequent transfer to another facility for admission may be necessary.



**Table 4**  
**UM SMC at Easton's Historical MIEMSS Red & Yellow Alerts**  
**FY 2019 — FY 2022**

<b>Easton MIEMSS Alerts</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY19 - FY22 % Variance</b>
Yellow Alert	49	27	95	178	263.3%
Red Alert	6	27	154	78	1,200.0%
<b>Total Alerts</b>	<b>55</b>	<b>54</b>	<b>249</b>	<b>256</b>	<b>365.5%</b>
Hours on Yellow Alert	151	81	600	2,084	1,282.2%
Hours on Red Alert	59	358	2,984	6,019	10,023.2%
<b>Total Hours on Alert</b>	<b>210</b>	<b>439</b>	<b>3,584</b>	<b>8,104</b>	<b>3,754.2%</b>

*Source: CHATS Hospital MIEMSS Alert Tracker*

<b>Easton MIEMSS Alerts</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY19 - FY22 % Variance</b>
Yellow Alert	49	27	95	178	263.3%
Red Alert	6	27	154	78	1,200.0%
<b>Total Alerts</b>	<b>55</b>	<b>54</b>	<b>249</b>	<b>256</b>	<b>365.5%</b>
Hours on Yellow Alert	151	81	600	2,084	1,282.2%
Hours on Red Alert	59	358	2,984	6,019	10,023.2%
<b>Total Hours on Alert</b>	<b>210</b>	<b>439</b>	<b>3,584</b>	<b>8,104</b>	<b>3,754.2%</b>

*Source: CHATS Hospital MIEMSS Alert Tracker*

In addressing the number of treatment spaces needed to care for the emergency department patients seen at UM SMC at Easton and consistency with ACEP guidance, it should be noted that the ACEP Guide categorizes emergency department designs into low, mid, and high-range using 16 factors. The Guide indicates, though, that these low, mid, and high ranges are “general guideline[s]” used to set “preliminary benchmarks for sizing emergency departments,” which can be adjusted for “each unique emergency department project” and that the size parameters are mere “estimates.” (ACEP Guide at 109, 116-117).

As presented in Table 45 below, 10 of the 16 factors for the replacement hospital fall in the “high - range” as shown in the “Future Hospital” column, including (a) the average length of stay of a patient over 4 hours; (b) there will be all private rooms; (c) the inner waiting and result waiting takes place in the patient bay; (d) the location of observation beds are adjacent to the ED; (e) the boarding of admitted patients is over 150 minutes; (f) less than 25% of patients are nonurgent; (g) 34% of patients are age 65 and over; (h) imaging within the ED is extensive; (i) there will be multiple spaces for family amenities; and (j) there will be a module with support for geriatric patients. The Applicant has also highlighted in red in Table 45 how the existing hospital scores on the various ACEP factors.

Six factors fall in the “medium - range,” including (a) 18.4% of patients are admitted; (b) turnaround time for diagnostic tests is 60 minutes; (c) 4-6% of patients have behavioral health diagnoses; (d) there are designated areas for pediatrics; (e) there are designated areas for detention; and (f) the new facility will include moderate administrative and teaching space. None of the sixteen factors fall in the “low - range.”

**Table 5**  
**UM SMC at Easton Comparison to ACEP Guide**

Factor	Current Hospital (Red)			Future Hospital
	Low	Medium	High	
% Admitted Patients	< 8%	<b>12-20%</b>	> 25%	Medium (18.4%)
ALOS	<2.25 Hours	2.5-3.75 Hours	<b>&gt;4 Hours</b>	High (6.4 Hrs)
Private Rooms	Few	Majority	<b>All</b>	High
Inner Waiting and Result Waiting Areas	Available	Limited	<b>Pts. Stay in Bay</b>	High
Location of Observation Beds	<b>Outside ED</b>	Limited	Inside ED	High
Boarding of Admitted Pts.	Stay < 60 Min	Stay 90-120 Min	<b>Stay Over 150 Min.</b>	High
Turnaround Time Dx Tests	< 45 Minutes	<b>60 Minutes</b>	> 90 Minutes	Medium
% Behavioral Health Patients*	< 3%	<b>4-6%</b>	>7%	Medium (6.7%)
% Nonurgent Pts.	>45%	25-45%	<b>&lt;25%</b>	High (19%)
Age of Patient	<10% Age 65+	10-20% Age 65+	<b>&gt;20% Age 65+</b>	High (34%)
Imaging w/n ED	No	General and CT	<b>Extensive</b>	High
Family Amenities	None	<b>Limited Consult</b>	Multiple Consult, Grieving	High
Specialty Components: Geriatrics	<b>None</b>	Designated Area	Module with Support	High
Specialty Components: Pediatrics	<b>None</b>	Designated Area	Module with Support	Medium
Specialty Components: Detention	<b>None</b>	Designated Area	Module with Support	Medium
Admin/Teaching Space	<b>Minimal</b>	Moderate	Extensive	Medium

\* - Future hospital is expected to experience an increase in number of Behavioral Health ED patients due to the location of inpatient Psych beds

Source: Factors = Emergency Department Design: A Practical Guide to Planning for the Future, published by the American College of Emergency Physicians  
 Future Hospital = SRH management reports and input by SRH Department of Emergency Medicine Medical Director  
 Data based on SRH internal data & HSCRC non-confidential statewide data

The applicable edition of the ACEP Guide (2d. ed. 2014), Figure 5.1 estimates treatment space need per emergency department visit in five thousand visit increments, starting at 10,000 visits per year. (ACEP Guide, p. 116). It also provides an estimated visits per space measure. The emergency department visits at UM SMC at Easton are projected to grow with 0.9% annual population growth from ~~25,393~~24,931 visits in fiscal year 2022 to ~~27,854~~27,347 visits in fiscal year 2032 (Table 46).<sup>2</sup>

<sup>2</sup> Throughout the projection period, older age cohorts with higher use rates have greater growth than younger age cohorts, like the MSGA service area population. This is not accounted for in the aggregate for emergency department visits.

**REVISED Table 6**  
**UM SMC at Easton Projected Emergency Department Visits**

	Historical				Projected									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Easton ED Visits	32,401	27,597	25,546	25,393	25,610	25,833	26,062	26,297	26,539	26,788	27,043	27,306	27,576	27,854
% Change		-14.8%	-7.4%	-0.6%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%

	Historical				Projected									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Easton ED Visits	32,484	27,597	25,354	24,931	25,144	25,363	25,588	25,819	26,056	26,300	26,551	26,809	27,074	27,347
% Change		-15.0%	-8.1%	-1.7%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%

Source: HSCRC statewide data tapes & Shore internal data

The Applicant believes that to best account for the clinical and operational differences in the treatment of the patients seen in the emergency department at UM SMC at Easton, it is most appropriate to separately project the need for behavioral health and general emergency department treatment spaces.

**Replacement Hospital ED Design**

The replacement hospital ED design includes a total of 27 ED treatment spaces, two of which will be psychiatric exam spaces. The replacement hospital ED is also planned to include three behavioral health holding spaces that will not be treatment spaces. By comparison, the existing hospital has a total of 32 ED treatment spaces, plus an additional four non-monitored non-treatment spaces.

The replacement hospital ED is designed around a pod concept to provide critical visibility and accommodate fluctuating patient census, with an observation unit located directly adjacent to the ED. The pods integrate isolation exam rooms as well as exam rooms appropriate for pediatric patients, patients of size, behavioral health patients, and SAFE examinations. Behavioral health patients will be triaged at a dedicated intake space and then taken to a psych-appropriate exam room for medical treatment, if necessary. After medical clearance, these patients will move to a three-room behavioral health holding suite, as needed, for longer stays while awaiting transfer. The new department incorporates lessons learned thus far from the COVID-19 pandemic and provides three airborne infection isolation rooms with dedicated toilets. A clear path of travel from the ambulance drop off area to resuscitation and the primary exam pod creates straightforward workflows. Appropriate clinical support space is integrated into the center of the ED exam pods and staff support is located within the department, providing convenient opportunities for respite.

The ED is located between a 25-bed observation unit and comprehensive imaging department, with immediate access to a trauma elevator connecting to surgery services above. A helipad is located at grade directly outside the department. Please see **Exhibit 2**, page 5 for a diagram of the ED and these adjacent spaces.

**Request for 2 Dedicated Behavioral Health and Isolation / Detention Treatment Spaces**

Patients with behavioral health issues are included in the historical and projected emergency department visits shown in Table 42, Table 43 and Table 46 above. In fiscal year 2022, 1,707 of UM SMC at Easton’s emergency department visits were diagnosed with a

behavioral health condition. Behavioral health emergency department visits are anticipated to grow to 1,872 in fiscal year 2032 based on 0.9% to 1.0% annual population growth (Table 47).

**REVISED Table 7**  
**UM SMC at Easton**  
**Historical and Projected Behavioral Health ED Visits**

	Historical			Projected									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Easton BH ED Visits	2,036	1,976	1,707	1,722	1,737	1,752	1,768	1,784	1,801	1,818	1,836	1,854	1,872
% Change		-2.9%	-13.6%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%

	Historical			Projected									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Easton BH ED Visits	2,036	1,976	1,707	1,722	1,737	1,752	1,768	1,784	1,801	1,818	1,836	1,854	1,872
% Change		-2.9%	-13.6%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%

The ACEP guidelines, as shown in Table 48 “ALOS” row, define the following parameters for ED average length of stay (ALOS): “low - range” is less than 2.25 hours, “medium range” is between 2.5 and 3.75 hours, and “high range” is greater than 4 hours (Table 48). Comparing UM SMC at Easton’s ALOS to the ACEP Guide, the hospital is well above the “high range” assumption of 4 hours at 8.6 hours per behavioral health visit for fiscal year 2022. The longer ALOS for behavioral health emergency department visits is appropriate due to the complications related to treating these patients, as well as finding an inpatient placement for patients requiring admission. The ACEP Guide provides general sizing recommendations intended for typical ED visits and does not factor in considerations related to the treatment of behavioral health patients.

Because 10 out of the 16 ACEP future hospital measures for UM SMC at Easton fall within the “high range,” ED volumes for behavioral health patients are projected using the high space need recommendation of 909 visits per treatment space for annual ED volume of less than 10,000 visits. Applying the recommendation of 909 visits per treatment space to the projected 1,872 behavioral health emergency department visits in fiscal year 2032 results in a need for two behavioral health emergency department treatment spaces.

This recommendation does not, however, account for the longer ALOS for behavioral health emergency department visits experienced at UM SMC at Easton. As shown in Table 48 below, UM SMC at Easton’s behavioral health emergency department visit ALOS of 8.6 hours in fiscal year 2022 is 216% of the 4.0 hour length of stay assumed in the “high range” of the ACEP Guide. The Applicant assumes that as staffing shortages and COVID-related pressures are relieved, the ALOS for these patients will decline by 3.0% annually through fiscal year 2032. By the end of the projection period, the Applicant assumes that behavioral health ALOS will return to historical levels equal to that of fiscal year 2020. The fiscal year 2032 projected ALOS for behavioral health emergency department visits is 6.3 hours, which is ~~156~~159% of the ACEP assumed 4.0 hour ALOS.

As shown in Table 48 below, the Applicant calculates ACEP equivalent ALOS adjusted emergency department visits by determining the projected behavioral health emergency department ALOS as a percentage of the 4.0 hour ALOS assumed by the ACEP Guide and multiplying this percentage by the ACEP Guide’s projected behavioral health emergency department visits, by year.

For example, the projected 6.3 hour ALOS in fiscal year 2032 is 156159% of the 4.0 hour ALOS for the ACEP “high — range.” Multiplying 156159% by 1,872 projected visits results in the ACEP equivalent ALOS adjusted visits of 2,9542,970. This ACEP equivalent ALOS adjusted visits number is then divided by the ACEP Guide recommendation for visits per emergency department treatment space (909 for the “high — range,” as discussed above) to determine the number of justified behavioral health treatment spaces. In fiscal year 2032, this calculation justifies the need for three behavioral health emergency department treatment spaces.

**REVISED Table 8**  
**UM SMC at Easton**  
**Projected Need for Behavioral Health & Detention / Isolation Treatment Spaces**

	Historical			Projected									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Easton BH ED Visits	2,036	1,976	1,707	1,722	1,737	1,752	1,768	1,784	1,801	1,818	1,836	1,854	1,872
% Change		-2.9%	-13.6%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%
ACEP ALOS - High Space Need	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Easton BH ED ALOS	6.3	7.4	8.6	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.7	6.5	6.3
% Change		17.4%	16.1%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
ALOS Adjustment	159%	186%	216%	210%	203%	197%	191%	185%	180%	174%	169%	164%	159%
ACEP Equivalent ALOS Adjusted Visits <sup>(1)</sup>	3,230	3,680	3,690	3,608	3,529	3,451	3,376	3,304	3,233	3,164	3,098	3,033	2,970
ACEP Visits per Treatment Space													
High Space Need (<10,000 Visits)	909	909	909	909	909	909	909	909	909	909	909	909	909
Easton BH ED Treatment Space Need	3.6	4.0	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3
<b>Projected Need for BH ED Treatment Spaces</b>									<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Requested BH ED Treatment Spaces</b>									<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

Note (1): Reflects projection of ED visits adjusted for the variance of Easton ALOS from ACEP High-Space threshold  
Source for Historical ED Visits and ALOS data: UM SMC Internal ED Data Set  
Source for ACEP Visits per Treatment Space: American College of Emergency Physicians - Emergency Department Design, A Practical Guide Planning for the Future

	Historical			Projected									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Easton BH ED Visits	2,036	1,976	1,707	1,722	1,737	1,752	1,768	1,784	1,801	1,818	1,836	1,854	1,872
% Change		-2.9%	-13.6%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%
ACEP ALOS - High Space Need	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Easton BH ED ALOS	6.3	7.4	8.6	8.4	8.1	7.9	7.6	7.4	7.2	7.0	6.7	6.5	6.3
% Change		17.4%	16.1%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
ALOS Adjustment	159%	186%	216%	210%	203%	197%	191%	185%	180%	174%	169%	164%	159%
ACEP Equivalent ALOS Adjusted Visits <sup>(1)</sup>	3,230	3,680	3,690	3,608	3,529	3,451	3,376	3,304	3,233	3,164	3,098	3,033	2,970
ACEP Visits per Treatment Space													
High Space Need (<10,000 Visits)	909	909	909	909	909	909	909	909	909	909	909	909	909
Easton BH ED Treatment Space Need	3.6	4.0	4.1	4.0	3.9	3.8	3.7	3.6	3.6	3.5	3.4	3.3	3.3
<b>Projected Need for BH ED Treatment Spaces</b>									<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Requested BH ED Treatment Spaces</b>									<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

Note (1): Reflects projection of ED visits adjusted for the variance of Easton ALOS from ACEP High-Space threshold  
Source for Historical ED Visits and ALOS data: UM SMC Internal ED Data Set  
Source for ACEP Visits per Treatment Space: American College of Emergency Physicians - Emergency Department Design, A Practical Guide Planning for the Future

The potential need to accommodate more than one behavioral health patient in the emergency department is essential given the fact that behavioral health patients stay longer in the emergency department than non-behavioral health patients. In fiscal year 2022, the ALOS of 8.6 hours for behavioral health patients at UM SMC at Easton is 3941% higher than ALOS for

general visits of ~~6.26.1~~ hours.

The Applicant is projecting need for 3.3 behavioral health treatment spaces in 2032. The replacement hospital has been designed to meet this need by having two dedicated behavioral health treatment spaces and an adjacent behavioral health suite with three behavioral health holding spaces. The treatment spaces are within the emergency department and will meet appropriate environment of care requirements, as outlined in FGI 2022 2.2-3.1.4.3(4). The holding spaces will not be outfitted for treatment of patients. At the replacement hospital, UM SMC at Easton intends to triage patients at intake and send them to a behavioral health treatment space if medically necessary; other behavioral health patients may be transferred directly to a behavioral health holding space as they await transfer to another facility. These three holding rooms are in a secured suite with integral patient and staff support spaces.

### **Request for 25 General Treatment Spaces (Non-Behavioral Health)**

The remaining ED visits not classified as behavioral health are projected using a similar methodology. General emergency department volumes are projected using the high space need recommendation of 1,233 visits per treatment space based on the fact that a majority of the replacement hospital ACEP factors fall into the high range. Applying the ACEP's recommendation of 1,233 visits per treatment space to the projected ~~25,984~~25,475 general emergency department visits in fiscal year 2032 results in a need for ~~2221~~ general emergency department treatment spaces.

However, the ACEP guide's treatment space recommendations do not account for UM SMC at Easton's longer ALOS for emergency department visits, which has increased in part due to COVID-related patient throughput and staffing issues. As shown in Table 49 below, UM SMC at Easton's general emergency department visit ALOS of ~~6.26.1~~ hours in fiscal year 2022 is ~~456~~153% of the 4.0 hour length of stay assumed in the "high ~~—~~" range of the ACEP Guide. The Applicant assumes that as staffing shortages and COVID-related pressures are relieved, the ALOS for these patients will decline by 2.0% annually through fiscal year 2032. By the end of the projection period, general ALOS returns to historical levels equal to that of fiscal year 2021. The fiscal year 2032 projected ALOS for general emergency department visits is ~~5.45.0~~ hours; ~~427~~125% of the ACEP assumed 4.0 hour ALOS.

As shown in Table 49 below, the Applicant calculates ACEP equivalent ALOS adjusted visits by determining the projected general emergency department ALOS as a percentage of the 4.0 hour ALOS assumed by the ACEP Guide and multiplying this percentage by the projected general emergency department visits, by year. For example, the projected ~~5.45.0~~ hour ALOS in fiscal year 2032 is ~~427~~125% of the 4.0 hour ALOS for the ACEP "high ~~—~~" range," which is then multiplied by ~~25,984~~25,475 projected visits to calculate the ACEP equivalent ALOS adjusted visits of ~~33,420~~31,799. This ACEP equivalent ALOS adjusted visits number is then divided by the average ACEP Guide recommendation for visits per emergency department treatment space (1,216 for the "high ~~—~~" range" in the case of 30,000 visits annually, 1,250 for the "high ~~—~~" range" in the case of 35,000 visits annually, averaging 1,233 visits per treatment space) to determine the number of justified general treatment spaces. In fiscal year 2032, the applicant projects a need for ~~27~~26 general emergency department treatment spaces.

**REVISED Table 9**  
**UM SMC at Easton**  
**Projected Need for General (Non-Behavioral Health)**  
**Emergency Department Treatment Spaces**

	Historical			Projected									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Easton ED Visits</b>													
Total Visits	27,597	25,546	25,393	25,610	25,833	26,062	26,297	26,539	26,788	27,043	27,306	27,576	27,854
Less: BH Visits	(2,036)	(1,976)	(1,707)	(1,722)	(1,737)	(1,752)	(1,768)	(1,784)	(1,801)	(1,818)	(1,836)	(1,854)	(1,872)
<b>Non-BH ED Visits</b>	<b>25,561</b>	<b>23,570</b>	<b>23,686</b>	<b>23,888</b>	<b>24,096</b>	<b>24,310</b>	<b>24,530</b>	<b>24,755</b>	<b>24,987</b>	<b>25,225</b>	<b>25,470</b>	<b>25,722</b>	<b>25,981</b>
% Change		-7.8%	0.5%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%
ACEP ALOS - High Space Need	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
<b>Easton Non-BH ED ALOS</b>	<b>4.3</b>	<b>5.1</b>	<b>6.2</b>	<b>6.1</b>	<b>6.0</b>	<b>5.9</b>	<b>5.8</b>	<b>5.6</b>	<b>5.5</b>	<b>5.4</b>	<b>5.3</b>	<b>5.2</b>	<b>5.1</b>
% Change		17.6%	23.5%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
<b>ALOS Adjustment</b>	<b>107%</b>	<b>126%</b>	<b>156%</b>	<b>153%</b>	<b>150%</b>	<b>147%</b>	<b>144%</b>	<b>141%</b>	<b>138%</b>	<b>135%</b>	<b>133%</b>	<b>130%</b>	<b>127%</b>
<b>ACEP Equivalent ALOS Adjusted Visits <sup>(1)</sup></b>	<b>27,439</b>	<b>29,764</b>	<b>36,954</b>	<b>36,524</b>	<b>36,105</b>	<b>35,697</b>	<b>35,299</b>	<b>34,911</b>	<b>34,533</b>	<b>34,165</b>	<b>33,807</b>	<b>33,459</b>	<b>33,120</b>
<b>ACEP Visits per Treatment Space</b>													
High Space Need													
35,000 Visits	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
30,000 Visits	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216
Average	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233
<b>ED Treatment Space Need</b>													
<b>Based on ALOS Adjusted ED Visits</b>	<b>22.3</b>	<b>24.1</b>	<b>30.0</b>	<b>29.6</b>	<b>29.3</b>	<b>29.0</b>	<b>28.6</b>	<b>28.3</b>	<b>28.0</b>	<b>27.7</b>	<b>27.4</b>	<b>27.1</b>	<b>26.9</b>
<b>Projected Need for Gen. ED Treatment Spaces</b>									<b>29</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>27</b>
<b>Requested Gen. ED Treatment Spaces</b>									<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>

Note (1): Reflects projection of ED visits adjusted for the variance of Easton ALOS from ACEP High-Space threshold

Source for Historical ED Visits: UM SMC Internal ED Data Set  
Source for ALOS data: UM SMC Internal ED Data Set  
Source for ACEP Visits per Treatment Space: American College of Emergency Physicians - Emergency Department Design, A Practical Guide Planning for the Future

	Historical			Projected									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Easton ED Visits</b>													
Total Visits	27,597	25,354	24,931	25,144	25,363	25,588	25,819	26,056	26,300	26,551	26,809	27,074	27,347
Less: BH Visits	(2,035)	(1,975)	(1,707)	(1,722)	(1,737)	(1,752)	(1,768)	(1,784)	(1,801)	(1,818)	(1,836)	(1,854)	(1,872)
<b>Non-BH ED Visits</b>	<b>25,562</b>	<b>23,379</b>	<b>23,224</b>	<b>23,422</b>	<b>23,626</b>	<b>23,836</b>	<b>24,051</b>	<b>24,272</b>	<b>24,500</b>	<b>24,733</b>	<b>24,974</b>	<b>25,221</b>	<b>25,475</b>
% Change		-8.5%	-0.7%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%
ACEP ALOS - High Space Need	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
<b>Easton Non-BH ED ALOS</b>	<b>4.2</b>	<b>5.0</b>	<b>6.1</b>	<b>6.0</b>	<b>5.9</b>	<b>5.8</b>	<b>5.6</b>	<b>5.5</b>	<b>5.4</b>	<b>5.3</b>	<b>5.2</b>	<b>5.1</b>	<b>5.0</b>
% Change		18.5%	22.7%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
<b>ALOS Adjustment</b>	<b>105%</b>	<b>124%</b>	<b>153%</b>	<b>150%</b>	<b>147%</b>	<b>144%</b>	<b>141%</b>	<b>138%</b>	<b>135%</b>	<b>133%</b>	<b>130%</b>	<b>127%</b>	<b>125%</b>
<b>ACEP Equivalent ALOS Adjusted Visits <sup>(1)</sup></b>	<b>26,858</b>	<b>29,105</b>	<b>35,480</b>	<b>35,067</b>	<b>34,665</b>	<b>34,273</b>	<b>33,891</b>	<b>33,519</b>	<b>33,156</b>	<b>32,803</b>	<b>32,459</b>	<b>32,124</b>	<b>31,799</b>
<b>ACEP Visits per Treatment Space</b>													
High Space Need													
35,000 Visits	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
30,000 Visits	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216
Average	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233
<b>ED Treatment Space Need</b>													
<b>Based on ALOS Adjusted ED Visits</b>	<b>21.8</b>	<b>23.6</b>	<b>28.8</b>	<b>28.4</b>	<b>28.1</b>	<b>27.8</b>	<b>27.5</b>	<b>27.2</b>	<b>26.9</b>	<b>26.6</b>	<b>26.3</b>	<b>26.1</b>	<b>25.8</b>
<b>Projected Need for Gen. ED Treatment Spaces</b>									<b>27</b>	<b>27</b>	<b>26</b>	<b>26</b>	<b>26</b>
<b>Requested Gen. ED Treatment Spaces</b>									<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>

Note (1): Reflects projection of ED visits adjusted for the variance of Easton ALOS from ACEP High-Space threshold

Source for Historical ED Visits: UM SMC Internal ED Data Set  
Source for ALOS data: UM SMC Internal ED Data Set  
Source for ACEP Visits per Treatment Space: American College of Emergency Physicians - Emergency Department Design, A Practical Guide Planning for the Future

The sizing recommendations in the ACEP Guide were most recently published in 2016, years before the COVID-19 pandemic. Average length of stay for emergency department visits increased in fiscal years 2021 and 2022, indicative of COVID-19 induced struggles experienced by UM SMC at Easton. Complications from the pandemic impacted staffing at all levels, from the emergency department to observation and inpatient units, significantly inhibiting throughput ability. Further, necessity for a higher degree of cleaning standards and protocols increased the



turnaround time between patients in emergency department treatment spaces. Given these changes to hospital experience since the ACEP Guide was published, the Applicant believes it is reasonable to project future need based on their actual ALOS with assumptions for some degree of normalization to historical levels.

The Applicant is projecting need for ~~26.9~~25.8 treatment spaces in 2032 for general emergency department patients. The replacement regional medical center is ~~current~~currently designed to have 25 general emergency department treatment spaces plus two behavioral health spaces for a total of 27 treatment spaces. Within the general treatment spaces, there are provisions for airborne isolation rooms, sexual assault forensic exam, patient of size exam, and pediatric exam. The replacement regional medical center emergency department will meet the service area's projected needs because it is designed to achieve greater throughput efficiency and overflow flexibility than the current emergency department at UM SMC at Easton. The replacement regional medical center will include a dedicated observation unit with 25 observation beds located directly adjacent to the emergency department, which could provide overflow capacity for patients in the event of a surge in patient census, as well as transfer patients with longer anticipated lengths of stay out of the primary emergency department pods' treatment spaces, as clinically appropriate. In comparison, the existing facility does not have a dedicated observation unit currently and there is no adjacent space for overflow emergency department patients in the existing facility. As stated in the response to the ~~Efficiency~~efficiency standard, construction of treatment spaces was designed with consideration for staff workflow, patients and family, and optimization of caregiver time with the patient. Improved efficiency of staff workflow and patient throughput should in turn reduce unnecessary time spent in patient care treatment spaces.

Document comparison by Workshare 10.0 on Friday, March 17, 2023 8:17:23 AM

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Description	Exh - ED Treatment Space Narrative
Document 2 ID	PowerDocs://DOCS/826241/2
Description	DOCS-#826241-v2-Shore_CON_- _Revised_ED_Treatment_Space_Narrative_-_3-16-2023
Rendering set	Standard

Legend:	
<a href="#">Insertion</a>	
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Style change	
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<del>Moved deletion</del>	
Inserted cell	
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Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
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Deletions	63
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	134

# **EXHIBIT 41**

**Shore Health System**  
**3-D Build-Up for Table F**  
**Inpatient Volumes**  
**FY2021 - FY2032**

Statistic	Actual		Budget	Projected								
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Discharges:</b>												
Easton MSGA	3,822	3,862	3,944	4,004	4,065	4,129	4,194	4,260	4,329	4,400	4,472	4,547
Dorchester MSGA	423	23	-	-	-	-	-	-	-	-	-	-
<b>MSGA Subtotal (Table F)</b>	<b>4,245</b>	<b>3,885</b>	<b>3,944</b>	<b>4,004</b>	<b>4,065</b>	<b>4,129</b>	<b>4,194</b>	<b>4,260</b>	<b>4,329</b>	<b>4,400</b>	<b>4,472</b>	<b>4,547</b>
<b>Easton Pediatrics (Table F)</b>	<b>8</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>27</b>
<b>Easton Obstetrics (Table F)</b>	<b>1,030</b>	<b>999</b>	<b>1,004</b>	<b>1,012</b>	<b>1,020</b>	<b>1,028</b>	<b>1,036</b>	<b>1,044</b>	<b>1,052</b>	<b>1,060</b>	<b>1,069</b>	<b>1,077</b>
Easton Psych	4	266	350	351	352	353	355	356	478	480	481	483
Dorchester Psych	428	83	-	-	-	-	-	-	-	-	-	-
<b>Psych Subtotal (Table F)</b>	<b>432</b>	<b>349</b>	<b>350</b>	<b>351</b>	<b>352</b>	<b>353</b>	<b>355</b>	<b>356</b>	<b>478</b>	<b>480</b>	<b>481</b>	<b>483</b>
<b>Easton Rehab (Table F)</b>	<b>312</b>	<b>191</b>	<b>198</b>	<b>206</b>	<b>214</b>	<b>222</b>	<b>231</b>	<b>239</b>	<b>249</b>	<b>259</b>	<b>269</b>	<b>279</b>
<b>Total Discharges (Table F)</b>	<b>6,027</b>	<b>5,451</b>	<b>5,523</b>	<b>5,599</b>	<b>5,678</b>	<b>5,759</b>	<b>5,842</b>	<b>5,927</b>	<b>6,135</b>	<b>6,225</b>	<b>6,318</b>	<b>6,413</b>
<b>Patient Days:</b>												
Easton MSGA	18,810	21,786	22,224	22,469	22,720	22,978	23,242	23,619	24,006	24,403	24,812	25,231
Dorchester MSGA	1,644	102	-	-	-	-	-	-	-	-	-	-
<b>MSGA Subtotal (Table F)</b>	<b>20,454</b>	<b>21,888</b>	<b>22,224</b>	<b>22,469</b>	<b>22,720</b>	<b>22,978</b>	<b>23,242</b>	<b>23,619</b>	<b>24,006</b>	<b>24,403</b>	<b>24,812</b>	<b>25,231</b>
<b>Easton Pediatrics (Table F)</b>	<b>20</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>
<b>Easton Obstetrics (Table F)</b>	<b>1,865</b>	<b>1,892</b>	<b>1,901</b>	<b>1,916</b>	<b>1,931</b>	<b>1,946</b>	<b>1,962</b>	<b>1,977</b>	<b>1,993</b>	<b>2,008</b>	<b>2,024</b>	<b>2,040</b>
Easton Psych	15	1,469	2,014	2,033	2,052	2,071	2,091	2,111	2,854	2,882	2,910	2,938
Dorchester Psych	3,633	527	-	-	-	-	-	-	-	-	-	-
<b>Psych Subtotal (Table F)</b>	<b>3,648</b>	<b>1,996</b>	<b>2,014</b>	<b>2,033</b>	<b>2,052</b>	<b>2,071</b>	<b>2,091</b>	<b>2,111</b>	<b>2,854</b>	<b>2,882</b>	<b>2,910</b>	<b>2,938</b>
<b>Easton Rehab (Table F)</b>	<b>3,040</b>	<b>2,197</b>	<b>2,280</b>	<b>2,367</b>	<b>2,457</b>	<b>2,550</b>	<b>2,648</b>	<b>2,750</b>	<b>2,857</b>	<b>2,967</b>	<b>3,083</b>	<b>3,203</b>
<b>Total Patient Days (Table F)</b>	<b>29,027</b>	<b>28,045</b>	<b>28,492</b>	<b>28,857</b>	<b>29,232</b>	<b>29,618</b>	<b>30,015</b>	<b>30,529</b>	<b>31,781</b>	<b>32,333</b>	<b>32,900</b>	<b>33,485</b>

Source: FY2021 & FY2022 HSCRC data tapes

**Shore Health System**

**3-D Build-Up for Table F**

**Observation Volumes**

FY2021 - FY2032

Statistic	Actual		Budget	Projected								
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Observation Visits:</b>												
Easton Observation	3,581	3,602	3,633	3,664	3,697	3,730	3,765	3,800	3,836	3,873	3,912	3,951
Dorchester / Cambridge Observation	486	134	134	135	137	138	139	140	142	143	144	146
<b>Total Observation Visits (Table F)</b>	<b>4,067</b>	<b>3,736</b>	<b>3,767</b>	<b>3,800</b>	<b>3,833</b>	<b>3,868</b>	<b>3,904</b>	<b>3,940</b>	<b>3,978</b>	<b>4,016</b>	<b>4,056</b>	<b>4,097</b>
<b>Observation Hours</b>												
Easton Observation	93,658	150,523	150,291	150,084	149,900	149,741	149,607	149,498	149,415	149,358	149,327	149,323
Dorchester / Cambridge Observation	17,730	2,646	2,277	2,297	2,317	2,338	2,360	2,382	2,405	2,428	2,452	2,477
<b>Total Observation Hours (Table F)</b>	<b>111,388</b>	<b>153,169</b>	<b>152,569</b>	<b>152,381</b>	<b>152,218</b>	<b>152,079</b>	<b>151,967</b>	<b>151,880</b>	<b>151,820</b>	<b>151,786</b>	<b>151,779</b>	<b>151,800</b>

Source: FY2021 & FY2022 HSCRC Experience Data

**Shore Health System**  
**3-D Build-Up for Table F**  
**Emergency Department Volumes**  
**FY2021 - FY2032**

Statistic	Actual		Budget	Projected								
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>ED Visits:</b>												
Easton ED	25,354	24,931	25,144	25,363	25,588	25,819	26,056	26,300	26,551	26,809	27,074	27,347
Dorchester / Cambridge ED (OP Only)	12,027	14,539	14,663	14,791	14,922	15,057	15,195	15,338	15,484	15,634	15,789	15,948
Queen Anne's ED (OP Only)	13,716	18,035	18,189	18,347	18,510	18,677	18,849	19,026	19,207	19,394	19,586	19,783
<b>Total ED Visits (Table F)</b>	<b>51,097</b>	<b>57,505</b>	<b>57,996</b>	<b>58,501</b>	<b>59,020</b>	<b>59,553</b>	<b>60,101</b>	<b>60,664</b>	<b>61,242</b>	<b>61,837</b>	<b>62,449</b>	<b>63,078</b>

Source: FY2021 & FY2022 HSCRC Experience Data; Easton ED visits per Shore internal data

## Shore Health System

### 3-D Build-Up for Table F

#### Outpatient Volumes

FY2021 - FY2032

Statistic	Actual		Budget 2023	Projected								
	2021	2022		2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Same Day Surgery - OP Only (Visits):</b>												
Easton SDS	4,328	4,467	4,505	4,544	4,585	4,626	4,669	4,712	4,757	4,804	4,851	4,900
Dorchester / Cambridge SDS	281	33	33	34	34	34	34	35	35	35	36	36
<b>Total SDS OP Visits (Table F)</b>	<b>4,609</b>	<b>4,500</b>	<b>4,538</b>	<b>4,578</b>	<b>4,619</b>	<b>4,660</b>	<b>4,703</b>	<b>4,747</b>	<b>4,792</b>	<b>4,839</b>	<b>4,887</b>	<b>4,936</b>
<b>Laboratory - OP Only (RVUs):</b>												
Easton Lab	3,053,290	3,492,427	3,522,275	3,552,935	3,584,435	3,616,801	3,650,064	3,684,252	3,719,396	3,755,529	3,792,682	3,830,890
Dorchester / Cambridge Lab	1,324,395	1,297,359	1,308,447	1,319,836	1,331,538	1,343,561	1,355,918	1,368,618	1,381,673	1,395,095	1,408,897	1,423,091
Queen Anne's Lab	610,494	1,151,816	1,161,660	1,171,772	1,182,160	1,192,835	1,203,805	1,215,081	1,226,671	1,238,588	1,250,841	1,263,443
<b>Total Lab OP RVUs (Table F)</b>	<b>4,988,179</b>	<b>5,941,602</b>	<b>5,992,382</b>	<b>6,044,543</b>	<b>6,098,133</b>	<b>6,153,198</b>	<b>6,209,787</b>	<b>6,267,950</b>	<b>6,327,740</b>	<b>6,389,212</b>	<b>6,452,420</b>	<b>6,517,424</b>
<b>Imaging - OP Only (RVUs):</b>												
Easton CAT	358,346	388,164	391,481	394,889	398,390	401,988	405,684	409,484	413,390	417,406	421,536	425,782
Easton RAD	164,428	164,321	165,725	167,168	168,650	170,173	171,738	173,346	175,000	176,700	178,448	180,246
Easton NUC	88,853	92,607	93,398	94,211	95,047	95,905	96,787	97,694	98,625	99,584	100,569	101,582
Easton EEG	47,599	90,705	91,480	92,277	93,095	93,935	94,799	95,687	96,600	97,538	98,503	99,496
Easton Imaging Subtotal	659,226	735,797	742,085	748,545	755,182	762,001	769,008	776,211	783,616	791,228	799,056	807,106
Dorchester / Cambridge CAT	192,123	183,921	185,493	187,108	188,766	190,471	192,223	194,023	195,874	197,777	199,733	201,745
Dorchester / Cambridge RAD	132,789	66,989	67,562	68,150	68,754	69,375	70,013	70,668	71,343	72,036	72,748	73,481
Dorchester / Cambridge NUC	522	-	-	-	-	-	-	-	-	-	-	-
Dorchester / Cambridge EEG	17,965	-	-	-	-	-	-	-	-	-	-	-
Dorchester / Cambridge Imaging Subtotal	343,399	250,910	253,054	255,257	257,520	259,846	262,235	264,691	267,216	269,812	272,482	275,227
Queen Anne's CAT	128,212	196,416	198,095	199,819	201,591	203,411	205,282	207,204	209,181	211,213	213,303	215,451
Queen Anne's RAD	32,781	41,510	41,865	42,229	42,604	42,988	43,384	43,790	44,208	44,637	45,079	45,533
Queen Anne's Imaging Subtotal	160,993	237,926	239,959	242,048	244,194	246,399	248,665	250,994	253,389	255,850	258,381	260,984
<b>Total Imaging OP RVUs (Table F)</b>	<b>1,163,618</b>	<b>1,224,633</b>	<b>1,235,099</b>	<b>1,245,850</b>	<b>1,256,896</b>	<b>1,268,245</b>	<b>1,279,909</b>	<b>1,291,897</b>	<b>1,304,221</b>	<b>1,316,891</b>	<b>1,329,919</b>	<b>1,343,317</b>
<b>MRI - OP Only (RVUs):</b>												
Easton MRI	63,138	74,038	74,671	75,321	75,989	76,675	77,380	78,105	78,850	79,616	80,403	81,213
Dorchester / Cambridge MRI	44,256	9,866	9,950	10,037	10,126	10,217	10,311	10,408	10,507	10,609	10,714	10,822
<b>Total MRI OP RVUs (Table F)</b>	<b>107,394</b>	<b>83,904</b>	<b>84,621</b>	<b>85,358</b>	<b>86,114</b>	<b>86,892</b>	<b>87,691</b>	<b>88,513</b>	<b>89,357</b>	<b>90,225</b>	<b>91,117</b>	<b>92,035</b>

Source: FY2021 & FY2022 HSCRC Experience Data

# **EXHIBIT 42**



**Shore Regional Health**  
**Shore Health System P&L - Uninflated**  
**FY2021 - FY2032**  
(\$'s in thousands)

	Actual		Budget	Projected									
	2021	2022		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Patient Revenue													
Inpatient Services	\$ 124,234	\$ 129,265	\$ 122,858	\$ 122,675	\$ 123,276	\$ 123,732	\$ 124,173	\$ 124,090	\$ 131,531	\$ 131,439	\$ 131,363	\$ 131,287	
Outpatient Services	204,536	233,541	216,296	217,014	217,346	217,441	217,527	217,382	230,417	230,256	230,123	229,989	
Gross Patient Revenue	\$ 328,770	\$ 362,806	\$ 339,154	\$ 339,689	\$ 340,622	\$ 341,172	\$ 341,699	\$ 341,472	\$ 361,948	\$ 361,694	\$ 361,485	\$ 361,276	
Deductions from Patient Revenue													
Contractual Discounts	48,721	56,722	46,555	46,629	46,757	46,832	46,905	46,874	49,684	49,650	49,621	49,592	
Bad Debt	8,973	9,103	12,710	12,730	12,765	12,786	12,806	12,797	13,565	13,555	13,547	13,539	
Provision for Charity	4,076	4,702	3,771	3,776	3,787	3,793	3,799	3,796	4,024	4,021	4,019	4,016	
Deductions from Gross Revenue	61,770	70,527	63,036	63,136	63,309	63,412	63,509	63,467	67,273	67,226	67,187	67,148	
Net Patient Revenue	\$ 267,000	\$ 292,279	\$ 276,117	\$ 276,553	\$ 277,312	\$ 277,761	\$ 278,190	\$ 278,005	\$ 294,675	\$ 294,469	\$ 294,298	\$ 294,128	
Other Operating Revenue	12,462	11,145	7,405	7,405	7,405	7,405	7,405	7,405	7,405	7,405	7,405	7,405	
<b>Total Operating Revenue</b>	<b>\$ 279,462</b>	<b>\$ 303,424</b>	<b>\$ 283,523</b>	<b>\$ 283,959</b>	<b>\$ 284,718</b>	<b>\$ 285,166</b>	<b>\$ 285,595</b>	<b>\$ 285,410</b>	<b>\$ 302,080</b>	<b>\$ 301,874</b>	<b>\$ 301,704</b>	<b>\$ 301,533</b>	
Operating Expenses													
Salaries and Wages	\$ 88,688	\$ 97,027	\$ 94,131	\$ 92,626	\$ 91,156	\$ 89,800	\$ 88,495	\$ 88,869	\$ 89,397	\$ 89,892	\$ 90,391	\$ 90,893	
Employee Benefits	20,765	19,901	21,739	21,362	21,023	20,709	20,408	20,494	20,616	20,730	20,845	20,961	
Professional Fees	15,530	15,147	18,382	18,491	18,570	18,649	18,729	18,810	18,928	19,049	19,171	19,293	
Supplies	36,197	35,922	34,741	30,878	30,380	29,931	29,530	29,737	30,005	30,189	30,375	30,563	
Purchased Services	47,970	55,769	56,418	56,418	56,322	56,229	56,141	56,141	55,856	55,856	55,856	55,856	
Insurance	3,337	4,214	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	4,718	
Depreciation & Amortization	16,972	17,243	20,336	17,914	17,028	17,231	16,483	16,566	42,193	42,753	43,407	44,063	
Interest	2,346	3,044	4,993	4,893	4,795	4,699	4,605	4,513	20,117	19,697	19,261	18,810	
Total Operating Expenses	\$ 231,805	\$ 248,267	\$ 255,457	\$ 247,301	\$ 243,992	\$ 241,967	\$ 239,109	\$ 239,847	\$ 281,831	\$ 282,883	\$ 284,023	\$ 285,158	
<b>Operating Income</b>	<b>\$ 47,657</b>	<b>\$ 55,157</b>	<b>\$ 28,065</b>	<b>\$ 36,658</b>	<b>\$ 40,726</b>	<b>\$ 43,199</b>	<b>\$ 46,486</b>	<b>\$ 45,563</b>	<b>\$ 20,250</b>	<b>\$ 18,991</b>	<b>\$ 17,681</b>	<b>\$ 16,375</b>	
Physician Loss Allocation	22,567	19,924	20,522	20,522	20,522	20,522	20,522	20,522	20,522	20,522	20,522	20,522	
<b>Operating Income Including Physician Losses</b>	<b>\$ 25,090</b>	<b>\$ 35,233</b>	<b>\$ 7,544</b>	<b>\$ 16,136</b>	<b>\$ 20,204</b>	<b>\$ 22,677</b>	<b>\$ 25,965</b>	<b>\$ 25,042</b>	<b>\$ (272)</b>	<b>\$ (1,530)</b>	<b>\$ (2,841)</b>	<b>\$ (4,146)</b>	

Note(1): Values presented do not include SHS allocations of Shore Medical Group losses, which totaled \$22.57M in FY2021 and \$19.92M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements

**Shore Regional Health**  
**SHS - Easton P&L - Uninflated**  
**FY2021 - FY2032**  
(\$'s in thousands)

	Actual		Budget	Projected								
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Patient Revenue												
Inpatient Services	\$ 111,566	\$ 126,543	\$ 122,858	\$ 122,675	\$ 123,276	\$ 123,732	\$ 124,173	\$ 124,090	\$ 131,531	\$ 131,439	\$ 131,363	\$ 131,287
Outpatient Services	169,273	198,457	182,282	185,666	185,955	185,965	185,968	185,743	198,699	198,463	198,250	198,037
Gross Patient Revenue	\$ 280,839	\$ 325,000	\$ 305,140	\$ 308,342	\$ 309,231	\$ 309,696	\$ 310,140	\$ 309,833	\$ 330,230	\$ 329,901	\$ 329,613	\$ 329,324
Deductions from Patient Revenue												
Contractual Discounts	47,069	47,625	41,886	42,326	42,448	42,512	42,573	42,531	45,330	45,285	45,246	45,206
Bad Debt	7,030	8,082	11,436	11,556	11,589	11,606	11,623	11,612	12,376	12,364	12,353	12,342
Provision for Charity	3,380	4,379	3,392	3,428	3,438	3,443	3,448	3,445	3,671	3,668	3,664	3,661
Deductions from Gross Revenue	57,479	60,086	56,714	57,309	57,475	57,561	57,644	57,587	61,378	61,317	61,263	61,209
Net Patient Revenue	\$ 223,360	\$ 264,914	\$ 248,425	\$ 251,032	\$ 251,756	\$ 252,135	\$ 252,496	\$ 252,246	\$ 268,852	\$ 268,585	\$ 268,350	\$ 268,115
Other Operating Revenue	11,172	10,577	6,826	6,826	6,826	6,826	6,826	6,826	6,826	6,826	6,826	6,826
<b>Total Operating Revenue</b>	<b>\$ 234,532</b>	<b>\$ 275,491</b>	<b>\$ 255,251</b>	<b>\$ 257,858</b>	<b>\$ 258,582</b>	<b>\$ 258,961</b>	<b>\$ 259,322</b>	<b>\$ 259,072</b>	<b>\$ 275,678</b>	<b>\$ 275,411</b>	<b>\$ 275,176</b>	<b>\$ 274,940</b>
Operating Expenses												
Salaries and Wages	\$ 74,346	\$ 83,106	\$ 80,325	\$ 78,750	\$ 77,212	\$ 75,784	\$ 74,407	\$ 74,707	\$ 75,120	\$ 75,528	\$ 75,939	\$ 76,354
Employee Benefits	17,407	16,940	18,951	18,560	18,207	17,879	17,563	17,634	17,732	17,829	17,926	18,024
Professional Fees	13,023	11,797	15,089	15,177	15,240	15,302	15,366	15,430	15,526	15,624	15,723	15,823
Supplies	30,377	32,539	32,755	28,879	28,368	27,907	27,493	27,686	27,937	28,111	28,288	28,466
Purchased Services	40,205	49,179	49,113	49,113	49,017	48,925	48,836	48,836	48,551	48,551	48,551	48,551
Insurance	2,887	3,715	4,181	4,181	4,181	4,181	4,181	4,181	4,181	4,181	4,181	4,181
Depreciation & Amortization	14,224	13,334	18,296	16,301	15,535	15,756	15,105	15,210	40,646	41,192	41,834	42,477
Interest	1,810	2,645	4,492	4,453	4,375	4,297	4,220	4,144	19,706	19,293	18,864	18,420
Total Operating Expenses	\$ 194,279	\$ 213,255	\$ 223,203	\$ 215,416	\$ 212,134	\$ 210,031	\$ 207,171	\$ 207,828	\$ 249,400	\$ 250,310	\$ 251,307	\$ 252,297
<b>Operating Income</b>	<b>\$ 40,253</b>	<b>\$ 62,236</b>	<b>\$ 32,049</b>	<b>\$ 42,442</b>	<b>\$ 46,448</b>	<b>\$ 48,930</b>	<b>\$ 52,152</b>	<b>\$ 51,244</b>	<b>\$ 26,278</b>	<b>\$ 25,101</b>	<b>\$ 23,869</b>	<b>\$ 22,644</b>
Physician Loss Allocation	19,482	18,485	19,040	19,040	19,040	19,040	19,040	19,040	19,040	19,040	19,040	19,040
<b>Operating Income Including Physician Losses</b>	<b>\$ 20,771</b>	<b>\$ 43,751</b>	<b>\$ 13,009</b>	<b>\$ 23,403</b>	<b>\$ 27,408</b>	<b>\$ 29,890</b>	<b>\$ 33,112</b>	<b>\$ 32,205</b>	<b>\$ 7,239</b>	<b>\$ 6,061</b>	<b>\$ 4,829</b>	<b>\$ 3,604</b>

Note(1): Values presented do not include Easton allocations of Shore Medical Group losses, which totaled \$19.48M in FY2021 and \$18.49M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements

**Shore Regional Health**  
**SHS - Dorchester / Cambridge FMF P&L - Uninflated**  
**FY2021 - FY2032**  
(\$'s in thousands)

	Actual		Budget	Projected								
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Patient Revenue												
Inpatient Services	\$ 12,668	\$ 2,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outpatient Services	26,989	26,965	25,407	22,725	22,757	22,830	22,901	22,969	23,035	23,099	23,166	23,233
Gross Patient Revenue	\$ 39,657	\$ 29,687	\$ 25,407	\$ 22,725	\$ 22,757	\$ 22,830	\$ 22,901	\$ 22,969	\$ 23,035	\$ 23,099	\$ 23,166	\$ 23,233
Deductions from Patient Revenue												
Contractual Discounts	1,652	7,725	3,488	3,119	3,124	3,134	3,144	3,153	3,162	3,171	3,180	3,189
Bad Debt	1,943	1,021	952	852	853	856	858	861	863	866	868	871
Provision for Charity	696	323	282	253	253	254	255	255	256	257	258	258
Deductions from Gross Revenue	4,291	9,069	4,722	4,224	4,230	4,243	4,256	4,269	4,281	4,293	4,306	4,318
Net Patient Revenue	\$ 35,366	\$ 20,618	\$ 20,685	\$ 18,502	\$ 18,528	\$ 18,587	\$ 18,644	\$ 18,700	\$ 18,754	\$ 18,806	\$ 18,860	\$ 18,915
Other Operating Revenue	1,087	433	442	442	442	442	442	442	442	442	442	442
<b>Total Operating Revenue</b>	<b>\$ 36,453</b>	<b>\$ 21,051</b>	<b>\$ 21,127</b>	<b>\$ 18,943</b>	<b>\$ 18,969</b>	<b>\$ 19,028</b>	<b>\$ 19,086</b>	<b>\$ 19,141</b>	<b>\$ 19,195</b>	<b>\$ 19,247</b>	<b>\$ 19,302</b>	<b>\$ 19,357</b>
Operating Expenses												
Salaries and Wages	\$ 11,991	\$ 9,925	\$ 8,493	\$ 8,530	\$ 8,564	\$ 8,600	\$ 8,636	\$ 8,672	\$ 8,749	\$ 8,797	\$ 8,845	\$ 8,893
Employee Benefits	2,807	2,111	1,658	1,665	1,672	1,679	1,686	1,693	1,708	1,717	1,727	1,736
Professional Fees	2,100	2,570	1,890	1,904	1,914	1,924	1,934	1,944	1,959	1,975	1,991	2,007
Supplies	4,894	2,579	1,142	1,152	1,160	1,168	1,176	1,186	1,198	1,204	1,211	1,218
Purchased Services	6,559	5,333	4,734	4,734	4,734	4,734	4,734	4,734	4,734	4,734	4,734	4,734
Insurance	378	372	396	396	396	396	396	396	396	396	396	396
Depreciation & Amortization	2,295	3,463	1,523	1,169	1,083	1,070	1,000	984	1,124	1,134	1,144	1,153
Interest	449	399	374	319	305	292	279	268	299	294	289	284
Total Operating Expenses	\$ 31,473	\$ 26,752	\$ 20,210	\$ 19,869	\$ 19,827	\$ 19,862	\$ 19,841	\$ 19,877	\$ 20,167	\$ 20,251	\$ 20,336	\$ 20,422
<b>Operating Income</b>	<b>\$ 4,980</b>	<b>\$ (5,701)</b>	<b>\$ 916</b>	<b>\$ (926)</b>	<b>\$ (858)</b>	<b>\$ (834)</b>	<b>\$ (756)</b>	<b>\$ (736)</b>	<b>\$ (972)</b>	<b>\$ (1,004)</b>	<b>\$ (1,034)</b>	<b>\$ (1,065)</b>
Physician Loss Allocation	3,085	1,439	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482
<b>Operating Income Including Physician Losses</b>	<b>\$ 1,895</b>	<b>\$ (7,140)</b>	<b>\$ (566)</b>	<b>\$ (2,408)</b>	<b>\$ (2,340)</b>	<b>\$ (2,316)</b>	<b>\$ (2,238)</b>	<b>\$ (2,218)</b>	<b>\$ (2,454)</b>	<b>\$ (2,486)</b>	<b>\$ (2,516)</b>	<b>\$ (2,547)</b>

Note(1): Values presented do not include Dorchester / Cambridge FMF allocations of Shore Medical Group losses, which totaled \$3.09M in FY2021 and \$1.44M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements

**Shore Regional Health**  
**SHS - Queen Anne's ED P&L - Uninflated**  
**FY2021 - FY2032**  
(\$'s in thousands)

	Actual		Budget	Projected								
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Patient Revenue												
Inpatient Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outpatient Services	8,274	8,119	8,607	8,622	8,633	8,646	8,659	8,671	8,683	8,694	8,707	8,719
Gross Patient Revenue	\$ 8,274	\$ 8,119	\$ 8,607	\$ 8,622	\$ 8,633	\$ 8,646	\$ 8,659	\$ 8,671	\$ 8,683	\$ 8,694	\$ 8,707	\$ 8,719
Deductions from Patient Revenue												
Contractual Discounts	-	1,372	1,181	1,184	1,185	1,187	1,189	1,190	1,192	1,193	1,195	1,197
Bad Debt	-	-	323	323	324	324	324	325	325	326	326	327
Provision for Charity	-	-	96	96	96	96	96	96	97	97	97	97
Deductions from Gross Revenue	-	1,372	1,600	1,603	1,605	1,607	1,609	1,612	1,614	1,616	1,618	1,621
Net Patient Revenue	\$ 8,274	\$ 6,747	\$ 7,007	\$ 7,020	\$ 7,029	\$ 7,039	\$ 7,049	\$ 7,059	\$ 7,069	\$ 7,078	\$ 7,088	\$ 7,099
Other Operating Revenue	203	135	138	138	138	138	138	138	138	138	138	138
<b>Total Operating Revenue</b>	<b>\$ 8,477</b>	<b>\$ 6,882</b>	<b>\$ 7,145</b>	<b>\$ 7,157</b>	<b>\$ 7,166</b>	<b>\$ 7,177</b>	<b>\$ 7,187</b>	<b>\$ 7,197</b>	<b>\$ 7,206</b>	<b>\$ 7,216</b>	<b>\$ 7,226</b>	<b>\$ 7,236</b>
Operating Expenses												
Salaries and Wages	\$ 2,351	\$ 3,996	\$ 5,313	\$ 5,346	\$ 5,380	\$ 5,416	\$ 5,452	\$ 5,489	\$ 5,528	\$ 5,567	\$ 5,606	\$ 5,646
Employee Benefits	551	850	1,130	1,137	1,144	1,151	1,159	1,167	1,175	1,184	1,192	1,200
Professional Fees	407	780	1,404	1,410	1,416	1,423	1,429	1,436	1,443	1,450	1,457	1,464
Supplies	926	804	843	848	852	856	861	866	870	873	876	879
Purchased Services	1,207	1,257	2,571	2,571	2,571	2,571	2,571	2,571	2,571	2,571	2,571	2,571
Insurance	71	127	141	141	141	141	141	141	141	141	141	141
Depreciation & Amortization	453	446	516	444	411	405	378	372	424	427	430	433
Interest	87	-	127	121	116	111	106	101	113	111	109	107
Total Operating Expenses	\$ 6,053	\$ 8,260	\$ 12,044	\$ 12,017	\$ 12,030	\$ 12,074	\$ 12,097	\$ 12,142	\$ 12,264	\$ 12,322	\$ 12,380	\$ 12,440
<b>Operating Income</b>	<b>\$ 2,424</b>	<b>\$ (1,378)</b>	<b>\$ (4,899)</b>	<b>\$ (4,859)</b>	<b>\$ (4,864)</b>	<b>\$ (4,897)</b>	<b>\$ (4,910)</b>	<b>\$ (4,945)</b>	<b>\$ (5,057)</b>	<b>\$ (5,106)</b>	<b>\$ (5,154)</b>	<b>\$ (5,203)</b>
Physician Loss Allocation	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating Income Including Physician Losses</b>	<b>\$ 2,424</b>	<b>\$ (1,378)</b>	<b>\$ (4,899)</b>	<b>\$ (4,859)</b>	<b>\$ (4,864)</b>	<b>\$ (4,897)</b>	<b>\$ (4,910)</b>	<b>\$ (4,945)</b>	<b>\$ (5,057)</b>	<b>\$ (5,106)</b>	<b>\$ (5,154)</b>	<b>\$ (5,203)</b>

Note(1): Queen Anne's ED deductions from revenue were not included in FY2021 Audited Financials and are instead included in Easton's P&L for FY2021

Note(2): Queen Anne's ED bad debt, provision for charity, and interest expense are not included in the FY2022 Audited Financials and are instead included in Easton's P&L for FY2022

# **EXHIBIT 43**

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

University of Maryland Medical System Corporation and Subsidiaries  
Years Ended June 30, 2021 and 2020  
With Report of Independent Auditors

Ernst & Young LLP



University of Maryland Medical System Corporation and Subsidiaries

Consolidated Financial Statements  
and Supplementary Information

Years Ended June 30, 2021 and 2020

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## Report of Independent Auditors

The Board of Directors  
University of Maryland Medical System Corporation

We have audited the accompanying consolidated financial statements of University of Maryland Medical System Corporation and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of University of Maryland Medical System Corporation and Subsidiaries at June 30, 2021 and 2020, and the consolidated results of their operations, changes in their net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

## **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating and combining/combined information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Ernst + Young LLP*

October 28, 2021

# University of Maryland Medical System Corporation and Subsidiaries

## Consolidated Balance Sheets (In Thousands)

	June 30	
	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 858,543	\$ 961,647
Assets limited as to use, current portion	54,457	64,026
Accounts receivable:		
Patient accounts receivable, net	529,825	472,351
Other	223,549	118,228
Inventories	105,076	105,879
Assets held for sale	-	149,563
Prepaid expenses and other current assets	32,233	60,178
Total current assets	1,803,683	1,931,872
Investments	1,355,157	927,366
Assets limited as to use, less current portion	1,338,262	1,113,986
Property and equipment, net	2,753,060	2,556,548
Investments in joint ventures	103,098	92,485
Other assets	501,852	517,654
Total assets	\$ 7,855,112	\$ 7,139,911
<b>Liabilities and net assets</b>		
Current liabilities:		
Trade accounts payable	\$ 429,032	\$ 302,133
Accrued payroll and benefits	343,770	282,410
Advances from third-party payors	563,933	773,947
Lines of credit	113,000	193,500
Short-term financing	-	150,000
Other current liabilities	133,624	129,813
Liabilities held for sale	-	65,461
Long-term debt subject to short-term remarketing arrangements	153,510	28,794
Current portion of long-term debt	29,751	40,468
Total current liabilities	1,766,620	1,966,526
Long-term debt, less current portion and amount subject to short-term remarketing arrangements	1,788,367	1,438,257
Other long-term liabilities	757,633	653,388
Interest rate swap liabilities	203,609	270,430
Total liabilities	4,516,229	4,328,601
Net assets:		
Without donor restrictions	3,036,143	2,055,346
With donor restrictions	302,740	755,964
Total net assets	3,338,883	2,811,310
Total liabilities and net assets	\$ 7,855,112	\$ 7,139,911

*See accompanying notes to consolidated financial statements.*

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets  
(In Thousands)

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue, gains, and other support:		
Net patient service revenue	<b>\$ 4,288,842</b>	\$ 3,915,931
State and county support	<b>20,025</b>	19,737
CARES Act – Provider relief funds	<b>155,723</b>	199,632
Other revenue	<b>305,251</b>	228,754
Total operating revenue, gains, and other support	<b>4,769,841</b>	4,364,054
Operating expenses:		
Salaries, wages, and benefits	<b>2,428,690</b>	2,230,484
Expendable supplies	<b>882,966</b>	760,113
Purchased services	<b>705,847</b>	696,028
Contracted services	<b>305,273</b>	276,959
Depreciation and amortization	<b>244,277</b>	235,891
Interest expense	<b>32,467</b>	46,561
Total operating expenses	<b>4,599,520</b>	4,246,036
Income from continuing operations	<b>170,321</b>	118,018
Nonoperating income and expenses, net:		
Unrestricted contributions	<b>3,882</b>	9,293
Equity in net income of joint ventures	<b>11,230</b>	3,536
Investment income, net	<b>41,377</b>	24,635
Change in fair value of investments	<b>184,661</b>	(4,884)
Change in fair value of undesignated interest rate swaps	<b>65,325</b>	(75,811)
Other nonoperating losses, net	<b>(38,888)</b>	(24,376)
Loss on early extinguishment of debt	<b>(8,565)</b>	–
Excess of revenues over expenses from continuing operations	<b>429,343</b>	50,411
(Loss) gain on discontinued operations, net	<b>(529)</b>	19,599
Excess of revenues over expenses	<b>\$ 428,814</b>	\$ 70,010

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)  
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2019	\$ 1,973,405	\$ 764,219	\$ 2,737,624
Excess of revenues over expenses from continuing operations	50,411	–	50,411
Gain on discontinued operations, net	19,599	–	19,599
Investment gains, net	–	1,206	1,206
State support for capital	–	20,803	20,803
Contributions, net	–	18,111	18,111
Net assets released from restrictions used for operations and nonoperating activities	–	(6,307)	(6,307)
Net assets released from restrictions used for purchase of property and equipment	18,791	(18,791)	–
Change in economic and beneficial interests in the net assets of related organizations	27,283	(27,283)	–
Change in funded status of defined benefit pension plans	(36,971)	–	(36,971)
Other	2,828	4,006	6,834
Increase (decrease) in net assets	<u>81,941</u>	<u>(8,255)</u>	<u>73,686</u>
Balance at June 30, 2020	2,055,346	755,964	2,811,310
Excess of revenues over expenses from continuing operations	<b>429,343</b>	–	<b>429,343</b>
Loss on discontinued operations, net	<b>(529)</b>	–	<b>(529)</b>
Investment gains, net	–	<b>15,589</b>	<b>15,589</b>
State support for capital	–	<b>15,189</b>	<b>15,189</b>
Contributions, net	–	<b>15,603</b>	<b>15,603</b>
Net assets released from restrictions used for operations and nonoperating activities	–	<b>(7,597)</b>	<b>(7,597)</b>
Net assets released from restrictions used for purchase of property and equipment	<b>386,238</b>	<b>(386,238)</b>	–
Change in economic and beneficial interests in the net assets of related organizations	<b>120,495</b>	<b>(107,725)</b>	<b>12,770</b>
Change in funded status of defined benefit pension plans	<b>52,567</b>	–	<b>52,567</b>
Other	<b>(7,317)</b>	<b>1,955</b>	<b>(5,362)</b>
Increase (decrease) in net assets	<u><b>980,797</b></u>	<u><b>(453,224)</b></u>	<u><b>527,573</b></u>
Balance at June 30, 2021	<u><b>\$ 3,036,143</b></u>	<u><b>\$ 302,740</b></u>	<u><b>\$ 3,338,883</b></u>

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows  
(In Thousands)

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities</b>		
Increase in net assets	\$ 527,573	\$ 73,686
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	244,277	235,891
Amortization of bond premium and deferred financing costs	(2,438)	1,477
Net realized gains and change in fair value of investments	(226,038)	(3,183)
Equity in net income of joint ventures	(11,230)	(3,536)
Change in economic and beneficial interests in net assets of related organizations	(14,741)	27,281
Change in fair value of interest rate swaps	(65,325)	74,256
Change in funded status of defined benefit pension plans	52,567	36,971
Restricted contributions, grants and other support, net	(46,381)	(40,120)
Loss on early extinguishment of debt	8,565	–
Loss on divestiture of UM Health Plans	3,266	–
Change in operating assets and liabilities:		
Patient accounts receivable	(57,474)	(13,027)
Other receivables, prepaid expenses, other current assets, and other assets	(97,198)	(76,747)
Inventories	803	(35,401)
Trade accounts payable, accrued payroll and benefits, other current liabilities, and other long-term liabilities	231,300	74,235
Advances from third-party payors	(210,014)	634,784
Net cash provided by operating activities	<u>337,512</u>	<u>986,567</u>
<b>Investing activities</b>		
Purchases and sales of investments and assets limited as to use, net	(467,307)	125,958
Purchases of alternative investments	(72,432)	(79,572)
Sales of alternative investments	91,351	101,417
Purchase of UM Ambulatory Care, LLC, net cash acquired	–	(608)
Purchases of property and equipment	(440,572)	(461,896)
Sale of UM Health Plan, LLC net cash proceeds	65,555	–
Transfer of funds from UCH Legacy Funding Corp	122,504	–
Distributions from joint ventures, net	2,327	1,922
Net cash used in investing activities	<u>(698,574)</u>	<u>(312,779)</u>

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows (continued)  
(In Thousands)

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Financing activities</b>		
Proceeds from long-term debt	\$ 783,994	\$ –
Payment of debt issuance costs	(5,484)	(45,434)
Repayment of long-term debt and capital leases	(470,528)	–
(Repayments of) draws on lines of credit, net	(80,500)	32,200
Restricted contributions, grants, and other support	46,381	40,120
Net cash provided by financing activities	<u>273,863</u>	<u>26,886</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(87,199)	700,674
Cash, cash equivalents, and restricted cash, beginning of year	1,212,623	511,949
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,125,424</u>	<u>\$ 1,212,623</u>
Cash and cash equivalents	\$ 858,543	\$ 961,647
Restricted cash included in assets limited as to use	266,881	250,976
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,125,424</u>	<u>\$ 1,212,623</u>
<b>Discontinued operations</b>		
Operating activities	\$ (6,452)	\$ 19,374
Investing activities	\$ –	\$ (569)
Financing activities	\$ –	\$ –
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for interest, net of amounts capitalized	\$ 32,737	\$ 54,306
Amount included in accounts payable for construction in progress	\$ 43,215	\$ 45,415

*See accompanying notes to consolidated financial statements.*

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (In Thousands)

June 30, 2021

### 1. Organization and Summary of Significant Accounting Policies

#### Organization

The University of Maryland Medical System Corporation (the Corporation or UMMS) is a private, not-for-profit corporation providing comprehensive healthcare services through an integrated regional network of hospitals and related clinical enterprises. UMMS was created in 1984 when its founding hospital was privatized by the State of Maryland. Prior to that time, the founding hospital was state-owned, operated and financed as part of the University of Maryland, now a part of the University System. As part of the privatization process, the Maryland General Assembly and the University of Maryland's Board of Regents adopted legislation (the Governance Legislation) separating the major health care delivery components from the University System to UMMS. This Governance Legislation provides for certain level of oversight by the State of Maryland to ensure UMMS' founding purposes are consistently set forth in its functions and operating practices.

Over its history, UMMS evolved into a multi-hospital system with academic, community and specialty service missions reaching primarily across Maryland. In continuing partnership with the University of Maryland School of Medicine, UMMS operates healthcare programs that improve the physical and mental health of thousands of people each day.

The accompanying consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, and entities controlled by the Corporation. In addition, the Corporation maintains equity interests in various unconsolidated joint ventures, which are described in Note 5. The significant operating divisions of the Corporation are described in further detail below.

All material intercompany balances and transactions have been eliminated in consolidation.

#### *Recent Acquisitions and Divestitures*

During the year ended June 30, 2020, the Corporation signed a letter of intent to sell the assets and liabilities of UM Health Plans, which included both the Medicaid Plan and Medicare Advantage Plan. Based on the criteria in Accounting Standards Codification (ASC) 205, *Discontinued Operations*, it was determined that the pending sale met the criteria for discontinued operations treatment. As of June 30, 2021 and 2020, assets held for sale were approximately \$0 and \$149,600 and liabilities held for sale were approximately \$0 and \$65,500, respectively. For the years ended

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 1. Organization and Summary of Significant Accounting Policies (continued)

June 30, 2021 and 2020, operating revenues from discontinued operations were approximately \$117,112 and \$361,618, respectively. For the years ended June 30, 2021 and 2020, operating and nonoperating expenses from discontinued operations were approximately \$114,375 and \$342,019, respectively. The transaction was completed on October 10, 2020, resulting in a loss on sale of \$3,266, which is included in the net loss from discontinued operations of \$529 for the year ended June 30, 2021.

Effective March 1, 2020, the Corporation purchased the full interest in nine urgent care sites from ChoiceOne, which is a subsidiary of Fresenius Medical Care. Previously the urgent care sites were operated under a joint venture agreement between ChoiceOne and three affiliates: UM St. Joseph Medical Center, UM Shore Regional Health and UM Upper Chesapeake Health. Upon becoming a wholly-owned subsidiary of the Corporation, the nine sites were moved under one Company, University of Maryland Ambulatory Care, LLC (UM Ambulatory Care).

#### *University of Maryland Medical Center (Medical Center)*

The Medical Center, which is a major component of UMMS, is a 806-bed academic medical center located in Baltimore. The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823. As part of the privatization in 1984, only clinical faculty members of the School of Medicine may serve as medical staff of the Medical Center.

The Medical Center is comprised of two operating divisions: University Hospital, which includes the Greenebaum Cancer Center, and Shock Trauma Center. University Hospital, which generates approximately 80% of the Medical Center's admissions and patient days, is a tertiary teaching hospital providing over 70 clinical services and programs. The Greenebaum Cancer Center specializes in the treatment of cancer patients and is a site for clinical cancer research. The Shock Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 20% of admissions and patient days.

The Medical Center's operations include UniversityCARE, LLC (UCARE), a physician hospital organization of which the Corporation owns a majority ownership interest and therefore consolidates, and 36 South Paca Street, LLC, a wholly owned subsidiary of the Corporation that operates a residential apartment building.



# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients. Total expense under these agreements in the years ended June 30, 2021 and 2020, was approximately \$190,417 and \$168,438, respectively.

#### *University of Maryland Rehabilitation and Orthopaedic Institute (ROI)*

ROI is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 137 licensed beds, which includes rehabilitation beds, chronic care beds, medical/surgical beds, and off-site physical therapy facilities.

A related corporation, The James Lawrence Kernan Endowment Fund, Inc. (Kernan Endowment), is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of ROI. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the Kernan Endowment.

#### *University of Maryland Medical Center Midtown Campus (Midtown)*

Midtown is located in Baltimore city and is comprised of University of Maryland Midtown Hospital (UM Midtown), with 177 licensed beds, including 100 acute care beds and 77 chronic care beds and a wholly owned subsidiary providing primary care.

#### *University of Maryland Baltimore Washington Medical System, Inc. (Baltimore Washington)*

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of University of Maryland Baltimore Washington Medical Center (UM Baltimore Washington), a 285-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services.

Baltimore Washington Medical Center Foundation, Inc. (BWMC Foundation) is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of UM Baltimore Washington. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the BWMC Foundation.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### *University of Maryland Shore Regional Health System (Shore Regional)*

Shore Regional is a health system located on the Eastern Shore of Maryland. Shore Regional owns and operates University of Maryland Memorial Hospital (UM Memorial), a 132-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland; University of Maryland Dorchester Hospital (UM Dorchester), a 34-bed acute care hospital providing inpatient and outpatient services in Cambridge, Maryland; University of Maryland Chester River Hospital Center (UM Chester River), a 21-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne's counties; Shore Emergency Center at Queenstown (Shore Emergency Center), a free-standing emergency center; Memorial Hospital Foundation (Memorial Foundation), a nonprofit corporation established to solicit donations for the benefit of UM Memorial; Chester River Health Foundation (Chester River Foundation), a nonprofit corporation established to solicit donations for the benefit of UM Chester River; and several other subsidiaries providing various outpatient and home care services.

Dorchester General Hospital Foundation, Inc. (Dorchester Foundation) is governed by a separate, independent board of directors to raise funds on behalf of UM Dorchester. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation, and accordingly, the accompanying consolidated financial statements reflect a beneficial interest in the net assets of the Dorchester Foundation.

#### *University of Maryland Charles Regional Health System, Inc. (Charles Regional)*

Charles Regional owns and operates University of Maryland Charles Regional Medical Center (UM Charles Regional), which is comprised of a 99-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland.

#### *University of Maryland St. Joseph Health System, LLC (St. Joseph)*

St. Joseph owns and operates University of Maryland St. Joseph Medical Center (UM St. Joseph), a 219-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### *University of Maryland Upper Chesapeake Health System (Upper Chesapeake)*

Upper Chesapeake is a health system located in Harford County, Maryland. Upper Chesapeake's healthcare delivery system includes two acute care hospitals, University of Maryland Upper Chesapeake Medical Center (UM Upper Chesapeake), a 174-bed acute care hospital and University of Maryland Harford Memorial Hospital (UM Harford Memorial), an 82-bed acute care hospital; a physician practice; a land holding company; and Upper Chesapeake Health Foundation.

#### *University of Maryland Capital Region Health (Capital Region)*

Capital Region is a health system located in Prince George's County. Capital Region owns and operates the new state-of-the-art UM Capital Region Medical Center (UM Prince George's), a 205-bed acute care teaching hospital providing an array of services including emergency medicine, behavioral health, cardiac surgery, women's and infants health and a Level II Trauma Center; UM Laurel Medical Center (UM Laurel), a free standing medical facility providing emergency medicine and outpatient surgery and UM Bowie Health Center (UM Bowie) a free standing medical facility providing emergency medicine and diagnostic imaging and lab services.

#### *University of Maryland Medical System Foundation, Inc. (UMMS Foundation)*

The UMMS Foundation, a not-for-profit foundation, was established for the purpose of soliciting contributions on behalf of the Corporation.

#### *University of Maryland Quality Care Network (QCN)*

QCN, a wholly owned subsidiary of UMMS, is a network comprised of UMMS employed physicians and independent physician practices in the UMMS service area. The participants bear shared responsibility for the care of a defined population of patients and can contract as one entity with payors.

### **Basis of Presentation**

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### **Cash and Cash Equivalents**

Cash and cash equivalents, excluding amounts shown within investments and assets limited as to use, consist of cash and interest-bearing deposits with maturities of three months or less from the date of purchase. Cash and cash equivalent balances may exceed amounts insured by federal agencies and, therefore, bear a risk of loss. The Corporation has not experienced such losses on these funds.

#### **Investments and Assets Limited as to Use**

The Corporation's investment portfolios, except alternative investments, are classified as trading and are reported in the consolidated balance sheets, as long-term assets, at June 30, 2021 and 2020. Unrealized holding gains and losses on trading securities with readily determinable market values as well as alternative investments are included in nonoperating income. Investment income, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets.

Assets limited as to use include investments set aside at the discretion of the board of directors for the replacement or acquisition of property and equipment, investments held by trustees under bond indenture agreements and self-insurance trust arrangements, and assets whose use is restricted by donors. Restricted investments are recorded in net assets with donor restrictions unless otherwise required by the donor or state law.

Assets limited as to use also include the Corporation's economic interests in financially interrelated organizations (Note 13).

Alternative investments, which the Corporation defines to include multi-strategy commingled funds, hedge funds, hedge fund-of-funds, and private equity investments, are recorded under the equity method of accounting. The equity method reflects the Corporation's share of the net asset values, as a practical expedient, which is based on the unit values of the interest as determined by the issuer sponsoring such interest dividing the fund's net assets at fair value by its units outstanding at the valuation dates. Because certain investments are not readily marketable, their fair value is subject to additional uncertainty, and therefore, values realized upon disposition may vary significantly from current reported values.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially differ from the amounts reported in the accompanying consolidated financial statements.

#### **Inventories**

Inventories, consisting primarily of drugs and medical/surgical supplies, are carried at the lower of cost or market, on a first-in, first-out basis.

#### **Economic Interests in Financially Interrelated Organizations**

The Corporation recognizes its rights to assets held by recipient organizations, which accept cash or other financial assets from a donor and agree to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to the Corporation. Changes in the Corporation's economic interests in these financially interrelated organizations are recognized in the accompanying consolidated statements of changes in net assets.

#### **Property and Equipment**

Property and equipment are stated at cost or estimated fair value at date of contribution, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets. The estimated useful lives of the assets are as follows:

Buildings	20 to 40 years
Building and leasehold improvements	5 to 15 years
Equipment	3 to 15 years

Interest costs incurred on borrowed funds less interest income earned on the unexpended bond proceeds during the period of construction are capitalized as a component of the cost of acquiring those assets.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

Gifts of long-lived assets, such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### **Deferred Financing Costs**

Costs incurred related to the issuance of long-term debt, which are included in long-term debt, are deferred and are amortized over the life of the related debt agreements or the related letter of credit agreements using the effective-interest method.

#### **Impairment of Long-Lived Assets**

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

Impairment losses of \$2,900 and \$0 were recorded for the years ended June 30, 2021 and 2020, respectively.

#### **Investments in Joint Ventures**

When the Corporation does not have a controlling interest in an entity where less than 50% of the voting common stock is owned or does not exert a significant influence over the entity, the Corporation applies the equity method of accounting.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### **Self-Insurance**

Under the Corporation's self-insurance programs (general and professional liability, workers' compensation, and employee health and long-term disability benefits), incurred claims are estimated primarily based upon actuarial methods which include incurred but not reported claims analysis and reported claims the severity of incidents and the expected timing of claim payments. These estimates are continually reviewed and adjusted as necessary based on experience. These adjustments are recorded within the current period operating income.

#### **Net Assets**

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent contributions, gifts, and grants, which have no donor-imposed restrictions or which arise as a result of operations. Net assets with donor restrictions are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or passage of time. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes. The restrictions associated with these net assets generally pertain to patient care, specific capital projects, and funding of specific hospital operations and community outreach programs.

#### **Net Patient Service Revenue and Patient Accounts Receivable**

In accordance with ASC 606, *Revenue from Contracts with Customers*, net patient service revenue, which includes hospital inpatient services, hospital outpatient services, physician services, and other patient services revenue, is recorded at the transaction price estimated by the Corporation to reflect the total consideration due from patients and third-party payors (including commercial payers and government programs) and others. Revenue is recognized over time as performance obligations are satisfied in exchange for providing goods and services in patient care. Revenue is recorded as these goods and services are provided. The services provided to a patient during an inpatient stay or outpatient visit represent a bundle of goods and services that are distinct and accounted for as a single performance obligation.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **1. Organization and Summary of Significant Accounting Policies (continued)**

The Corporation's estimate of the transaction price includes the Corporation's standard charges for the goods and services provided with a reduction recorded related to explicit price concessions for such items as contractual allowances, charity care, potential adjustments that may arise from payment and other reviews, and implicit price concessions such as uncollectible amounts. The price concessions are determined using the portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Based on historical experience, a significant portion of the self-pay population will be unable or unwilling to pay for services and only the amount anticipated to be collected is recognized the transactions price. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the payor's or patient's ability to pay are considered bad debt expense and recorded within operating expenses. Estimates for uncollectible amounts are based on the historical collections experience for similar payors and patients, current market conditions, and other relevant factors. The Corporation recognizes a significant amount of patient service revenue even though they do not assess the patient's ability to pay.

The standard charges for goods and services for the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region reflects actual charges to patients based on rates established by the State of Maryland Health Services Cost Review Commission (HSCRC) in effect during the period in which the services are rendered. See Note 20 for further discussion on the HSCRC and regulated rates.

Patient accounts are recorded at the net realizable value based on certain assumptions determined by each payor. For third-party payors including Medicare, Medicaid, and commercial insurance, the net realizable value is based on the estimated contractual adjustments which is based on approved discounts on charges as permitted by the HSCRC. For self-pay accounts, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience.

The Corporation has elected to apply the optional exemption in ASC 606-10-50-14a as all performance obligations relate to contracts with duration of less than one year. Under this exemption, the Corporation was not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations at the end of the year are completed within days or weeks of the end of the year.



# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 1. Organization and Summary of Significant Accounting Policies (continued)

Net patient service revenue by line of business are as follows:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Hospital inpatient and outpatient services	<b>\$ 4,013,287</b>	\$ 3,658,694
Physician services	<b>267,800</b>	238,498
Other	<b>7,755</b>	18,739
Net patient service revenue	<b>\$ 4,288,842</b>	\$ 3,915,931

### Charity Care

The Corporation is committed to providing quality healthcare to all, regardless of one's ability to pay. Patients who meet the criteria of its charity care policy receive services without charge or at amounts less than its established rates. The criteria for charity care consider the household income in relation to the federal poverty guidelines. The Corporation provides services at no charge for patients with adjusted gross income equal to or less than 200% of the federal poverty guidelines. For uninsured patients with adjusted gross income greater than 200% of the federal poverty guidelines, a sliding scale discount is applied. Income and asset information obtained from patient credit reporting data are used to determine patients' ability to pay. The Corporation maintains records to identify and monitor the level of charity care it furnished under its charity care policy.

Due to the complexity of the eligibility process, the Corporation provides eligibility services to patients free of charge to assist in the qualification process. These eligibility services include, but are not limited to, the following:

- Financial assistance brochures and other information are posted at each point of service. When patients have questions or concerns, they are encouraged to call a toll-free number to reach customer service representatives during the business day. Financial assistance programs are published on the Corporation's Web site and included on the statements provided to patients.
- The Corporation offers assistance to patients in completing the applications for Medicaid or other government payment assistance programs, or applying for care under the Corporation's charity care policy, if applicable. The Corporation also employs an external firm to assist in the eligibility process.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 1. Organization and Summary of Significant Accounting Policies (continued)

- Any patient, whether covered by insurance or not, may meet with a UMMS representative and receive financial counseling from UMMS' dedicated financial assistance unit.

The Corporation recognizes that a large number of uninsured and insured patients meet the charity care guidelines but do not respond to the Corporation's attempts to obtain necessary financial information. In these instances, the Corporation uses credit reporting data to properly classify these unpaid balances as charity care as opposed to bad debt expense. Utilization of income and asset information and credit reporting data indicate the vast majority of amounts reported as uncollectible (implicit price concessions) represent amounts due from patients that would otherwise qualify for charity benefits but do not respond to the Corporation's attempts to obtain the necessary financial information. In these cases, reasonable collection efforts are pursued, but yield few collections. Amounts determined to meet the criteria under the charity care policy or determined to be uncollectible from patients are reported as reductions to net patient service revenue.

The amounts reported as charity care represent the cost of rendering such services. Costs incurred are estimated based on the cost to charge ratio for each hospital and applied to charity care charges. The Corporation estimates the total direct and indirect costs to provide charity care were approximately \$48,257 and \$48,254 for the years ended June 30, 2021 and 2020, respectively.

### Nonoperating Income and Expenses, Net

Other activities that are only indirectly related to the Corporation's primary business of delivering healthcare services are recorded as nonoperating income and expenses, and include investment income, equity in the net income of joint ventures, general donations and fund-raising activities, inherent contributions, changes in fair value of investments, changes in fair value of undesignated interest rate swaps, and settlement payments on interest rate swaps that do not qualify for hedge accounting treatment. Settlement payments on interest rate swaps were approximately \$24,527 and \$18,444 for the years ended June 30, 2021 and 2020, respectively, and are reported within other nonoperating losses, net.

### Derivative Financial Instruments

The Corporation records derivative and hedging activities on the consolidated balance sheets at their respective fair values.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **1. Organization and Summary of Significant Accounting Policies (continued)**

The Corporation utilizes derivative financial instruments to manage its interest rate risks associated with long-term tax-exempt debt. The Corporation does not hold or issue derivative financial instruments for trading purposes.

The Corporation's specific goals are to (a) manage interest rate sensitivity by modifying the reprising or maturity characteristics of some of its tax-exempt debt, and (b) lower unrealized appreciation or depreciation in the market value of the Corporation's fixed-rate tax-exempt debt when that market value is compared with the cost of the borrowed funds. The effect of this unrealized appreciation or depreciation in market value; however, will generally be offset by the income or loss on the derivative instruments that are linked to the debt.

All derivative instruments are reported as other assets or interest rate swap liabilities in the consolidated balance sheets and measured at fair value. Currently, the Corporation is accounting for its interest rate swaps as economic hedges at fair value with changes in the fair value recognized in other nonoperating income and expenses.

### **Excess of Revenue over Expenses from Continuing Operations**

The accompanying consolidated statements of operations and changes in net assets includes a performance indicator, excess of revenues over expenses from continuing operations. Changes in net assets without donor restrictions that are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets), changes in the funded status of defined benefit pension plans, and other items that are required by generally accepted accounting principles to be reported separately.

### **Income Taxes**

The Corporation and most of its subsidiaries are not-for-profit corporations formed under the laws of the State of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code) pursuant to Section 501(a) of the Code. The effect of the taxable status of its for-profit subsidiaries is not material to the consolidated financial statements.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

The Corporation follows a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management does not believe that there are any unrecognized tax liabilities or benefits that should be recognized.

#### **Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the promise becomes unconditional. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Such amounts are classified as other revenue or transfers and additions to property and equipment. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions on the accompanying consolidated statements of operations.

Contributions to be received after one year are discounted at a fixed discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contributions, and nature of fund-raising activity.

#### **Fair Value Measurements**

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

*Cash and cash equivalents, accounts receivable, assets limited as to use, investments, trade accounts payable, accrued payroll and benefits, other accrued expenses, and advances from third-party payors* – The carrying amounts reported in the consolidated balance sheets approximate the related fair values.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 1. Organization and Summary of Significant Accounting Policies (continued)

*Pension plan assets* – The Corporation applies Accounting Standards Update (ASU) 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan assets. The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value (NAV) or its equivalent. The alternative investments classified within the fair value hierarchy have been recorded using the NAV.

The Corporation discloses its financial assets, financial liabilities, and fair value measurements of nonfinancial items according to the fair value hierarchy required by generally accepted accounting principles that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs are unobservable inputs for the asset or liability.

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. The Corporation uses techniques consistent with the market approach and the income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

As of June 30, 2021 and 2020, the Level 2 assets and liabilities listed in the fair value hierarchy tables presented in Notes 3 and 11 utilize the following valuation techniques and inputs:

#### *Cash Equivalents*

The fair value of investments in cash equivalent securities, with maturities within three months of the date of purchase, is determined using techniques that are consistent with the market approach. Significant observable inputs include reported trades and observable broker-dealer quotes.

#### *U.S. Government and Agency Securities*

The fair value of investments in U.S. Government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

#### *Corporate Obligations*

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds and foreign government bonds, is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options. The fair value of collateralized corporate obligations is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

#### *Derivative Liabilities*

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, treasury yields, volatilities, credit spreads, maturity, and recovery rates.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### *Alternative Investments*

Alternative investments measured at fair value represent funds included on the consolidated balance sheet that are reported using net asset value (NAV) as a practical expedient. These amounts are not required to be categorized in the fair value hierarchy. The fair value of these investments is based on the net asset value information provided by the general partners. Fair value is based on the proportionate share of the NAV based on the most recent partners' capital statements received from the general partners. Certain alternative investments are utilizing NAV to calculate fair value and are included in alternative investments in the fair value hierarchy tables presented in Notes 3.

#### **Commitments and Contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

#### **Going Concern**

Management evaluates whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date the financial statements are issued. As of the date of this report, there are no conditions or events that raise substantial doubt about the Corporation's ability to continue as a going concern.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **2. COVID-19 Pandemic and the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020**

In response to COVID-19, the Coronavirus Aid, Relief and Economic Security (CARES) Act, was signed into law on March 27, 2020. The CARES Act authorizes funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Relief Fund). Payments from the Relief Fund are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for health care related expenses or lost revenues attributable to coronavirus and not required to be repaid, provided the recipients attest to and comply with the terms and conditions.

The U.S. Department of Health and Human Services' distributions from the Relief Fund include general distribution and targeted distributions to support hospitals in high impact areas and rural providers. For the years ended June 30, 2021 and 2020, the Corporation received and recognized as other operating revenue approximately \$155,700 and \$199,600, respectively, in relief funding.

In April 2020, the Corporation requested Medicare advanced payments under the Centers for Medicare and Medicaid Services' Accelerated and Advanced Payment Program designed to increase cash flow to Medicare providers and suppliers impacted by COVID-19. The Medicare advanced payment program allows eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. The Corporation received approximately \$641,300 of advanced payments with repayment to occur based upon the terms and conditions of the program. The remaining balance of \$569,651 represent contract liabilities under Topic 606, the current portion of \$419,651 is recorded in advances from third-party payors and the long-term portion of \$150,000 is recorded in other liabilities within the accompanying consolidated balance sheet as of June 30, 2021.

The CARES Act provided for deferred payment of the employer portion of social security taxes through December 31, 2020, with 50% of the deferred amount to December 31, 2021, and the remaining 50% due December 31, 2022. At June 30, 2021, the Corporation deferred \$76,662, which is recorded in accrued payroll and benefits and other long-term liabilities in the accompanying consolidated balance sheets.



University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands)*

**3. Investments and Assets Limited as to Use**

The carrying values of assets limited as to use were as follows:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Investments held for collateral	\$ 117,474	\$ 166,507
Debt service and reserve funds	56,384	37,696
Construction funds – held by trustee	496,355	204,366
Construction funds – held by the Corporation	128,756	174,675
Board designated funds	137,528	116,811
Self-insurance trust funds	277,274	215,162
Funds restricted by donors	115,853	91,975
Economic and beneficial interests in the net assets of related organizations <i>(Note 13)</i>	<b>63,095</b>	170,820
Total assets limited as to use	<b>1,392,719</b>	1,178,012
Less amounts available for current liabilities	<b>(54,457)</b>	(64,026)
Total assets limited as to use, less current portion	<b>\$ 1,338,262</b>	\$ 1,113,986

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. Investments and Assets Limited as to Use (continued)**

The carrying values of assets limited as to use were as follows:

	Investments Held for Collateral	Debt Service and Reserve Funds	Construction Funds	Board Designated Funds	Self- Insurance Trust Funds	Funds Restricted by Donors	Economic and Beneficial Interests	Total
<b>June 30, 2021</b>								
Cash and cash equivalents	\$ 72,439	\$ 17,856	\$ 285,949	\$ 62,057	\$ 2,133	\$ 19,393	\$ –	\$ 459,827
Corporate obligations	–	–	–	3,206	6,653	–	–	9,859
Fixed income funds	–	–	–	10,127	–	17,063	–	27,190
U.S. Government and agency securities	45,035	38,528	339,162	927	7,667	1,208	–	432,527
Common stocks, including mutual funds	–	–	–	40,923	8,975	50,069	–	99,967
Alternative investments	–	–	–	20,288	7,787	28,120	–	56,195
Assets held by other organizations	–	–	–	–	244,059	–	63,095	307,154
Total assets limited as to use	<u>\$ 117,474</u>	<u>\$ 56,384</u>	<u>\$ 625,111</u>	<u>\$ 137,528</u>	<u>\$ 277,274</u>	<u>\$ 115,853</u>	<u>\$ 63,095</u>	<u>\$ 1,392,719</u>
<b>June 30, 2020</b>								
Cash and cash equivalents	\$ 136,101	\$ 15,851	\$ 260,606	\$ 37,409	\$ 591	\$ 13,093	\$ –	\$ 463,651
Corporate obligations	–	–	–	365	12,381	974	–	13,720
Fixed income funds	–	–	–	18,350	394	16,106	–	34,850
U.S. Government and agency securities	30,406	21,845	118,435	169	2,782	449	–	174,086
Common stocks, including mutual funds	–	–	–	43,630	5,799	29,569	–	78,998
Alternative investments	–	–	–	16,888	10,830	31,784	–	59,502
Assets held by other organizations	–	–	–	–	182,385	–	170,820	353,205
Total assets limited as to use	<u>\$ 166,507</u>	<u>\$ 37,696</u>	<u>\$ 379,041</u>	<u>\$ 116,811</u>	<u>\$ 215,162</u>	<u>\$ 91,975</u>	<u>\$ 170,820</u>	<u>\$ 1,178,012</u>

Self-insurance trust funds include amounts held by the Maryland Medicine Comprehensive Insurance Program (MMCIP) for payment of malpractice claims. These assets consist primarily of cash, stocks and fixed-income and corporate obligations. MMCIP is a funding mechanism for the Corporation's malpractice insurance program. As MMCIP is not an insurance provider, transactions with MMCIP are recorded under the deposit method of accounting. Accordingly, the Corporation accounts for its participation in MMCIP by carrying limited-use assets representing the amount of funds contributed to MMCIP and recording a liability for claims, which is included in other current and other long-term liabilities in the accompanying consolidated balance sheets. These assets include the Corporation's portion of the investment pool shared with University of Maryland Faculty Physician, Inc., which is part of the University of Maryland School of Medicine.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. Investments and Assets Limited as to Use (continued)**

The related restricted cash and cash equivalents included in investments held for collateral, debt service and reserve funds, construction funds (held by trustee), and funds restricted by donors are included in the accompanying consolidated statements of cash flows for the years ended June 30, 2021 and 2020.

The carrying values of investments were as follows:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 229,597	\$ 54,553
Corporate obligations	18,569	56,424
Fixed income funds	86,415	91,095
U.S. Government and agency securities	36,013	26,062
Common stocks	304,043	235,673
Alternative investments:		
Hedge funds/private equity	222,861	193,250
Commingled funds	457,659	270,309
	<u>\$ 1,355,157</u>	<u>\$ 927,366</u>

Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2021, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. Approximately \$139,600 of the alternative investments were subject to 31–60-day notice requirements and can only be redeemed monthly, quarterly, or annually. Other funds, totaling approximately \$78,000, are subject to over 60-day notice requirements and can only be redeemed monthly, quarterly, or annually. Of the funds with over 60-day notice requirements, approximately \$17,800 are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. In addition, there are approximately \$8,200 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from one to three years. The Corporation had approximately \$5,006 of unfunded commitments in alternative investments as of June 30, 2021.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. Investments and Assets Limited as to Use (continued)**

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2021:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investments:				
Cash and cash equivalents	\$ 229,597	\$ –	\$ –	\$ 229,597
Corporate obligations	–	18,569	–	18,569
Fixed income funds	86,415	–	–	86,415
U.S. Government and agency securities	22,643	13,370	–	36,013
Common stocks, including mutual funds	304,043	–	–	304,043
	<u>642,698</u>	<u>31,939</u>	<u>–</u>	<u>674,637</u>
Alternative investments, reported using NAV:				
Hedge funds/private equity				222,861
Commingled funds				457,659
Total Investments				<u>1,355,157</u>
Assets limited as to use:				
Cash and cash equivalents	459,827	–	–	459,827
Corporate obligations	–	9,859	–	9,859
Fixed income funds	27,190	–	–	27,190
U.S. Government and agency securities	421,558	10,969	–	432,527
Common stocks, including mutual funds	99,967	–	–	99,967
Investments held by other organizations	–	63,095	–	63,095
	<u>\$ 1,008,542</u>	<u>\$ 83,923</u>	<u>\$ –</u>	<u>1,092,465</u>
Alternative investments, reported using NAV:				
Investments held by other organizations*				244,059
Hedge funds/private equity				20,058
Commingled funds				36,137
				<u>\$ 1,392,719</u>

\*\*“Investments held by other organizations” recorded using the NAV as a practical expedient includes assets of the MMCIP Self-insurance Trust, which holds Level 1, Level 2 and alternative investments within its portfolios. Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2021, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. Investments and Assets Limited as to Use (continued)**

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2020:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investments:				
Cash and cash equivalents	\$ 54,553	\$ –	\$ –	\$ 54,553
Corporate obligations	–	56,424	–	56,424
Fixed income funds	91,095	–	–	91,095
U.S. Government and agency securities	7,586	18,476	–	26,062
Common stocks, including mutual funds	235,673	–	–	235,673
	<u>388,907</u>	<u>74,900</u>	<u>–</u>	<u>463,807</u>
Alternative investments, reported at NAV:				
Hedge funds/private equity				270,309
Commingled funds				193,250
				<u>927,366</u>
Assets limited as to use:				
Cash and cash equivalents	463,651	–	–	463,651
Corporate obligations	–	13,720	–	13,720
Fixed income funds	34,850	–	–	34,850
U.S. Government and agency securities	170,795	3,291	–	174,086
Common stocks, including mutual funds	78,998	–	–	78,998
Investments held by other organizations	–	170,820	–	170,820
	<u>\$ 748,294</u>	<u>\$ 187,831</u>	<u>\$ –</u>	<u>936,125</u>
Alternative investments, reported using NAV:				
Investments held by other organizations*				182,385
Hedge funds/private equity				31,572
Commingled trusts				27,930
Total assets limited as to use				<u>\$ 1,178,012</u>

\*“Investments held by other organizations” recorded using the NAV as a practical expedient includes assets of the MMCIP Self-insurance Trust, which holds Level 1, Level 2 and alternative investments within its portfolios. Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2020, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. Investments and Assets Limited as to Use (continued)**

Changes to Level 1 and Level 2 securities between June 30, 2021 and 2020, were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments.

The Corporation's total return on its investments and assets limited as to use was as follows:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Dividends and interest, net of fees	\$ 12,011	\$ 17,775
Net realized gains	31,395	7,551
Change in fair value of trading securities and alternative investments	198,221	(4,368)
Total investment return	<u>\$ 241,627</u>	<u>\$ 20,958</u>

Total investment return is classified in the accompanying consolidated statements of operations as follows:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Nonoperating investment income, net	\$ 41,377	\$ 24,635
Change in fair value of unrestricted investments	184,661	(4,884)
Investment gains on net assets with donor restrictions	15,589	1,207
Total investment return	<u>\$ 241,627</u>	<u>\$ 20,958</u>

Investment return does not include the returns on the economic interests in the net assets of related organizations, the returns on the self-insurance trust funds, returns on undesignated interest rates swaps, or the returns on certain construction funds where amounts have been capitalized.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**4. Property and Equipment**

The following is a summary of property and equipment:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 182,586	\$ 203,544
Buildings	1,833,517	1,495,471
Building and leasehold improvements	1,118,868	1,080,875
Equipment	2,182,368	1,986,526
Construction in progress	500,982	635,895
	<b>5,818,321</b>	<b>5,402,311</b>
Less accumulated depreciation and amortization	<b>(3,065,261)</b>	<b>(2,845,763)</b>
	<b><u>\$ 2,753,060</u></b>	<b><u>\$ 2,556,548</u></b>

Remaining contractual commitments on construction projects were approximately \$128,500 at June 30, 2021, of which approximately \$28,800 relates to Capital Region.

Construction in progress includes building and renovation costs for assets that have not yet been placed into service. These costs relate to major construction projects as well as routine renovations under way at the Corporation's facilities.

**5. Investments in Joint Ventures**

The Corporation has equity method investments of approximately \$103,098 and \$92,485 at June 30, 2021 and 2020, respectively, in the following unconsolidated joint ventures:

	<b>Ownership %</b>	<b>2021</b>	<b>2020</b>
Mt. Washington Pediatric Hospital, Inc. (Mt. Washington)	50%	\$ 78,478	\$ 69,025
Terrapin Insurance	50%	975	975
Other investments	10%–51%	23,645	22,485
		<b><u>\$ 103,098</u></b>	<b><u>\$ 92,485</u></b>

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**5. Investments in Joint Ventures (continued)**

The Corporation recorded equity in net income of \$11,230 and \$3,536 related to these joint ventures for the years ended June 30, 2021 and 2020, respectively.

The following is a summary of the Corporation's joint ventures' combined unaudited condensed financial information as of and for the years ended June 30:

	<b>2021</b>			
	<b>Mt. Washington</b>	<b>Terrapin</b>	<b>Others</b>	<b>Total</b>
Current assets	\$ 38,597	\$ 27,718	\$ 42,638	\$ 108,953
Noncurrent assets	133,176	347,714	57,369	538,259
Total assets	<u>\$ 171,773</u>	<u>\$ 375,432</u>	<u>\$ 100,007</u>	<u>\$ 647,212</u>
Current liabilities	\$ 20,715	\$ 1,145	\$ 22,819	\$ 44,679
Noncurrent liabilities	7,018	372,337	13,592	392,947
Net assets	144,040	1,950	63,596	209,586
Total liabilities and net assets	<u>\$ 171,773</u>	<u>\$ 375,432</u>	<u>\$ 100,007</u>	<u>\$ 647,212</u>
Total operating revenue	\$ 65,855	\$ 18,318	\$ 94,130	\$ 178,303
Total operating expenses	(61,478)	(40,848)	(77,157)	(179,483)
Total nonoperating gains (losses), net	10,579	22,530	493	33,602
Contributions from (to) owners	-	-	(10,797)	(10,797)
Other changes in net assets, net	6,852	-	(2,288)	4,564
Increase (decrease) in net assets	<u>\$ 21,808</u>	<u>\$ -</u>	<u>\$ 4,381</u>	<u>\$ 26,189</u>



University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**5. Investments in Joint Ventures (continued)**

	2020			
	Mt. Washington	Terrapin	Others	Total
Current assets	\$ 36,255	\$ 23,194	\$ 36,993	\$ 96,442
Noncurrent assets	107,664	294,881	46,096	448,641
Total assets	<u>\$ 143,919</u>	<u>\$ 318,075</u>	<u>\$ 83,089</u>	<u>\$ 545,083</u>
Current liabilities	\$ 13,560	\$ 705	\$ 18,914	\$ 33,179
Noncurrent liabilities	7,746	315,420	12,979	336,145
Net assets	122,613	1,950	51,196	175,759
Total liabilities and net assets	<u>\$ 143,919</u>	<u>\$ 318,075</u>	<u>\$ 83,089</u>	<u>\$ 545,083</u>
Total operating revenue	\$ 61,670	\$ 36,445	\$ 102,477	\$ 200,592
Total operating expenses	(61,533)	(38,494)	(87,599)	(187,626)
Total nonoperating gains (losses), net	2,320	2,049	(80)	4,289
Contributions from (to) owners	–	–	(10,400)	(10,400)
Other changes in net assets, net	3,780	–	(288)	3,492
Increase (decrease) in net assets	<u>\$ 6,237</u>	<u>\$ –</u>	<u>\$ 4,110</u>	<u>\$ 10,347</u>

**6. Leases**

The Corporation determines if an arrangement is a lease at inception. Operating leases are included in other assets, other current liabilities, and other long-term liabilities on the consolidated balance sheet. Finance leases are included in property, plant and equipment, other current liabilities, and other long-term liabilities on the accompanying consolidated balance sheet.

The Corporation's leases primarily consist of real estate leases for medical and administrative office buildings and the Corporation determines if an arrangement is a lease at inception of the contract. Operating leases are included in other assets, other current liabilities, and other long-term liabilities on the consolidated balance sheet. Finance leases are included in property, plant and equipment, other current liabilities, and other long-term liabilities on the accompanying consolidated balance sheet.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**6. Leases (continued)**

Lease liabilities are recognized based on the present value, net of the future minimum lease payments over the lease term using the Corporation's incremental borrowing rate based on the information available at commencement. The ROU asset is derived from the lease liability and also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Certain lease agreements for real estate include payments based on actual common area maintenance expenses and others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in purchased services, net, but are not included in the ROU asset or liability balances. Lease agreements may include one or more renewal options which are at the Corporation's sole discretion. The Corporation does not consider the renewal options to be reasonably likely to be exercised, therefore they are not included in ROU assets and lease liabilities. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term for operating leases.

In accordance with ASC 842, the Corporation has elected to not recognize ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less. The Corporation recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as all other leases.

The following table summarizes the components of operating and finance lease assets and liabilities classified as current and noncurrent on the accompanying consolidated balance sheets:

		<b>June 30</b>	
	<b>Balance Sheet Classification</b>	<b>2021</b>	<b>2020</b>
<b>Operating leases</b>			
Operating lease ROU asset	Other assets	\$ 98,378	\$ 92,333
Operating lease obligation – current	Other current liabilities	(14,551)	(12,724)
Operating lease obligation – long-term	Other long-term liabilities	(87,039)	(81,951)
<b>Finance leases</b>			
Finance lease ROU asset	Property and equipment, net	\$ 38,144	\$ 47,598
Current finance lease liabilities	Other current liabilities	(433)	(760)
Long-term finance lease liabilities	Other long-term liabilities	(44,370)	(55,310)

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**6. Leases (continued)**

The components of lease expense were as follows:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Finance lease expense:		
Amortization of ROU assets	\$ 3,819	\$ 1,518
Interest on lease liabilities	2,519	1,992
Total finance lease expense	<u>6,338</u>	3,510
Operating lease expense	20,765	16,159
Short-term/variable lease expense	14,713	12,848
Total lease expense	<u>\$ 41,816</u>	<u>\$ 32,517</u>

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of June 30, 2021, are as follows:

	<b>Operating</b>	<b>Finance</b>
2022	\$ 15,249	\$ 2,006
2023	14,463	2,006
2024	15,069	2,006
2025	14,861	2,006
2026	12,594	2,006
Thereafter	48,980	49,055
Total	<u>121,216</u>	<u>59,085</u>
Less: Present value discount	(19,626)	(14,282)
Lease liabilities	<u>\$ 101,590</u>	<u>\$ 44,803</u>

Other information is as follows:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Weighted average remaining lease terms (in years):		
Finance leases	9.52	11.17
Operating leases	9.44	10.25
Weighted average discount rate:		
Finance leases	3.53%	3.72%
Operating leases	3.25%	3.58%

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **7. Line of Credit**

For the years ended June 30, 2021 and 2020, the Corporation had a \$250,000 revolving line of credit outstanding with a syndicate of banking partners. The line of credit is annually renewing and the current expiration date is August 25, 2022. Interest is calculated based on an optional base rate or percentage of 1-month LIBOR plus a credit spread. As of June 30, 2021 and 2020, the amount outstanding on the line of credit was \$113,000 and \$193,500, respectively. The calculated interest rates as of June 30, 2021 and 2020, was a range from 0.89% to 3.25%.

For the year ended June 30, 2020, the Corporation had \$225,000 in additional lines of credit consisting of separate agreements with three banking partners. The borrowing facilities were put in place to provide additional access to liquidity in the event it would be needed during the COVID-19 pandemic, and each of the facilities expired no later than May 2021. As of June 30, 2020, there were \$0 outstanding on these lines of credit, and the lines of credit expired as of June 30, 2021.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**8. Long-Term Debt and Other Borrowings**

Long-term debt consists of the following:

	Interest Rate	Payable in Fiscal Year(s)	June 30	
			2021	2020
MHHEFA project revenue bonds:				
Corporation issue, payments due annually UCHS Term Loan:				
Series 2020B/D Bonds	3.05%–5.00%	2045–2049	\$ 752,680	\$ –
Series 2017D/E Bonds	4.00%–4.17%	2045–2049	189,965	189,965
Series 2017B/C Bonds	2.23%–5.00%	2018–2040	250,150	256,455
Series 2017A Bonds	Variable rate	2017–2043 <sup>(1)</sup>	41,635	42,840
Series 2016A–F Bonds	Variable rate	2017–2042 <sup>(1)</sup>	304,565	309,500
Series 2015 Bonds	3.63%–5.00%	2016–2042	72,140	73,630
Series 2013 Bonds	4.00%–5.00%	2014–2044	115,055	335,545
Series 2010 Bonds	4.75%–5.25%	2011–2032	–	41,510
Series 2008D/E Bonds	Variable rate	2025–2042	105,000	105,000
Series 2008F Bonds	4.50%–5.25%	2009–2024	–	20,630
Series 2007A Bonds	Variable rate	2008–2035	73,280	76,425
MHHEFA Pooled Loan Program	Variable rate	2017–2035	15,200	16,149
Other long-term debt:				
UCHS Term Loan	Variable rate	2021	–	150,000
Term loans	1.86%–4.44%	2009–2022	6,331	7,356
Other loans, mortgages and notes payable	3.25%–6.50%	Monthly, 2001–2035	12,678	12,678
Total debt			1,938,679	1,637,683
Less current portion of long-term debt			29,751	40,468
Less short-term financing			–	150,000
Less long-term debt subject to short-term remarketing agreements			153,510 <sup>(1)</sup>	28,794
			1,755,418	1,418,421
Plus unamortized premiums and discounts, net			44,215	28,713
Plus unamortized deferred financing costs			(11,573)	(8,877)
			<u>\$ 1,788,060</u>	<u>\$ 1,438,257</u>

<sup>(1)</sup>Mandatory purchase options are due in the following (fiscal years), unless the bondholding bank and the Obligated Group agree to an extension: Series 2016A (2024), 2016B (2022), 2016C&D (2024), 2016E&F (2027, and 2017A (2022). As of the date of issuance, the obligated group is in the process of extending or replacing the agreements with mandatory purchase options due in 2022.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **8. Long-Term Debt and Other Borrowings (continued)**

Pursuant to an Amended and Restated Master Loan Agreement dated December 1, 2017 (UMMS Master Loan Agreement), the Corporation and several of its subsidiaries have issued debt through Maryland Health and Higher Educational Facilities Authority (MHHEFA or the Authority). As security for the performance of the bond obligation under the Master Loan Agreement, the Authority maintains a security interest in the revenue of the obligors. The UMMS Master Loan Agreement contains certain restrictive covenants. These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets.

The Obligated Group under the UMMS Master Loan Agreement includes the Medical Center, ROI, UM Midtown, UM Baltimore Washington, Shore Health (UM Memorial and UM Dorchester), UM Chester River, UM Charles Regional, UM St. Joseph, UM Upper Chesapeake, UM Harford Memorial, UM Laurel, UM Prince George's, Bowie Health Center (Bowie), and the UMMS Foundation. Each member of the Obligated Group is jointly and severally liable for the repayment of the obligations under the UMMS Master Loan Agreement.

Under the terms of the UMMS Master Loan Agreement and other loan agreements, certain funds are required to be maintained on deposit with the Master Trustee to provide for repayment of the obligations of the Obligated Group (Note 3).

The Corporation had a term loan in the amount of \$150,000 related to the acquisition of Upper Chesapeake, which the Corporation obtained long term financing during fiscal year 2021 to repay the term loan prior to its maturity date, and has classified this obligation as a short-term financing at June 30, 2020, in the consolidated balance sheet. See further discussion below in Series 2020B and 2020E issuance.

In December 2018, MHHEFA issued \$145,265 of tax-exempt Revenue Bonds, Series 2017D, and \$44,700 taxable Revenue Bonds, Series 2017E. These proceeds are to be used for the purpose of financing a portion of the costs of acquisition, construction and equipping of certain capital projects related to Capital Region, including (a) construction of a new regional medical center and an adjacent new ambulatory care center and (b) construction of a new freestanding medical facility.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 8. Long-Term Debt and Other Borrowings (continued)

On July 2, 2020, MHHEFA issued \$152,680 of tax-exempt Revenue Bonds, Series 2020B, and \$600,000 taxable Revenue Bonds, Series 2020D. The proceeds were used for the purpose of refinancing existing debt, including the repayment of the Upper Chesapeake term loan (see above) and the redemption of the Series 2008F, 2010, and 2013A Bonds. The remaining proceeds are to be used for the purpose of financing a portion of the costs of construction and equipping of certain capital projects related to Medical Center, Baltimore Washington, Shore Regional, Upper Chesapeake and Capital Region.

The aggregate annual future maturities of long-term debt according to the original terms of the Master Loan Agreement and all other loan agreements are as follows for the years ending June 30:

2022	\$ 183,261
2023	101,857
2024	182,547
2025	40,037
2026	36,707
Thereafter	1,394,270
	<u>\$ 1,938,679</u>

The Corporation's Series 2007A and 2008D-E Bonds are variable rate demand bonds requiring remarketing agents to purchase and remarket any bonds tendered before the stated maturity date. The reimbursement obligations with respect to the letters of credit are evidenced and secured by the respective bonds. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into letter-of-credit agreements with three banking institutions. These agreements have terms that expire in 2022 through 2026. If the bonds are not successfully remarketed, the Corporation is required to pay an interest rate specified in the letter-of-credit agreement, and the principal repayment of bonds may be accelerated to require repayment in periods ranging from 20 to 60 months from the date of the failed remarketing. The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements as a separate component of current liabilities in its consolidated balance sheets. In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms. All variable rate demand bonds were successfully remarketed as of June 30, 2021 and 2020.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**8. Long-Term Debt and Other Borrowings (continued)**

The approximate interest rates on outstanding debt bearing interest at variable rates were as follows:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Series 2008D Bonds	<b>0.02%</b>	0.11%
Series 2008E Bonds	<b>0.01</b>	0.12
Series 2007A Bonds	<b>0.02</b>	0.09
Series 2016A Bonds	<b>1.07</b>	1.13
Series 2016B Bonds	<b>0.95</b>	1.01
Series 2016C Bonds	<b>0.68</b>	0.75
Series 2016D Bonds	<b>0.91</b>	0.98
Series 2016E Bonds	<b>0.80</b>	0.87
Series 2016F Bonds	<b>0.78</b>	0.84
Series 2017A Bonds	<b>0.60</b>	0.67
Series 1985 Pooled Loan Program (MHHEFA)	<b>0.50</b>	1.00
UCHS Term Loan	–	0.89

**9. Interest Rate Risk Management**

The Corporation uses a combination of fixed and variable rate debt to finance capital needs. The Corporation maintains an interest rate risk-management strategy that uses interest rate swaps to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates.



University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**9. Interest Rate Risk Management (continued)**

At June 30, 2021 and 2020, the Corporation's notional values of outstanding interest rate swaps were \$723,266 and \$735,015, respectively, the details of which were as follows:

	Notional Amount	Pay Rate	Receive Rate	Maturity Date	Mark to Market
<b>June 30, 2021</b>					
Swap #1	\$ 78,551	3.59%	70% 1-month LIBOR	7/1/2031	\$ (10,785)
Swap #2	84,000	3.93	68% 1-month LIBOR	7/1/2041	(33,829)
Swap #3	21,000	4.24	68% 1-month LIBOR	7/1/2041	(9,346)
Swap #4	30,800	3.99	67% 1-month LIBOR	7/1/2034	(6,709)
Swap #5	24,380	3.54	70% 1-month LIBOR	7/1/2031	(3,297)
Swap #6	196,000	3.93	68% 1-month LIBOR	7/1/2041	(78,952)
Swap #7	49,000	4.24	68% 1-month LIBOR	7/1/2041	(22,021)
Swap #8	71,825	4.00	67% 1-month LIBOR	7/1/2034	(15,698)
Swap #9	2,075	3.63	67% 1-month LIBOR	7/1/2032	(209)
Swap #10	92,475	3.92	67% 1-month LIBOR	1/1/2043	(28,611)
Swap #11	73,160	0.51	67% 1-month LIBOR + 0.5133%	1/1/2038	1,887
	<u>723,266</u>				<u>(207,660)</u>
Valuation adjustments					4,051
Total	<u>\$ 723,266</u>				<u>\$ (203,609)</u>
<b>June 30, 2020</b>					
Swap #1	\$ 79,800	3.59%	70% 1-month LIBOR	7/1/2031	\$ (15,036)
Swap #2	84,000	3.93	68% 1-month LIBOR	7/1/2041	(45,040)
Swap #3	21,000	4.24	68% 1-month LIBOR	7/1/2041	(12,364)
Swap #4	32,025	3.99	67% 1-month LIBOR	7/1/2034	(8,987)
Swap #5	24,770	3.54	70% 1-month LIBOR	7/1/2031	(4,606)
Swap #6	196,000	3.93	68% 1-month LIBOR	7/1/2041	(105,113)
Swap #7	49,000	4.24	68% 1-month LIBOR	7/1/2041	(28,855)
Swap #8	74,700	4.00	67% 1-month LIBOR	7/1/2034	(21,020)
Swap #9	2,465	3.63	67% 1-month LIBOR	7/1/2032	(307)
Swap #10	95,475	3.92	67% 1-month LIBOR	1/1/2043	(38,240)
Swap #11	75,780	0.51	67% 1-month LIBOR + 0.5133%	1/1/2038	2,351
	<u>735,015</u>				<u>(277,217)</u>
Valuation adjustments					6,787
Total	<u>\$ 735,015</u>				<u>\$ (270,430)</u>

The mark-to-market values of the Corporation's interest rate swaps include a valuation adjustment representing the creditworthiness of the counterparties to the swaps.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **9. Interest Rate Risk Management (continued)**

The Corporation recorded a net nonoperating gain (loss) on changes in the fair value of nonqualifying interest rate swaps of \$65,325 and \$(75,811) for the years ended June 30, 2021 and 2020, respectively.

The swap agreements are included in the consolidated balance sheets at their fair value of \$203,609 and \$270,430 as of June 30, 2021 and 2020, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy).

The Corporation is subject to a collateral posting requirement with two of its swap counterparties. Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty. The amount of such posted collateral was \$117,600 and \$165,848 at June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the Corporation met its collateral posting requirement through the use of collateralized investments and cash equivalents, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty. The amount of posted investments that is required to meet the collateral requirement is computed daily and is accounted for as a component of the Corporation's assets limited as to use on the accompanying consolidated balance sheets as of that date. Any excess investment value is considered a component of the Corporation's unrestricted investment portfolio and is included in investments on the accompanying consolidated balance sheets as of that date.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**10. Other Liabilities**

Other liabilities consist of the following:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Professional and general malpractice liabilities	\$ 380,715	\$ 351,441
Advances from third party payors	150,000	–
Accrued pension obligations	66,011	130,903
Lease obligations – operating	101,590	94,675
Lease obligations – finance	44,803	56,070
Deferred payroll taxes	38,331	26,971
Accrued interest payable	27,883	22,200
Other miscellaneous	81,924	100,941
Total other liabilities	<b>891,257</b>	783,201
Less current portion	<b>(133,624)</b>	(129,813)
Other long-term liabilities	<b>\$ 757,633</b>	<b>\$ 653,388</b>

**11. Retirement Plans**

Employees of the Corporation are included in various retirement plans established by the Corporation, the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region. Participation by employees in their specific plan(s) has evolved based upon the organization by which they were first employed and the elections that they made at the times when their original employers became part of the Corporation. The following is a brief description of each of the retirement plans in which employees of the Corporation participate:

**Defined Benefit Plans**

*University of Maryland Medical Center Midtown Campus Retirement Plan for Non-Union Employees (Midtown Plan)* – A noncontributory defined benefit plan covering substantially all nonunion employees. The benefits are based on years of service and compensation. Contributions to this plan are made to satisfy the minimum funding requirements of ERISA. In 2006, Midtown froze the defined benefit pension plan.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 11. Retirement Plans (continued)

*Baltimore Washington Medical Center Pension Plan (Baltimore Washington Plan)* – A noncontributory defined benefit pension plan covering full-time employees who have been employed for at least one year and have reached 21 years of age. In 2018, Baltimore Washington closed the defined benefit pension plan to new hires.

On June 30, 2015, the Corporation amended the Baltimore Washington Medical Center Pension Plan to provide for the merger of the Midtown Plan and the Charles Regional Plan into the Baltimore Washington Plan and to change the name of the newly consolidated plan to the University of Maryland Medical System Corporate Pension Plan (the Corporate Plan). All provisions of the respective previous plans shall continue to apply to the respective applicable participants. All of the assets of the three formerly separate plans are now available to pay benefits for all participants under the newly consolidated Corporate Plan.

*Civista Health Inc. Retirement Plan and Trust (Charles Regional Plan)* – A noncontributory defined benefit pension plan covering employees that have worked at least one thousand hours per year during three or more plan years. Plan benefits are accumulated based upon a combination of years of service and percent of annual compensation. Charles Regional makes annual contributions to the plan based upon amounts required to be funded under provisions of ERISA.

*Dimensions Health Corporation Pension Plan (Capital Region Pension Plan)* – A noncontributory defined benefit pension plan covering substantially all employees. For employees not covered under collective-bargaining agreements and employees who are represented by the 1199 SEIU Health Care Workers East – Health Care Workers union (formerly District 1199E-DC, SEIU union and formerly Local No. 63 union), the Plan operates as a cash balance plan. The annual contribution by the Corporation is allocated to individual employee accounts based on years of service and the individual's retirement account. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union (formerly Professional Staff Nurses Association union), benefits are based on years of service and average final compensation. On December 31, 2007, the Capital Region Pension Plan was frozen. No further benefit accruals will be made to the Plan. The Plan freeze substantially reduces annual funding obligations beginning with Plan year 2008. The Corporation's funding policy is to contribute such actuarially determined amounts as necessary to provide assets sufficient to meet the benefits to be paid to the Plan participants and to meet the funding requirements of the Employees Retirement Income Security Act of 1974 (ERISA).

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

(In Thousands)

### 11. Retirement Plans (continued)

*Dimensions Health Corporation Post Retirement Benefit Plans (Capital Region Post Retirement Benefit Plans)* – A postretirement health care plan is provided to both salaried and non-salaried employees who have retired and certain other employees who were eligible to retire prior to July 1, 1995. The plan is contributory for those who retired prior to July 1, 1995, with retiree contributions adjusted annually. Employees who retired on July 1, 1995, and later are eligible to participate in the plan by paying 100% of the premiums without corporate contributions. The Corporation's policy has been to fund this plan on an as needed basis.

A defined postretirement life insurance plan is a noncontributory plan for all eligible retirees prior to July 1, 2001. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union, the plan was no longer offered to new retirees as of July 1, 1999. Effective July 1, 2001, the plan was modified to become contributory for the nonunion employees and employees represented by the 1199 SEIU Health Care Workers East – Health Care Workers union who retired prior to July 1, 2001 and for the employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union who retired prior to July 1, 1999. The Corporation's policy has been to fund its share of these benefits as they are incurred.

The Corporation recognizes the funded status (i.e., the difference between the fair value of plan assets and projected benefit obligations) of its defined benefit pension plans as an asset or liability in its consolidated balance sheets. The Corporation recognizes changes in the funded status in the year in which the changes occur as changes in unrestricted net assets. All defined benefit pension plans use a June 30 measurement date.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**11. Retirement Plans (continued)**

The following tables set forth the combined benefit obligations and assets of the defined benefit plans:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Change in projected benefit obligations:		
Benefit obligations at beginning of year	\$ 448,997	\$ 425,709
Settlements	(18,623)	–
Service cost	3,378	3,337
Interest cost	13,168	15,299
Actuarial loss and other	4,973	30,743
Benefit payments	(16,826)	(26,091)
Projected benefit obligations at end of year	<u>\$ 435,067</u>	<u>\$ 448,997</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 318,094	\$ 317,176
Actual return on plan assets	63,831	9,529
Settlements	(18,623)	–
Employer contributions	22,580	17,480
Benefit payments	(16,826)	(26,091)
Fair value of plan assets at end of year	<u>\$ 369,056</u>	<u>\$ 318,094</u>

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**11. Retirement Plans (continued)**

The funded status of the plans and amounts recognized as accrued payroll and benefits and other long-term liabilities in the accompanying consolidated balance sheets are as follows:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Funded status, end of period:		
Fair value of plan assets	<b>\$ 369,056</b>	\$ 318,094
Projected benefit obligations	<b>435,067</b>	448,997
Net funded status	<b>(66,011)</b>	(130,903)
Accumulated benefit obligation at end of year	<b>433,076</b>	446,100
Amounts recognized in consolidated balance sheets at June 30:		
Accrued pension obligation	<b>(66,011)</b>	(130,903)
	<b>(66,011)</b>	(130,903)
Amounts recognized in net assets without donor restrictions at June 30:		
Net actuarial loss	<b>(54,745)</b>	(108,221)
Prior service cost	<b>(990)</b>	(86)
	<b>\$ (55,735)</b>	\$ (108,307)

The accrued pension obligation includes \$62,717 and \$98,365 as of June 30, 2021 and 2020, respectively, related to the Capital Region Pension Plan described above.

The estimated amounts that will be amortized from net assets without donor restrictions into net periodic pension cost in fiscal year 2022 are as follows:

Net actuarial loss	\$ 3,038
Prior service cost	149
	<b>\$ 3,187</b>

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**11. Retirement Plans (continued)**

The components of net periodic pension cost are as follows:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Service cost	\$ 3,378	\$ 3,337
Interest cost	13,168	15,299
Expected return on plan assets	(18,275)	(19,782)
Prior service cost recognized	72	72
Recognized losses	11,918	3,953
Net periodic pension cost	<u>\$ 10,261</u>	<u>\$ 2,879</u>

Components of net benefit cost other than the service cost of \$3,378 and \$3,337 in 2021 and 2020, respectively, were recorded in other nonoperating losses, net in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2021 and 2020. Service cost is included as a component of fringe benefits, which is recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations.

The following table presents the weighted average assumptions used to determine benefit obligations for the plans:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	2.34%–3.02%	2.34%–3.03%
Rate of compensation increase (for nonfrozen plan)	3.00	3.00



University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**11. Retirement Plans (continued)**

The following table presents the weighted average assumptions used to determine net periodic benefit cost for the plans:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	<b>2.35%–3.05%</b>	3.25%–3.70%
Expected long-term return on plan assets	<b>5.50–6.00</b>	6.00–6.50
Rate of compensation increase (for nonfrozen plan)	<b>3.00</b>	3.00

The investment policies of the Corporation's pension plans incorporate asset allocation and investment strategies designed to earn superior returns on plan assets consistent with reasonable and prudent levels of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of loss. The Corporation uses investment managers specializing in each asset category, and regularly monitors performance and compliance with investment guidelines. In developing the expected long-term rate of return on assets assumption, the Corporation considers the current level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The Corporation's pension plans' target allocation and weighted average asset allocations at the measurement date of June 30, 2021 and 2020, by asset category, are as follows:

<b>Asset Category</b>	<b>Target Allocation</b>	<b>Percentage of Plan Assets as of June 30</b>	
		<b>2021</b>	<b>2020</b>
Cash and cash equivalents	0%–10%	<b>5%</b>	8%
Fixed income securities	20%–40%	<b>35</b>	29
Equity securities	30%–50%	<b>41</b>	38
Global assets allocation	10%–20%	<b>11</b>	16
Hedge funds/private equity	5%–15%	<b>8</b>	9
		<b>100%</b>	100%

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**11. Retirement Plans (continued)**

Equity and fixed income securities include investments in hedge fund of funds that are categorized in accordance with each fund's respective investment holdings.

The table below presents the Corporation's combined investable assets of the defined benefit pension plans aggregated by the fair value hierarchy as described in Note 1(u):

	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
<b>June 30, 2021</b>					
Cash and cash equivalents	\$ 19,803	\$ —	\$ —	\$ —	\$ 19,803
Corporate obligations		12,798	—	—	12,798
Government and agency bonds	12,869	18,366	—	—	31,235
Fixed income funds	29,002	—	—	—	29,002
Common stocks	34,419	—	—	—	34,419
Equity mutual funds	89,229	—	—	—	89,229
Alternative investments:					
Hedge funds/private equity	—	—	—	30,149	30,149
Commingled funds	—	—	—	122,421	122,421
	<b>\$ 185,322</b>	<b>\$ 31,164</b>	<b>\$ —</b>	<b>\$ 152,570</b>	<b>\$ 369,056</b>
<b>June 30, 2020</b>					
Cash and cash equivalents	\$ 13,728	\$ 11,120	\$ —	\$ —	\$ 24,848
Corporate obligations	—	21,447	—	—	21,447
Government and agency bonds	7,565	9,993	—	—	17,558
Fixed income funds	—	—	—	12,639	12,639
Common stocks	25,047	—	—	—	25,047
Equity mutual funds	36,973	12,749	—	10,084	59,806
Other mutual funds	22,405	—	—	—	22,405
Alternative investments:					
Hedge funds/private equity	—	—	—	28,397	28,397
Commingled funds	—	—	—	105,947	105,947
	<b>\$ 105,718</b>	<b>\$ 55,309</b>	<b>\$ —</b>	<b>\$ 157,067</b>	<b>\$ 318,094</b>

\*Fund investments reported at NAV as practical expedient.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 11. Retirement Plans (continued)

Alternative investments include hedge funds and commingled investment funds. The majority of these alternative investments held as of June 30, 2021, are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis. There are funds, totaling \$32,800, which are subject to notice requirements of 30-60 days and are available to be redeemed on a monthly or quarterly basis. Funds totaling \$11,200 are subject to notice requirements of 90 days and can be redeemed monthly or quarterly. Of these funds, one fund totaling \$1,200 is subject to a lock-up restriction of three years. The Corporation had no unfunded commitments as of June 30, 2021.

The Corporation expects to contribute \$19,725 to its defined benefit pension plans for the fiscal year ended June 30, 2022.

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid from plan assets in the following years ending June 30:

2022	\$	23,433
2023		24,394
2024		24,143
2025		24,518
2026		24,734
2027–2031		122,055

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2021.

### Defined Contribution Plans

The Corporation offers a number of defined contribution benefits through 403(b) and 401(k) programs that were established by its affiliate hospitals. These plans allow for deferral of compensation or employer matching of compensation subject to vesting requirements.

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were \$51,023 and \$50,456 for the years ended June 30, 2021 and 2020, respectively. Such amounts are included in salaries, wages and benefits in the accompanying consolidated statements of operations.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**12. Net Assets with Donor Restrictions**

Net assets are restricted primarily for the following purposes:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Facility construction and renovations, research, education, and other:		
Capital Region	\$ 42,851	\$ 424,034
All others	196,794	161,110
Economic and beneficial interests in the net assets of related organizations	<u>63,095</u>	<u>170,820</u>
	<u>\$ 302,740</u>	<u>\$ 755,964</u>

Net assets were released from donor restrictions by expending funds satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Purchases of equipment and construction costs	\$ 386,238	\$ 18,791
Research, education, uncompensated care, and other	7,597	6,307
	<u>\$ 393,835</u>	<u>\$ 25,098</u>

The Corporation's endowments consist of donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Corporation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**12. Net Assets with Donor Restrictions (continued)**

accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund are classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Corporation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Corporation
7. The investment policies of the Corporation.

Endowment net assets are as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>June 30, 2021</b>			
Donor-restricted endowment funds	\$ 126	\$ 60,287	\$ 60,413
<b>June 30, 2020</b>			
Donor-restricted endowment funds	\$ 43	\$ 67,165	\$ 67,208

Donor restricted endowment funds within net assets with donor restrictions whose use is restricted in perpetuity were \$57,271 and \$50,243 as of June 30, 2021 and 2020, respectively.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **12. Net Assets with Donor Restrictions (continued)**

#### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Corporation to retain as a fund of perpetual duration. The Corporation does not have any donor-restricted endowment funds that are below the level that the donor or MUPMIFA requires.

#### **Investment Strategies**

The Corporation has adopted policies for corporate investments, including endowment assets that seek to maximize risk-adjusted returns with preservation of principal. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s). The endowment assets are invested in a manner that is intended to hold a mix of investment assets designed to meet the objectives of the account. The Corporation expects its endowment funds, over time, to provide an average rate of return that generates earnings to achieve the endowment purpose.

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation employs a diversified asset allocation structure to achieve its long-term return objectives within prudent risk constraints.

The Corporation monitors the endowment funds' returns and appropriates average returns for use. In establishing this practice, the Corporation considered the long-term expected return on its endowment. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**13. Economic and Beneficial Interests in the Net Assets of Related Organizations**

The Corporation is supported by several related organizations that were formed to raise funds on behalf of the Corporation and certain of its subsidiaries. These interests are accounted for as either economic or beneficial interests in the net assets of such organizations.

The following is a summary of economic and beneficial interests in the net assets of financially interrelated organizations:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Economic interests in:		
UCH Legacy Funding Corporation	\$           –	\$ 122,430
The James Lawrence Kernan Hospital Endowment Fund, Incorporated	<b>46,297</b>	34,766
Baltimore Washington Medical Center Foundation, Inc.	<b>12,297</b>	9,213
Total economic interests	<b>58,594</b>	166,409
Beneficial interest in the net assets of:		
Dorchester General Hospital Foundation, Inc.	<b>3,172</b>	3,082
Prince George’s Hospital Center Foundation, Inc.	<b>1,267</b>	1,267
Laurel Regional Hospital Auxiliary, Inc.	<b>62</b>	62
	<b>\$ 63,095</b>	\$ 170,820

The UCH Legacy Funding Corporation was formed in December 2013 to hold funds restricted for capital improvements at Upper Chesapeake. As a part of the July 2020 debt issuance, the Corporation obtained permanent financing for the capital projects and the funds are included in assets limited as to use (construction funds) in the June 30, 2021 balance sheet. The Corporation subsequently dissolved the UCH Legacy Funding Corporation effective December 2020.

At the discretion of its board of trustees, the Kernan Endowment Fund may pledge securities to satisfy various collateral requirements on behalf of ROI and may provide funding to ROI to support various clinical programs or capital needs.

BWMC Foundation was formed in July 2000 and supports the activities of UM Baltimore Washington by soliciting charitable contributions on its behalf.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**13. Economic and Beneficial Interests in the Net Assets of Related Organizations  
(continued)**

Shore Regional maintains a beneficial interest in the net assets of Dorchester Foundation, a nonprofit corporation organized to raise funds on behalf of Dorchester Hospital. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation.

The Prince George's Hospital Center Foundation, Inc.; the Laurel Regional Hospital Auxiliary, Inc.; and the Laurel Regional Hospital Foundation, Inc. were established to solicit contributions from the general public solely for the funding of capital acquisitions and operations of the associated Capital Region hospitals. Capital Region does not have control over the policies or decisions of these entities. In the current year the Prince George's Hospital Center Foundation, Inc. changed its name to University of Maryland Capital Region Health Foundation, Inc. and the Laurel Regional Hospital Foundation, Inc. was closed, and its assets were transferred into the new University of Maryland Capital Region Health Foundation, Inc.

A summary of the combined unaudited condensed financial information of the financially interrelated organizations in which the Corporation holds an economic or beneficial interest is as follows:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 5,461	\$ 4,086
Noncurrent assets	57,735	166,835
Total assets	<u>\$ 63,196</u>	<u>\$ 170,921</u>
Current liabilities	\$ 101	\$ 101
Net assets	63,095	170,820
Total liabilities and net assets	<u>\$ 63,196</u>	<u>\$ 170,921</u>
Total operating revenue	\$ 6,179	\$ 1,897
Total operating expense	2,117	(1,380)
Other changes in net assets	(116,021)	(27,800)
Total decrease in net assets	<u>\$ (107,725)</u>	<u>\$ (27,283)</u>



# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 14. State and County Support

The Corporation received \$3,500 and \$3,400 in support for the Shock Trauma Center operations from the State of Maryland for the years ended June 30, 2021 and 2020, respectively.

In support of Capital Region operations, the Corporation received the following:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
State of Maryland	\$ 15,000	\$ 15,000
Prince George's County government	483	295
Magruder Memorial Hospital Trust	1,042	1,042
	<u>\$ 16,525</u>	<u>\$ 16,337</u>

The State of Maryland appropriates funds for construction costs incurred, equipment purchases made, and other capital support. The Corporation recognizes this support as the funds are expended for the intended projects. The Corporation expended and recorded \$15,189 and \$20,803 during the years ended June 30, 2021 and 2020, respectively.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**15. Functional Expenses**

The Corporation provides healthcare services to residents within its geographic location. Expenses related to providing these services, based on management's estimates of expense allocations, are as follows:

	Healthcare Service				Corporate Services, Other, and	Total
	Hospital & Ambulatory	Retail Pharmacy	Physician Practices	Risk Taking	Eliminations	
<b>Year ended June 30, 2021</b>						
Operating expenses:						
Salaries, wages, and benefits	\$ 1,808,585	\$ 7,167	\$ 292,180	\$ 3,950	\$ 316,808	\$ 2,428,690
Expendable supplies	727,209	98,385	39,515	31	17,826	882,966
Purchased services:						
Purchased services	940,438	13,611	70,092	1,673	(319,967)	705,847
Contracted services	311,675	–	36,209	–	(42,611)	305,273
Depreciation and amortization	234,050	–	2,268	–	7,959	244,277
Interest expense	41,429	–	–	–	(8,962)	32,467
Total operating expenses	<u>\$ 4,063,386</u>	<u>\$ 119,163</u>	<u>\$ 440,264</u>	<u>\$ 5,654</u>	<u>\$ (28,947)</u>	<u>\$ 4,599,520</u>
<b>Year ended June 30, 2020</b>						
Operating expenses:						
Salaries, wages, and benefits	\$ 1,682,480	\$ 5,928	\$ 272,804	\$ 4,887	\$ 264,385	\$ 2,230,484
Expendable supplies	626,029	90,169	34,401	16	9,498	760,113
Purchased services:						
Purchased services	884,976	14,488	70,665	2,978	(277,079)	696,028
Contracted services	291,951	–	28,243	–	(43,235)	276,959
Depreciation and amortization	236,360	–	2,022	–	(2,491)	235,891
Interest expense	47,426	–	–	696	(1,561)	46,561
Total operating expenses	<u>\$ 3,769,222</u>	<u>\$ 110,585</u>	<u>\$ 408,135</u>	<u>\$ 8,577</u>	<u>\$ (50,483)</u>	<u>\$ 4,246,036</u>

Corporate services are allocated primarily using percentage of net patient service revenue.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**16. Liquidity and Availability of Resources**

The Corporation had financial assets available to management for general expenditure within one year of the financial reporting date, or June 30, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 858,543	\$ 961,647
Receivables, net	753,374	590,579
Assets limited as to use – Board designated	137,528	116,811
Investments	<u>1,355,157</u>	<u>927,366</u>
Total financial assets available within one year	<b>3,104,602</b>	2,596,403
Less:		
Amounts unavailable for general expenditures within one year due to:		
Alternative investments subject to lockup restrictions	<u>26,000</u>	<u>19,900</u>
Total financial assets available to management for general expenditure within one year	<u><b>\$ 3,078,602</b></u>	<u>\$ 2,576,503</u>

**17. Insurance**

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation. The accrued liabilities for these programs were as follows:

	<u>June 30</u>	
	<u>2021</u>	<u>2020</u>
Professional and general malpractice liabilities	\$ 380,715	\$ 351,441
Employee health	23,358	27,201
Employee long-term disability	3,792	4,751
Workers' compensation	<u>25,627</u>	<u>23,430</u>
Total self-insured liabilities	433,493	406,823
Less current portion	<u>(64,189)</u>	<u>(64,550)</u>
	<u><b>\$ 369,305</b></u>	<u>\$ 342,273</u>

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **17. Insurance (continued)**

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss. In management's opinion, these accruals provide an adequate and appropriate loss reserve. The professional and general malpractice liabilities presented above include \$253,670 and \$243,143 as of June 30, 2021 and 2020, respectively, for which related insurance receivables have been recorded within other assets on the accompanying consolidated balance sheets.

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of \$1,000 on individual claims and \$3,000 in the aggregate on an annual basis. For amounts in excess of these limits, the risk of loss has been transferred to Terrapin, an unconsolidated joint venture. Terrapin provides insurance for claims in excess of \$1,000 individually and \$3,000 in the aggregate up to \$150,000 individually and \$175,000 in the aggregate under claims made policies between the Corporation and Terrapin. For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss.

As discussed in Note 5, Terrapin is a joint venture corporation in which a 50% equity interest is owned by the Corporation and a 50% equity interest is owned by Faculty Physicians, Inc.

Total malpractice insurance expense for the Corporation, net of investment earnings on the MMCIP self-insurance trust assets, during the years ended June 30, 2021 and 2020, was approximately \$29,661 and \$69,374, respectively.

### **18. Business and Credit Concentrations**

The Corporation provides healthcare services through its inpatient and outpatient care facilities located in the State of Maryland. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, workers' compensation, health maintenance organizations (HMOs), and commercial insurance policies).

The Corporation maintains cash accounts with highly rated financial institutions, which generally exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits, and as such, management does not believe the Corporation is subject to any significant credit risks related to this practice.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**18. Business and Credit Concentrations (continued)**

The Corporation had receivables from patients and third-party payors as follows:

	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Medicare	<b>31%</b>	27%
Medicaid	<b>29</b>	32
Commercial insurance and HMOs	<b>20</b>	20
Blue Cross	<b>13</b>	14
Self-pay and others	<b>7</b>	7
	<b>100%</b>	100%

The Corporation recorded net patient service revenues from patients and third-party payors as follows:

	<b>Year Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Medicare	<b>41%</b>	37%
Medicaid	<b>24</b>	24
Commercial insurance and HMOs	<b>20</b>	24
Blue Cross	<b>11</b>	10
Self-pay and others	<b>4</b>	5
	<b>100%</b>	100%

**19. Certain Significant Risks and Uncertainties**

The Corporation provides general acute healthcare services in the State of Maryland. The Corporation and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs;
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission;

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **19. Certain Significant Risks and Uncertainties (continued)**

- Government regulation, government budgetary constraints, and proposed legislative and regulatory changes; and
- Lawsuits alleging malpractice and related claims.

Such inherent risks require the use of certain management estimates in the preparation of the Corporation's consolidated financial statements, and it is reasonably possible that a change in such estimates may occur.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Corporation's revenues, and the Corporation's operations are subject to a variety of other federal, state, and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Corporation.

Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the Corporation.

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The Corporation's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business, none of which, in the opinion of management, are expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position.

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid antifraud and abuse laws and physician self-referral laws (STARK law and regulation). Recent federal initiatives have prompted a national review of federally funded healthcare programs. In addition, the federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. The Corporation has implemented a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **20. Maryland Health Services Cost Review Commission**

Effective July 1, 2013, the Health System and the Health Services Cost Review Commission (HSCRC) agreed to implement the Global Budget Revenue (GBR) methodology for the following hospitals: Medical Center, ROI, UM Midtown, UM Baltimore Washington, UM Charles Regional, UM St. Joseph, UM Memorial, UM Dorchester, UM Chester River, Shore Emergency Center, UM Upper Chesapeake, UM Harford Memorial, UM Prince George's, and UM Laurel. The agreements will continue each year and on July 1 of each year thereafter; the agreements will renew for a one-year period unless it is canceled by the HSCRC or by the Corporation. The agreements were in place for the years ended June 30, 2021 and 2020. The GBR model is a revenue constraint and quality improvement system designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the Corporation's mission to provide the highest value of care possible to its patients and the communities it serves.

The GBR agreements establish a prospective, fixed revenue base "GBR cap" for the upcoming year. This includes both inpatient and outpatient regulated services. Under GBR, a hospital's revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at yearend. Any overcharge or undercharge versus the GBR cap is prospectively subtracted from the subsequent year's GBR cap. Although the GBR cap is fixed each year, it does not adjust for changes in volume or service mix. The GBR cap is also adjusted annually for inflation, and for changes in payor mix and uncompensated care. The Corporation will receive an annual adjustment to its cap for the change in population in the Corporation's service areas. GBR is designed to encourage hospitals to operate efficiently by reducing excess utilization and managing patients in the appropriate care delivery setting. The HSCRC also may impose various other revenue adjustments, which could be significant in the future.

### **21. Subsequent Events**

The Corporation evaluated all events and transactions that occurred after June 30, 2021 and through October 28, 2021, the date the consolidated financial statements were issued. Other than described below, the Corporation did not have any material subsequent events during the period.

# Supplementary Information



University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet by Division  
(In Thousands)

June 30, 2021

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated Total
<b>Assets</b>														
Current assets:														
Cash and cash equivalents	\$ 397,726	\$ 17,504	\$ 5,488	\$ 64,438	\$ 102,101	\$ 26,171	\$ 72,142	\$ 85,761	\$ 85,634	\$ 1,540	\$ –	\$ 38	\$ –	\$ 858,543
Assets limited as to use, current portion	54,457	–	–	–	–	–	–	–	–	–	–	–	–	54,457
Accounts receivable:														
Patient accounts receivable, net	234,793	14,604	24,488	57,328	29,632	15,012	39,116	47,746	74,267	–	–	–	(7,161)	529,825
Other	299,282	87	8,257	2,656	1,781	3,340	7,996	7	36,072	4,842	–	1,139	(141,910)	223,549
Inventories	63,927	1,296	3,517	7,838	4,183	1,942	5,699	9,293	7,111	–	–	270	–	105,076
Prepaid expenses and other current assets	19,451	253	495	2,703	1,307	1,016	823	5,028	1,072	61	–	24	–	32,233
Total current assets	1,069,636	33,744	42,245	134,963	139,004	47,481	125,776	147,835	204,156	6,443	–	1,471	(149,071)	1,803,683
Investments	446,009	53,775	11,778	211,606	198,551	37,243	36,371	345,421	14,403	–	–	–	–	1,355,157
Assets limited as to use, less current portion:														
Investments held for collateral	98,513	1,125	1,735	9,005	4,351	2,745	–	–	–	–	–	–	–	117,474
Debt service funds	13,365	–	–	–	–	–	–	–	–	–	–	–	–	13,365
Construction funds	258,483	18,700	14,634	66,586	52,326	20,518	–	200,777	–	–	–	–	(6,913)	625,111
Board designated and escrow funds	–	–	–	–	36,254	–	–	72,878	–	–	28,577	–	(181)	137,528
Self-insurance trust funds	232,649	–	–	–	3,701	–	–	–	29,486	–	–	–	–	265,836
Funds restricted by donor	–	–	1,116	–	43,063	–	13,938	12,349	–	–	45,387	–	–	115,853
Economic and beneficial interests in the net assets of related organizations	88,304	48,092	541	12,297	3,210	–	9,503	–	1,330	–	–	–	(100,182)	63,095
	691,314	67,917	18,026	87,888	142,905	23,263	23,441	286,004	30,816	–	73,964	–	(107,276)	1,338,262
Property and equipment, net	996,286	44,614	148,964	274,410	169,867	104,152	250,553	255,440	504,670	217	–	3,887	–	2,753,060
Investments in joint ventures and other assets	1,040,784	14,078	1,287	2,903	41,921	6,416	32,851	71,730	9,595	14,095	18,896	6,581	(656,187)	604,950
Total assets	\$ 4,244,029	\$ 214,128	\$ 222,300	\$ 711,770	\$ 692,248	\$ 218,555	\$ 468,992	\$ 1,106,430	\$ 763,640	\$ 20,755	\$ 92,860	\$ 11,939	\$ (912,534)	\$ 7,855,112

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet by Division (continued)

(In Thousands)

June 30, 2021

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>														
Current liabilities:														
Trade accounts payable	\$ 187,127	\$ 9,409	\$ 21,980	\$ 25,035	\$ 25,177	\$ 6,257	\$ 23,281	\$ 24,234	\$ 103,176	\$ 978	\$ 428	\$ 1,950	\$ –	\$ 429,032
Accrued payroll and benefits	157,909	6,590	12,125	34,106	27,230	8,984	28,594	38,143	27,658	1,177	54	1,200	–	343,770
Advances from third-party payors	222,917	16,927	24,918	59,759	55,372	23,494	61,824	59,430	39,292	–	–	–	–	563,933
Lines of credit	113,000	–	–	–	–	–	–	–	–	–	–	–	–	113,000
Other current liabilities	77,511	2,165	5,913	4,164	6,365	2,681	14,062	6,626	34,575	87,136	1,699	46,892	(156,165)	133,624
Long-term debt subject to short-term remarketing arrangements	153,510	–	–	–	–	–	–	–	–	–	–	–	–	153,510
Current portion of long-term debt	5,129	342	527	4,314	3,021	3,850	4,371	7,940	257	–	–	–	–	29,751
<b>Total current liabilities</b>	<b>917,103</b>	<b>35,433</b>	<b>65,463</b>	<b>127,378</b>	<b>117,165</b>	<b>45,266</b>	<b>132,132</b>	<b>136,373</b>	<b>204,958</b>	<b>89,291</b>	<b>2,181</b>	<b>50,042</b>	<b>(156,165)</b>	<b>1,766,620</b>
Long-term debt, less current portion	696,525	17,574	26,992	212,301	117,408	44,514	204,191	408,927	59,935	–	–	–	–	1,788,367
Other long-term liabilities	504,130	5,433	10,807	26,650	58,906	12,934	106,904	23,838	96,562	4,534	–	5,631	(98,696)	757,633
Interest rate swap liabilities	203,609	–	–	–	–	–	–	–	–	–	–	–	–	203,609
<b>Total liabilities</b>	<b>2,321,367</b>	<b>58,440</b>	<b>103,262</b>	<b>366,329</b>	<b>293,479</b>	<b>102,714</b>	<b>443,227</b>	<b>569,138</b>	<b>361,455</b>	<b>93,825</b>	<b>2,181</b>	<b>55,673</b>	<b>(254,861)</b>	<b>4,516,229</b>
Net assets:														
Without donor restrictions	1,810,648	107,596	57,463	333,144	350,065	115,368	(11,612)	524,135	397,108	(73,070)	27,270	(43,734)	(558,238)	3,036,143
With donor restrictions	112,014	48,092	61,575	12,297	48,704	473	37,377	13,157	5,077	–	63,409	–	(99,435)	302,740
<b>Total net assets</b>	<b>1,922,662</b>	<b>155,688</b>	<b>119,038</b>	<b>345,441</b>	<b>398,769</b>	<b>115,841</b>	<b>25,765</b>	<b>537,292</b>	<b>402,185</b>	<b>(73,070)</b>	<b>90,679</b>	<b>(43,734)</b>	<b>(657,673)</b>	<b>3,338,883</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,244,029</b>	<b>\$ 214,128</b>	<b>\$ 222,300</b>	<b>\$ 711,770</b>	<b>\$ 692,248</b>	<b>\$ 218,555</b>	<b>\$ 468,992</b>	<b>\$ 1,106,430</b>	<b>\$ 763,640</b>	<b>\$ 20,755</b>	<b>\$ 92,860</b>	<b>\$ 11,939</b>	<b>\$ (912,534)</b>	<b>\$ 7,855,112</b>

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations by Division

(In Thousands)

Year Ended June 30, 2021

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated Total
Operating revenue, gains and other support:														
Net patient service revenue	\$ 1,756,193	\$ 113,620	\$ 202,850	\$ 493,473	\$ 356,657	\$ 153,629	\$ 441,169	\$ 446,332	\$ 319,242	\$ –	\$ –	\$ 17,045	\$ (11,368)	\$ 4,288,842
State support	3,500	–	–	–	–	–	–	–	16,525	–	–	–	–	20,025
Premium revenue	187,085	–	–	–	–	–	–	–	–	–	–	–	(187,085)	–
CARES Act – Provider relief funds	35,695	5,261	54	24,224	6,070	6,607	10,525	26,235	40,452	–	–	600	–	155,723
Other revenue	744,569	1,921	29,780	5,925	5,299	2,057	7,356	8,550	10,681	–	–	10,039	(520,926)	305,251
Total operating revenue, gains, and other support	2,727,042	120,802	232,684	523,622	368,026	162,293	459,050	481,117	386,900	–	–	27,684	(719,379)	4,769,841
Operating expenses:														
Salaries, wages and fringe benefits	1,203,037	56,471	116,348	273,995	184,287	68,874	229,879	262,908	212,444	–	–	17,109	(196,662)	2,428,690
Expendable supplies	481,577	14,169	39,574	91,457	46,583	24,014	70,707	70,332	41,793	–	–	4,331	(1,571)	882,966
Purchased services	651,757	24,114	50,674	96,125	79,273	36,682	91,943	78,594	104,057	–	–	9,969	(517,341)	705,847
Contracted services	159,691	9,953	34,195	16,425	18,555	10,319	6,722	12,180	41,038	–	–	–	(3,805)	305,273
Depreciation and amortization	95,942	7,261	14,246	28,400	21,240	9,590	24,472	25,527	16,546	–	–	1,053	–	244,277
Interest expense	6,032	106	933	4,794	2,469	1,642	8,843	6,360	1,288	–	–	–	–	32,467
Total operating expenses	2,598,036	112,074	255,970	511,196	352,407	151,121	432,566	455,901	417,166	–	–	32,462	(719,379)	4,599,520
Income (loss) from continuing operations	129,006	8,728	(23,286)	12,426	15,619	11,172	26,484	25,216	(30,266)	–	–	(4,778)	–	170,321
Nonoperating income and expenses, net:														
Contributions	–	–	–	–	389	–	(790)	(1,560)	–	–	5,843	–	–	3,882
Equity in net income of joint ventures	7,873	–	–	–	455	81	2,363	378	80	–	–	–	–	11,230
Investment income	8,290	1,355	353	5,213	10,550	768	2,590	9,437	2,187	–	634	–	–	41,377
Change in fair value of investments	51,023	7,461	2,274	29,027	30,821	4,442	2,412	54,747	3	–	2,451	–	–	184,661
Change in fair value of undesignated interest rate swaps	65,325	–	–	–	–	–	–	–	–	–	–	–	–	65,325
Other nonoperating gains and losses	(9,690)	(369)	(3,913)	(4,567)	2,587	(2,018)	(5,820)	(3,658)	(984)	–	(10,456)	–	–	(38,888)
Loss on extinguishment of debt	(8,565)	–	–	–	–	–	–	–	–	–	–	–	–	(8,565)
Total nonoperating income and expenses	114,256	8,447	(1,286)	29,673	44,802	3,273	755	59,344	1,286	–	(1,528)	–	–	259,022
Excess (deficiency) of revenues over expenses from continuing operations	243,262	17,175	(24,572)	42,099	60,421	14,445	27,239	84,560	(28,980)	–	(1,528)	(4,778)	–	429,343
Loss on discontinued operations	–	–	–	–	–	–	–	–	–	(529)	–	–	–	(529)
Excess (deficiency) of revenues over expenses	\$ 243,262	\$ 17,175	\$ (24,572)	\$ 42,099	\$ 60,421	\$ 14,445	\$ 27,239	\$ 84,560	\$ (28,980)	\$ (529)	\$ (1,528)	\$ (4,778)	\$ –	\$ 428,814

University of Maryland Medical System Corporation and Subsidiaries

Combining Balance Sheet – Obligated Group  
(In Thousands)

June 30, 2021

	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.**	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals***	University of Maryland Capital Region Health****	UMMS Foundation	Eliminations	Obligated Group Total
<b>Assets</b>													
Current assets:													
Cash and cash equivalents	\$ 391,494	\$ 17,504	\$ 5,106	\$ 65,866	\$ 62,349	\$ 39,258	\$ 24,063	\$ 58,886	\$ 99,112	\$ 83,143	\$ –	\$ –	\$ 846,781
Assets limited as to use, current portion	54,457	–	–	–	–	–	–	–	–	–	–	–	54,457
Accounts receivable:													
Patient accounts receivable, net	234,436	14,549	24,469	41,646	24,050	1,435	14,453	33,071	42,215	72,727	–	–	503,051
Other	299,209	91	3,905	39,146	18,802	277	28,146	5,241	22,680	41,821	–	(1,983)	457,335
Inventories	63,927	1,296	3,517	7,838	3,489	694	1,942	5,699	8,491	7,111	–	–	104,004
Prepaid expenses and other current assets	17,936	254	492	441	1,041	–	989	122	1,317	971	–	–	23,563
Total current assets	1,061,459	33,694	37,489	154,937	109,731	41,664	69,593	103,019	173,815	205,773	–	(1,983)	1,989,191
Investments	446,009	53,775	11,773	211,606	141,158	–	34,313	20,404	326,513	14,403	–	(3,600)	1,256,354
Assets limited as to use, less current portion:													
Investments held for collateral	98,513	1,125	1,735	9,005	4,126	223	2,745	–	–	–	–	–	117,472
Debt service funds	13,338	–	–	–	–	–	–	–	–	–	–	–	13,338
Construction funds	258,510	18,700	14,634	66,586	48,216	4,110	20,518	–	200,777	–	–	(6,913)	625,138
Board designated and escrow funds	–	–	–	–	25,000	5,000	–	–	45,000	–	28,577	(181)	103,396
Self-insurance trust funds	232,649	–	–	–	3,728	–	–	–	–	–	–	–	236,377
Funds restricted by donor	–	–	1,116	–	6,072	–	–	–	–	–	45,387	–	52,575
Economic interests in the net assets of related organizations	88,304	48,092	541	12,297	100,470	8,007	6,273	9,503	–	1,330	–	(100,182)	174,635
	691,314	67,917	18,026	87,888	187,612	17,340	29,536	9,503	245,777	1,330	73,964	(107,276)	1,322,931
Property and equipment, net	988,068	44,614	146,581	252,442	149,788	14,051	78,627	236,473	250,976	502,395	–	–	2,664,015
Investments in joint ventures and other assets	1,053,160	14,077	1,287	2,902	39,009	859	5,858	30,883	96,423	13,037	18,896	(650,996)	625,395
Total assets	\$ 4,240,010	\$ 214,077	\$ 215,156	\$ 709,775	\$ 627,298	\$ 73,914	\$ 217,927	\$ 400,282	\$ 1,093,504	\$ 736,938	\$ 92,860	\$ (763,855)	\$ 7,857,886

\*Includes University of Maryland Medical System Corporation (Parent)

\*\*Includes both Memorial Hospital and Dorchester Hospital

\*\*\*Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

\*\*\*\*Includes UM Capital Region Medical Center, Laurel Regional Hospital, and Bowie Health Center

University of Maryland Medical System Corporation and Subsidiaries

Combining Balance Sheet – Obligated Group (continued)

(In Thousands)

June 30, 2021

	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.**	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals***	University of Maryland Capital Region Health****	UMMS Foundation	Eliminations	Obligated Group Total
<b>Liabilities and net assets</b>													
Current liabilities:													
Trade accounts payable	\$ 185,803	\$ 9,392	\$ 21,691	\$ 19,102	\$ 19,370	\$ 3,740	\$ 5,100	\$ 20,727	\$ 15,981	\$ 99,413	\$ 428	\$ –	\$ 400,747
Accrued payroll and benefits	157,909	6,485	12,021	25,787	15,693	2,333	8,454	21,453	36,521	24,965	54	–	311,675
Advances from third-party payors	222,917	16,927	24,753	59,759	49,026	6,345	23,494	58,882	59,430	39,126	–	–	560,659
Lines of credit	113,000	–	–	–	–	–	–	–	–	–	–	–	113,000
Other current liabilities	77,354	2,165	5,908	3,467	5,155	4,830	2,567	13,555	6,362	10,785	1,699	(12,677)	121,170
Long-term debt subject to short-term remarketing arrangements	153,510	–	–	–	–	–	–	–	–	–	–	–	153,510
Current portion of long-term debt	5,129	342	527	4,089	2,953	68	826	3,833	7,940	–	–	–	25,707
<b>Total current liabilities</b>	<b>915,622</b>	<b>35,311</b>	<b>64,900</b>	<b>112,204</b>	<b>92,197</b>	<b>17,316</b>	<b>40,441</b>	<b>118,450</b>	<b>126,234</b>	<b>174,289</b>	<b>2,181</b>	<b>(12,677)</b>	<b>1,686,468</b>
Long-term debt, less current portion	696,525	17,574	26,992	210,594	113,965	3,443	42,797	197,310	408,927	58,997	–	–	1,777,124
Other long-term liabilities	504,130	5,433	10,766	21,008	55,236	3,640	12,904	106,241	23,790	83,485	–	(98,696)	727,937
Interest rate swap liabilities	203,609	–	–	–	–	–	–	–	–	–	–	–	203,609
<b>Total liabilities</b>	<b>2,319,886</b>	<b>58,318</b>	<b>102,658</b>	<b>343,806</b>	<b>261,398</b>	<b>24,399</b>	<b>96,142</b>	<b>422,001</b>	<b>558,951</b>	<b>316,771</b>	<b>2,181</b>	<b>(111,373)</b>	<b>4,395,138</b>
Net assets:													
Without donor restrictions	1,808,110	107,667	50,923	353,672	323,135	43,577	121,785	(21,719)	499,539	415,103	27,270	(553,047)	3,176,015
With donor restrictions	112,014	48,092	61,575	12,297	42,765	5,938	–	–	35,014	5,064	63,409	(99,435)	286,733
<b>Total net assets</b>	<b>1,920,124</b>	<b>155,759</b>	<b>112,498</b>	<b>365,969</b>	<b>365,900</b>	<b>49,515</b>	<b>121,785</b>	<b>(21,719)</b>	<b>534,553</b>	<b>420,167</b>	<b>90,679</b>	<b>(652,482)</b>	<b>3,462,748</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,240,010</b>	<b>\$ 214,077</b>	<b>\$ 215,156</b>	<b>\$ 709,775</b>	<b>\$ 627,298</b>	<b>\$ 73,914</b>	<b>\$ 217,927</b>	<b>\$ 400,282</b>	<b>\$ 1,093,504</b>	<b>\$ 736,938</b>	<b>\$ 92,860</b>	<b>\$ (763,855)</b>	<b>\$ 7,857,886</b>

\*Includes University of Maryland Medical System Corporation (Parent)

\*\*Includes both Memorial Hospital and Dorchester Hospital

\*\*\*Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

\*\*\*\*Includes UM Capital Region Medical Center, Laurel Regional Hospital, and Bowie Health Center

University of Maryland Medical System Corporation and Subsidiaries

Combining Statement of Operations and Changes in Net Assets  
Without Donor Restrictions – Obligated Group  
(In Thousands)

Year Ended June 30, 2021

	University of Maryland Medical Center & Affiliate*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.**	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals***	University of Maryland Capital Region Health****	UMMS Foundation	Eliminations	Obligated Group Total
Operating revenue, gains and other support:													
Net patient service revenue	\$ 1,754,896	\$ 113,034	\$ 198,271	\$ 417,385	\$ 267,000	\$ 36,971	\$ 145,566	\$ 364,442	\$ 389,270	\$ 307,075	\$ –	\$ (11,368)	\$ 3,982,542
State support	3,500	–	–	–	–	–	–	–	–	16,525	–	–	20,025
Premium revenue	187,085	–	–	–	–	–	–	–	–	–	–	(187,085)	–
CARES Act – Provider relief funds	35,674	5,261	–	23,223	4,422	1,100	6,424	10,525	26,221	39,943	–	–	152,793
Other revenue	743,825	1,922	24,714	3,488	8,040	481	1,397	4,539	5,341	9,588	–	(520,926)	282,409
Total operating revenue, gains, and other support	2,724,980	120,217	222,985	444,096	279,462	38,552	153,387	379,506	420,832	373,131	–	(719,379)	4,437,769
Operating expenses:													
Salaries, wages, and benefits	1,202,033	55,808	109,442	205,023	109,453	14,025	60,893	145,068	192,342	195,075	–	(196,662)	2,092,500
Expendable supplies	481,388	14,158	39,405	70,406	36,197	3,858	23,689	68,607	60,653	41,067	–	(1,571)	837,857
Purchased services	649,925	23,969	48,812	87,002	51,307	16,360	34,724	67,555	75,047	115,079	–	(517,341)	652,439
Contracted services	159,691	9,953	31,496	21,728	15,530	5,897	9,879	23,263	18,412	20,205	–	(3,805)	312,249
Depreciation and amortization	95,515	7,261	13,855	26,722	16,972	3,459	7,045	23,507	24,327	16,256	–	–	234,919
Interest expense	5,858	106	933	4,717	2,346	123	1,448	8,527	6,360	1,243	–	–	31,661
Total operating expenses	2,594,410	111,255	243,943	415,598	231,805	43,722	137,678	336,527	377,141	388,925	–	(719,379)	4,161,625
Income (loss) from continuing operations	130,570	8,962	(20,958)	28,498	47,657	(5,170)	15,709	42,979	43,691	(15,794)	–	–	276,144
Nonoperating income and expenses, net:													
Contributions	–	–	–	–	–	–	120	–	–	–	5,843	–	5,963
Equity in net income of joint ventures	7,022	–	–	–	455	–	(121)	2,363	–	–	–	–	9,719
Investment income	9,267	1,355	353	5,213	6,637	248	542	–	8,089	(32)	634	–	32,306
Change in fair value of investments	50,046	7,461	2,274	29,027	19,909	457	4,134	4	46,926	3	2,451	–	162,692
Change in fair value of undesignated interest rate swaps	65,325	–	–	–	–	–	–	–	–	–	–	–	65,325
Other nonoperating gains and losses	(9,686)	(369)	(3,913)	(4,042)	1,051	(71)	(1,359)	(4,141)	(3,658)	(895)	(10,456)	–	(37,539)
Loss on extinguishment of debt	(8,565)	–	–	–	–	–	–	–	–	–	–	–	(8,565)
Total nonoperating income and expenses	113,409	8,447	(1,286)	30,198	28,052	634	3,316	(1,774)	51,357	(924)	(1,528)	–	229,901
Excess (deficiency) of revenues over expenses from continuing operations	243,979	17,409	(22,244)	58,696	75,709	(4,536)	19,025	41,205	95,048	(16,718)	(1,528)	–	506,045
Net assets released from restrictions used for purchase of property and equipment	353,153	–	–	1,517	–	–	–	2,352	–	28,468	–	–	385,490
Change in economic and beneficial interest in the net assets of related organizations	–	–	–	–	15,527	740	–	–	–	–	–	–	16,267
Change in ownership interest of joint ventures	123,629	–	–	–	–	–	–	–	–	–	–	–	123,629
Capital transfers (to) from member organization	(330,473)	(789)	(6,829)	(23,119)	(25,492)	842	(651)	(20,968)	(48,056)	344,937	94	–	(110,504)
Change in funded status of defined benefit pension plans	–	–	9,601	7,645	–	–	6,882	–	–	28,439	–	–	52,567
Other	1,485	–	–	–	27	33	–	–	(6,710)	–	–	–	(5,165)
Increase (decrease) net assets without donor restrictions	\$ 391,773	\$ 16,620	\$ (19,472)	\$ 44,739	\$ 65,771	\$ (2,921)	\$ 25,256	\$ 22,589	\$ 40,282	\$ 385,126	\$ (1,434)	\$ –	\$ 968,329

\*Includes University of Maryland Medical System Corporation (Parent)

\*\*Includes both Memorial Hospital and Dorchester Hospital

\*\*\*Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital

\*\*\*\*Includes UM Capital Region Medical Center, Laurel Regional Hospital, and Bowie Health Center

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet – Hospital Format  
(In Thousands)

June 30, 2021

	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals		University of Maryland Capital Region Health Hospitals	All Other Entities	Eliminations	Consolidated Total
									Medical Center	Harford Memorial				
<b>Assets</b>														
Current assets:														
Cash and cash equivalents	\$ –	\$ 17,504	\$ 5,106	\$ 65,866	\$ 62,349	\$ 39,258	\$ 24,063	\$ 58,886	\$ 80,786	\$ 18,326	\$ 83,143	\$ 436,224	\$ (32,968)	\$ 858,543
Assets limited as to use, current portion	–	–	–	–	–	–	–	–	–	–	–	54,457	–	54,457
Accounts receivable:														
Patient accounts receivable, net	234,436	14,549	24,469	41,646	24,050	1,435	14,453	33,071	33,910	8,305	72,727	33,935	(7,161)	529,825
Other	599,051	91	7,967	39,622	2,501	277	20,780	1,525	38,944	(2)	33,637	118,364	(639,208)	223,549
Inventories	41,095	1,296	3,517	7,838	3,489	694	1,942	5,699	5,482	3,009	7,111	23,904	–	105,076
Prepaid expenses and other current assets	2,654	254	492	441	1,041	–	989	122	112	1,205	971	23,952	–	32,233
Total current assets	877,236	33,694	41,551	155,413	93,430	41,664	62,227	99,303	159,234	30,843	197,589	690,836	(679,337)	1,803,683
Investments	403,399	53,775	11,773	211,606	141,158	–	34,313	20,404	208,519	117,994	14,403	141,413	(3,600)	1,355,157
Assets limited as to use, less current portion:														
Investments held for collateral	–	1,125	1,735	9,005	4,126	223	2,745	–	–	–	–	98,515	–	117,474
Debt service funds	–	–	–	–	–	–	–	–	–	–	–	13,365	–	13,365
Construction funds	181,534	18,700	14,634	66,586	48,216	4,110	20,518	–	200,777	–	–	76,949	(6,913)	625,111
Board designated and escrow funds	–	–	–	–	25,000	5,000	–	–	45,000	–	–	62,709	(181)	137,528
Self-insurance trust funds	–	–	–	–	3,728	–	–	–	–	–	–	262,108	–	265,836
Funds restricted by donor	–	–	1,116	–	6,072	–	–	–	–	–	–	108,665	–	115,853
Economic interests in the net assets of related organizations	88,304	48,092	541	12,297	100,470	8,007	6,273	9,503	–	–	1,330	1,903	(213,625)	63,095
	269,838	67,917	18,026	87,888	187,612	17,340	29,536	9,503	245,777	–	1,330	624,214	(220,719)	1,338,262
Property and equipment, net	660,706	44,614	146,581	252,442	149,788	14,051	78,627	236,473	198,507	52,469	502,395	416,407	–	2,753,060
Investments in joint ventures and other assets	88,266	14,077	1,287	2,902	39,009	859	5,858	30,883	90,699	5,724	13,037	1,401,950	(1,089,601)	604,950
Total assets	\$ 2,299,445	\$ 214,077	\$ 219,218	\$ 710,251	\$ 610,997	\$ 73,914	\$ 210,561	\$ 396,566	\$ 902,736	\$ 207,030	\$ 728,754	\$ 3,274,820	\$ (1,993,257)	\$ 7,855,112

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet – Hospital Format (continued)

(In Thousands)

June 30, 2021

	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals Medical Center	Harford Memorial	University of Maryland Capital Region Health Hospitals	All Other Entities	Eliminations	Consolidated Total
<b>Liabilities and net assets</b>														
Current liabilities:														
Trade accounts payable	\$ 148,920	\$ 9,392	\$ 21,691	\$ 19,102	\$ 19,370	\$ 3,740	\$ 5,100	\$ 20,727	\$ 9,555	\$ 6,426	\$ 99,413	\$ 98,564	\$ (32,968)	\$ 429,032
Accrued payroll and benefits	103,246	6,485	12,021	25,787	15,693	2,333	8,454	21,453	30,330	6,191	24,965	86,812	–	343,770
Advances from third-party payors	222,917	16,927	24,753	59,759	49,026	6,345	23,494	58,882	44,602	14,828	39,126	3,274	–	563,933
Lines of credit	–	–	–	–	–	–	–	–	–	–	–	113,000	–	113,000
Other current liabilities	35,413	2,165	5,908	3,467	5,155	7,159	2,567	13,555	4,932	22,793	43,408	644,165	(657,063)	133,624
Long-term debt subject to short-term remarketing arrangements	–	–	–	–	–	–	–	–	–	–	–	153,510	–	153,510
Current portion of long-term debt	11,585	342	527	4,089	2,953	68	826	3,833	7,940	–	–	326	(2,738)	29,751
<b>Total current liabilities</b>	<b>522,081</b>	<b>35,311</b>	<b>64,900</b>	<b>112,204</b>	<b>92,197</b>	<b>19,645</b>	<b>40,441</b>	<b>118,450</b>	<b>97,359</b>	<b>50,238</b>	<b>206,912</b>	<b>1,099,651</b>	<b>(692,769)</b>	<b>1,766,620</b>
Long-term debt, less current portion	618,652	17,574	26,992	210,594	113,965	3,443	42,797	197,310	386,019	22,908	58,997	86,378	2,738	1,788,367
Other long-term liabilities	88,861	5,433	10,766	21,008	55,236	3,640	12,904	106,241	17,631	6,159	83,485	444,965	(98,696)	757,633
Interest rate swap liabilities	–	–	–	–	–	–	–	–	–	–	–	203,609	–	203,609
<b>Total liabilities</b>	<b>1,229,594</b>	<b>58,318</b>	<b>102,658</b>	<b>343,806</b>	<b>261,398</b>	<b>26,728</b>	<b>96,142</b>	<b>422,001</b>	<b>501,009</b>	<b>79,305</b>	<b>349,394</b>	<b>1,834,603</b>	<b>(788,727)</b>	<b>4,516,229</b>
Net assets:														
Without donor restrictions	1,020,290	107,667	54,985	354,148	306,834	41,248	114,419	(25,435)	366,713	127,725	374,296	1,263,334	(1,070,081)	3,036,143
With donor restrictions	49,561	48,092	61,575	12,297	42,765	5,938	–	–	35,014	–	5,064	176,883	(134,449)	302,740
<b>Total net assets</b>	<b>1,069,851</b>	<b>155,759</b>	<b>116,560</b>	<b>366,445</b>	<b>349,599</b>	<b>47,186</b>	<b>114,419</b>	<b>(25,435)</b>	<b>401,727</b>	<b>127,725</b>	<b>379,360</b>	<b>1,440,217</b>	<b>(1,204,530)</b>	<b>3,338,883</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,299,445</b>	<b>\$ 214,077</b>	<b>\$ 219,218</b>	<b>\$ 710,251</b>	<b>\$ 610,997</b>	<b>\$ 73,914</b>	<b>\$ 210,561</b>	<b>\$ 396,566</b>	<b>\$ 902,736</b>	<b>\$ 207,030</b>	<b>\$ 728,754</b>	<b>\$ 3,274,820</b>	<b>\$ (1,993,257)</b>	<b>\$ 7,855,112</b>



University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations – Hospital Format  
(In Thousands)

Year Ended June 30, 2021

	University of Maryland Medical Center			University of Maryland Midtown Campus	Baltimore Washington Medical Center	Shore Health System			Chester River Hospital Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals		Capital Region Hospitals			All Other Entities	Eliminations	Consolidated Total																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
	University Hospital	Shock Trauma Center	Rehabilitation & Orthopaedic Institute			Memorial Hospital	Dorchester General	QAEC				Medical Center	Harford Memorial	Prince Georges	Laurel Regional	Bowie Health Center																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
																				Operating revenue, gains, and other support:																				Net patient service revenue	\$ 1,544,771	\$ 210,125	\$ 113,034	\$ 198,271	\$ 417,385	\$ 223,360	\$ 35,366	\$ 8,274	\$ 36,971	\$ 145,566	\$ 364,442	\$ 298,230	\$ 91,040	\$ 269,753	\$ 22,001	\$ 15,320	\$ 308,308	\$ (13,375)	\$ 4,288,842	State support	–	3,500	–	–	–	–	–	–	–	–	–	–	–	16,525	–	–	–	–	20,025	Premium revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	187,085	(187,085)	–	CARES Act – Provider relief funds	35,674	–	5,261	–	23,223	4,422	–	–	1,100	6,424	10,525	21,036	5,185	39,943	–	–	2,930	–	155,723	Other revenue	165,208	46	1,922	24,714	3,488	6,750	1,087	203	481	1,397	4,539	4,158	1,183	9,235	–	–	767,022	(686,182)	305,251	Total operating revenue, gains, and other support	1,745,653	213,671	120,217	222,985	444,096	234,532	36,453	8,477	38,552	153,387	379,506	323,424	97,408	335,456	22,001	15,320	1,265,345	(886,642)	4,769,841	Operating expenses:																					Salaries, wages, and benefits	656,731	74,694	55,808	109,442	205,023	91,753	14,798	2,902	14,025	60,893	145,068	138,232	54,110	149,909	13,371	8,634	830,683	(197,386)	2,428,690	Expendable supplies	440,206	27,978	14,158	39,405	70,406	30,377	4,894	926	3,858	23,689	68,607	52,769	7,884	33,946	2,708	2,390	60,336	(1,571)	882,966	Purchased services	345,804	50,924	23,969	48,812	87,002	43,092	6,937	1,278	16,360	34,724	67,555	53,024	22,023	122,423	14,665	6,468	389,051	(628,264)	705,847	Contracted services	144,275	15,416	9,953	33,517	40,238	32,505	5,185	407	9,122	11,750	40,487	25,803	9,092	31,715	4,042	1,189	(61,884)	(47,540)	305,273	Depreciation and amortization	87,107	7,386	7,261	13,855	26,722	14,224	2,295	453	3,459	7,045	23,507	19,521	4,806	10,054	2,601	1,329	12,652	–	244,277	Interest expense	16,839	–	106	933	4,717	1,810	449	87	123	1,448	8,527	5,417	943	–	–	–	2,949	(11,881)	32,467	Total operating expenses	1,690,962	176,398	111,255	245,964	434,108	213,761	34,558	6,053	46,947	139,549	353,751	294,766	98,858	348,047	37,387	20,010	1,233,787	(886,642)	4,599,520	Income (loss) from continuing operations	54,691	37,273	8,962	(22,979)	9,988	20,771	1,895	2,424	(8,395)	13,838	25,755	28,658	(1,450)	(12,591)	(15,386)	(4,690)	31,558	–	170,321	Nonoperating income and expenses, net:																					Contributions	–	–	–	–	–	–	–	–	–	120	–	–	–	–	–	–	3,762	–	3,882	Equity in net income of joint ventures	(629)	–	–	–	–	455	–	–	–	(121)	2,363	–	–	–	–	–	9,162	–	11,230	Investment income	9,267	–	1,355	353	5,213	6,637	–	–	248	542	–	5,001	3,088	12	–	–	9,661	–	41,377	Change in fair value of investments	49,876	–	7,461	2,274	29,027	19,909	–	–	457	4,134	4	29,013	17,913	3	–	–	24,590	–	184,661	Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	65,325	–	65,325	Other nonoperating gains and losses	(9,686)	–	(369)	(3,913)	(4,042)	1,051	–	–	(71)	(1,359)	(4,141)	(3,658)	–	(630)	(61)	(41)	(11,968)	–	(38,888)	Loss on extinguishment of debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(8,565)	–	(8,565)	Total nonoperating income and expenses	48,828	–	8,447	(1,286)	30,198	28,052	–	–	634	3,316	(1,774)	30,356	21,001	(615)	(61)	(41)	91,967	–	259,022	Excess (deficiency) of revenues over expenses from continuing operations	103,519	37,273	17,409	(24,265)	40,186	48,823	1,895	2,424	(7,761)	17,154	23,981	59,014	19,551	(13,206)	(15,447)	(4,731)	123,525	–	429,343	Loss on discontinued operations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(529)	–	(529)
Net patient service revenue	\$ 1,544,771	\$ 210,125	\$ 113,034	\$ 198,271	\$ 417,385	\$ 223,360	\$ 35,366	\$ 8,274	\$ 36,971	\$ 145,566	\$ 364,442	\$ 298,230	\$ 91,040	\$ 269,753	\$ 22,001	\$ 15,320	\$ 308,308	\$ (13,375)	\$ 4,288,842																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
State support	–	3,500	–	–	–	–	–	–	–	–	–	–	–	16,525	–	–	–	–	20,025																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Premium revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	187,085	(187,085)	–																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
CARES Act – Provider relief funds	35,674	–	5,261	–	23,223	4,422	–	–	1,100	6,424	10,525	21,036	5,185	39,943	–	–	2,930	–	155,723																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Other revenue	165,208	46	1,922	24,714	3,488	6,750	1,087	203	481	1,397	4,539	4,158	1,183	9,235	–	–	767,022	(686,182)	305,251																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Total operating revenue, gains, and other support	1,745,653	213,671	120,217	222,985	444,096	234,532	36,453	8,477	38,552	153,387	379,506	323,424	97,408	335,456	22,001	15,320	1,265,345	(886,642)	4,769,841																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Operating expenses:																					Salaries, wages, and benefits	656,731	74,694	55,808	109,442	205,023	91,753	14,798	2,902	14,025	60,893	145,068	138,232	54,110	149,909	13,371	8,634	830,683	(197,386)	2,428,690	Expendable supplies	440,206	27,978	14,158	39,405	70,406	30,377	4,894	926	3,858	23,689	68,607	52,769	7,884	33,946	2,708	2,390	60,336	(1,571)	882,966	Purchased services	345,804	50,924	23,969	48,812	87,002	43,092	6,937	1,278	16,360	34,724	67,555	53,024	22,023	122,423	14,665	6,468	389,051	(628,264)	705,847	Contracted services	144,275	15,416	9,953	33,517	40,238	32,505	5,185	407	9,122	11,750	40,487	25,803	9,092	31,715	4,042	1,189	(61,884)	(47,540)	305,273	Depreciation and amortization	87,107	7,386	7,261	13,855	26,722	14,224	2,295	453	3,459	7,045	23,507	19,521	4,806	10,054	2,601	1,329	12,652	–	244,277	Interest expense	16,839	–	106	933	4,717	1,810	449	87	123	1,448	8,527	5,417	943	–	–	–	2,949	(11,881)	32,467	Total operating expenses	1,690,962	176,398	111,255	245,964	434,108	213,761	34,558	6,053	46,947	139,549	353,751	294,766	98,858	348,047	37,387	20,010	1,233,787	(886,642)	4,599,520	Income (loss) from continuing operations	54,691	37,273	8,962	(22,979)	9,988	20,771	1,895	2,424	(8,395)	13,838	25,755	28,658	(1,450)	(12,591)	(15,386)	(4,690)	31,558	–	170,321	Nonoperating income and expenses, net:																					Contributions	–	–	–	–	–	–	–	–	–	120	–	–	–	–	–	–	3,762	–	3,882	Equity in net income of joint ventures	(629)	–	–	–	–	455	–	–	–	(121)	2,363	–	–	–	–	–	9,162	–	11,230	Investment income	9,267	–	1,355	353	5,213	6,637	–	–	248	542	–	5,001	3,088	12	–	–	9,661	–	41,377	Change in fair value of investments	49,876	–	7,461	2,274	29,027	19,909	–	–	457	4,134	4	29,013	17,913	3	–	–	24,590	–	184,661	Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	65,325	–	65,325	Other nonoperating gains and losses	(9,686)	–	(369)	(3,913)	(4,042)	1,051	–	–	(71)	(1,359)	(4,141)	(3,658)	–	(630)	(61)	(41)	(11,968)	–	(38,888)	Loss on extinguishment of debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(8,565)	–	(8,565)	Total nonoperating income and expenses	48,828	–	8,447	(1,286)	30,198	28,052	–	–	634	3,316	(1,774)	30,356	21,001	(615)	(61)	(41)	91,967	–	259,022	Excess (deficiency) of revenues over expenses from continuing operations	103,519	37,273	17,409	(24,265)	40,186	48,823	1,895	2,424	(7,761)	17,154	23,981	59,014	19,551	(13,206)	(15,447)	(4,731)	123,525	–	429,343	Loss on discontinued operations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(529)	–	(529)	Excess (deficiency) of revenues over expenses	\$ 103,519	\$ 37,273	\$ 17,409	\$ (24,265)	\$ 40,186	\$ 48,823	\$ 1,895	\$ 2,424	\$ (7,761)	\$ 17,154	\$ 23,981	\$ 59,014	\$ 19,551	\$ (13,206)	\$ (15,447)	\$ (4,731)	\$ 122,996	\$ –	\$ 428,814																																																																																																																																												
Salaries, wages, and benefits	656,731	74,694	55,808	109,442	205,023	91,753	14,798	2,902	14,025	60,893	145,068	138,232	54,110	149,909	13,371	8,634	830,683	(197,386)	2,428,690																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Expendable supplies	440,206	27,978	14,158	39,405	70,406	30,377	4,894	926	3,858	23,689	68,607	52,769	7,884	33,946	2,708	2,390	60,336	(1,571)	882,966																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Purchased services	345,804	50,924	23,969	48,812	87,002	43,092	6,937	1,278	16,360	34,724	67,555	53,024	22,023	122,423	14,665	6,468	389,051	(628,264)	705,847																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Contracted services	144,275	15,416	9,953	33,517	40,238	32,505	5,185	407	9,122	11,750	40,487	25,803	9,092	31,715	4,042	1,189	(61,884)	(47,540)	305,273																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Depreciation and amortization	87,107	7,386	7,261	13,855	26,722	14,224	2,295	453	3,459	7,045	23,507	19,521	4,806	10,054	2,601	1,329	12,652	–	244,277																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Interest expense	16,839	–	106	933	4,717	1,810	449	87	123	1,448	8,527	5,417	943	–	–	–	2,949	(11,881)	32,467																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Total operating expenses	1,690,962	176,398	111,255	245,964	434,108	213,761	34,558	6,053	46,947	139,549	353,751	294,766	98,858	348,047	37,387	20,010	1,233,787	(886,642)	4,599,520																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Income (loss) from continuing operations	54,691	37,273	8,962	(22,979)	9,988	20,771	1,895	2,424	(8,395)	13,838	25,755	28,658	(1,450)	(12,591)	(15,386)	(4,690)	31,558	–	170,321																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Nonoperating income and expenses, net:																					Contributions	–	–	–	–	–	–	–	–	–	120	–	–	–	–	–	–	3,762	–	3,882	Equity in net income of joint ventures	(629)	–	–	–	–	455	–	–	–	(121)	2,363	–	–	–	–	–	9,162	–	11,230	Investment income	9,267	–	1,355	353	5,213	6,637	–	–	248	542	–	5,001	3,088	12	–	–	9,661	–	41,377	Change in fair value of investments	49,876	–	7,461	2,274	29,027	19,909	–	–	457	4,134	4	29,013	17,913	3	–	–	24,590	–	184,661	Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	65,325	–	65,325	Other nonoperating gains and losses	(9,686)	–	(369)	(3,913)	(4,042)	1,051	–	–	(71)	(1,359)	(4,141)	(3,658)	–	(630)	(61)	(41)	(11,968)	–	(38,888)	Loss on extinguishment of debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(8,565)	–	(8,565)	Total nonoperating income and expenses	48,828	–	8,447	(1,286)	30,198	28,052	–	–	634	3,316	(1,774)	30,356	21,001	(615)	(61)	(41)	91,967	–	259,022	Excess (deficiency) of revenues over expenses from continuing operations	103,519	37,273	17,409	(24,265)	40,186	48,823	1,895	2,424	(7,761)	17,154	23,981	59,014	19,551	(13,206)	(15,447)	(4,731)	123,525	–	429,343	Loss on discontinued operations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(529)	–	(529)	Excess (deficiency) of revenues over expenses	\$ 103,519	\$ 37,273	\$ 17,409	\$ (24,265)	\$ 40,186	\$ 48,823	\$ 1,895	\$ 2,424	\$ (7,761)	\$ 17,154	\$ 23,981	\$ 59,014	\$ 19,551	\$ (13,206)	\$ (15,447)	\$ (4,731)	\$ 122,996	\$ –	\$ 428,814																																																																																																																																																																																																																																																																																																																																	
Contributions	–	–	–	–	–	–	–	–	–	120	–	–	–	–	–	–	3,762	–	3,882																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Equity in net income of joint ventures	(629)	–	–	–	–	455	–	–	–	(121)	2,363	–	–	–	–	–	9,162	–	11,230																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Investment income	9,267	–	1,355	353	5,213	6,637	–	–	248	542	–	5,001	3,088	12	–	–	9,661	–	41,377																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Change in fair value of investments	49,876	–	7,461	2,274	29,027	19,909	–	–	457	4,134	4	29,013	17,913	3	–	–	24,590	–	184,661																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	65,325	–	65,325																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Other nonoperating gains and losses	(9,686)	–	(369)	(3,913)	(4,042)	1,051	–	–	(71)	(1,359)	(4,141)	(3,658)	–	(630)	(61)	(41)	(11,968)	–	(38,888)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Loss on extinguishment of debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(8,565)	–	(8,565)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Total nonoperating income and expenses	48,828	–	8,447	(1,286)	30,198	28,052	–	–	634	3,316	(1,774)	30,356	21,001	(615)	(61)	(41)	91,967	–	259,022																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Excess (deficiency) of revenues over expenses from continuing operations	103,519	37,273	17,409	(24,265)	40,186	48,823	1,895	2,424	(7,761)	17,154	23,981	59,014	19,551	(13,206)	(15,447)	(4,731)	123,525	–	429,343																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Loss on discontinued operations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(529)	–	(529)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Excess (deficiency) of revenues over expenses	\$ 103,519	\$ 37,273	\$ 17,409	\$ (24,265)	\$ 40,186	\$ 48,823	\$ 1,895	\$ 2,424	\$ (7,761)	\$ 17,154	\$ 23,981	\$ 59,014	\$ 19,551	\$ (13,206)	\$ (15,447)	\$ (4,731)	\$ 122,996	\$ –	\$ 428,814																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														

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# **EXHIBIT 44**

**Shore Regional Health**  
**Projected P&Ls by Entity**  
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**General Notes:**

- The following tabs present projected Shore Regional Health hospital P&Ls by entity
- These projections were developed based of of the FY2023 budget with assumptions from Shore and UMMS leadership
- **The projections do not include allocations of physician losses, which need to be added back in order to reconcile to the audited financial statements:**
- Shore Health System includes UM SMC at Easton, UM SMC at Dorchester / Cambridge FMF, and UM Queen Anne's ED
  - o **CON Table F includes Shore Health System entities only. Summing the Easton, Dorchester / Cambridge FMF, and Queen Anne's ED P&Ls reconciles to Table H**
  - o UM SMC at Chestertown, Shore Medical Group, and other Shore Regional Health entities are not included; UM SMC at Chestertown's P&L is presented separately

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- 3. UM SMC at Dorchester / Cambridge FMF**
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**Shore Regional Health**  
**Shore Health System P&L**  
**FY2021 - FY2032**  
(\$'s in thousands)

	Actual		Budget	Projected									
	2021	2022		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Patient Revenue													
Inpatient Services	\$ 124,234	\$ 129,265	\$ 122,858	\$ 125,719	\$ 129,538	\$ 133,288	\$ 137,134	\$ 140,501	\$ 152,691	\$ 156,448	\$ 160,297	\$ 164,240	
Outpatient Services	204,536	233,541	216,296	222,398	228,386	234,235	240,232	246,132	267,486	274,066	280,809	287,717	
Gross Patient Revenue	\$ 328,770	\$ 362,806	\$ 339,154	\$ 348,117	\$ 357,924	\$ 367,523	\$ 377,366	\$ 386,633	\$ 420,177	\$ 430,514	\$ 441,105	\$ 451,958	
Deductions from Patient Revenue													
Contractual Discounts	48,721	56,722	46,555	47,786	49,132	50,450	51,801	53,073	57,677	59,096	60,550	62,040	
Bad Debt	8,973	9,103	12,710	13,046	13,414	13,774	14,142	14,490	15,747	16,134	16,531	16,938	
Provision for Charity	4,076	4,702	3,771	3,870	3,979	4,086	4,195	4,298	4,671	4,786	4,904	5,025	
Deductions from Gross Revenue	61,770	70,527	63,036	64,702	66,525	68,309	70,139	71,861	78,096	80,017	81,985	84,002	
Net Patient Revenue	\$ 267,000	\$ 292,279	\$ 276,117	\$ 283,415	\$ 291,399	\$ 299,214	\$ 307,227	\$ 314,772	\$ 342,081	\$ 350,497	\$ 359,120	\$ 367,955	
Other Operating Revenue	12,462	11,145	7,405	7,553	7,704	7,859	8,016	8,176	8,340	8,506	8,676	8,850	
<b>Total Operating Revenue</b>	<b>\$ 279,462</b>	<b>\$ 303,424</b>	<b>\$ 283,523</b>	<b>\$ 290,968</b>	<b>\$ 299,104</b>	<b>\$ 307,072</b>	<b>\$ 315,243</b>	<b>\$ 322,948</b>	<b>\$ 350,421</b>	<b>\$ 359,003</b>	<b>\$ 367,796</b>	<b>\$ 376,805</b>	
Operating Expenses													
Salaries and Wages	\$ 88,688	\$ 97,027	\$ 94,131	\$ 95,405	\$ 96,708	\$ 98,127	\$ 99,601	\$ 103,023	\$ 106,745	\$ 110,556	\$ 114,504	\$ 118,595	
Employee Benefits	20,765	19,901	21,739	22,003	22,303	22,630	22,969	23,758	24,616	25,495	26,406	27,349	
Professional Fees	15,530	15,147	18,382	19,046	19,700	20,378	21,080	21,806	22,601	23,428	24,285	25,173	
Supplies	36,197	35,922	34,741	31,990	32,606	33,281	34,018	35,489	37,099	38,669	40,308	42,018	
Purchased Services	47,970	55,769	56,418	57,546	58,597	59,671	60,769	61,984	62,903	64,161	65,444	66,753	
Insurance	3,337	4,214	4,718	4,812	4,908	5,007	5,107	5,209	5,313	5,419	5,528	5,638	
Depreciation & Amortization	16,972	17,243	20,336	17,914	17,028	17,231	16,483	16,566	42,193	42,753	43,407	44,063	
Interest	2,346	3,044	4,993	4,893	4,795	4,699	4,605	4,513	20,117	19,697	19,261	18,810	
Total Operating Expenses	\$ 231,805	\$ 248,267	\$ 255,457	\$ 253,610	\$ 256,647	\$ 261,024	\$ 264,632	\$ 272,348	\$ 321,587	\$ 330,177	\$ 339,143	\$ 348,401	
<b>Operating Income</b>	<b>\$ 47,657</b>	<b>\$ 55,157</b>	<b>\$ 28,065</b>	<b>\$ 37,358</b>	<b>\$ 42,457</b>	<b>\$ 46,048</b>	<b>\$ 50,611</b>	<b>\$ 50,600</b>	<b>\$ 28,834</b>	<b>\$ 28,826</b>	<b>\$ 28,654</b>	<b>\$ 28,405</b>	
Physician Loss Allocation	22,567	19,924	20,522	21,137	21,771	22,425	23,097	23,790	24,504	25,239	25,996	26,776	
<b>Operating Income Including Physician Losses</b>	<b>\$ 25,090</b>	<b>\$ 35,233</b>	<b>\$ 7,544</b>	<b>\$ 16,221</b>	<b>\$ 20,685</b>	<b>\$ 23,623</b>	<b>\$ 27,514</b>	<b>\$ 26,810</b>	<b>\$ 4,330</b>	<b>\$ 3,587</b>	<b>\$ 2,657</b>	<b>\$ 1,628</b>	

Note(1): Values presented do not include SHS allocations of Shore Medical Group losses, which totaled \$22.57M in FY2021 and \$19.92M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements. If the FY2022 physician loss allocation were to be inflated at 3% annually for 10 years it would increase operating expense by \$26.78M in FY2032

## Shore Health System

SHS Consolidated

Crosswalk to AFS

FY2021

	AFS	Physician Losses	Expense Breakouts	Unreconciled Variance	CON
<u>Revenue:</u>					
Inpatient Revenue	\$ 124,234			\$ -	\$ 124,234
Outpatient Revenue	204,536			-	204,536
<b>Gross Patient Revenue</b>	<b>\$ 328,770</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 328,770</b>
Contractual Allowances	48,721			-	48,721
Bad Debt	8,973			-	8,973
Charity	4,076			-	4,076
<b>Total Deductions</b>	<b>\$ 61,770</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,770</b>
<b>Net Patient Revenue</b>	<b>\$ 267,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 267,000</b>
Other Operating Revenue	12,462			-	12,462
<b>Total Operating Revenue</b>	<b>\$ 279,462</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 279,462</b>
<u>Expense:</u>					
Salaries & Wages	\$ 109,453		\$ (20,765)	\$ -	\$ 88,688
Employee Benefits			20,765	-	20,765
Professional Fees	38,097	(22,567)		-	15,530
Supplies	36,197			-	36,197
Purchased Services	51,307		(3,337)	-	47,970
Insurance			3,337	-	3,337
Depreciation & Amortization	16,972			-	16,972
Interest	2,346			-	2,346
<b>Total Operating Expenses</b>	<b>\$ 254,372</b>	<b>\$ (22,567)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 231,805</b>
<b>Operating Income</b>	<b>\$ 25,090</b>	<b>\$ 22,567</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 47,657</b>

## Shore Health System

SHS Consolidated

Crosswalk to AFS

FY2022

	AFS	Physician Losses	Expense Breakouts	Unreconciled Variance	CON
<u>Revenue:</u>					
Inpatient Revenue	\$ 129,265			\$ -	\$ 129,265
Outpatient Revenue	233,541			-	233,541
<b>Gross Patient Revenue</b>	<b>\$ 362,806</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 362,806</b>
Contractual Allowances	56,722			-	56,722
Bad Debt	9,103			-	9,103
Charity	4,702			-	4,702
<b>Total Deductions</b>	<b>\$ 70,527</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 70,527</b>
<b>Net Patient Revenue</b>	<b>\$ 292,279</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 292,279</b>
Other Operating Revenue	11,145			-	11,145
<b>Total Operating Revenue</b>	<b>\$ 303,424</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 303,424</b>
<u>Expense:</u>					
Salaries & Wages	\$ 116,928		\$ (19,901)	\$ -	\$ 97,027
Employee Benefits			19,901	-	19,901
Professional Fees	35,071	(19,924)		-	15,147
Supplies	35,922			-	35,922
Purchased Services	59,983		(4,214)	-	55,769
Insurance			4,214	-	4,214
Depreciation & Amortization	17,243			-	17,243
Interest	3,044			-	3,044
<b>Total Operating Expenses</b>	<b>\$ 268,191</b>	<b>\$ (19,924)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 248,267</b>
<b>Operating Income</b>	<b>\$ 35,233</b>	<b>\$ 19,924</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55,157</b>

**Shore Regional Health**  
**SHS - Easton P&L**  
**FY2021 - FY2032**  
(\$'s in thousands)

	Actual		Budget	Projected								
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Patient Revenue												
Inpatient Services	\$ 111,566	\$ 126,543	\$ 122,858	\$ 125,719	\$ 129,538	\$ 133,288	\$ 137,134	\$ 140,501	\$ 152,691	\$ 156,448	\$ 160,297	\$ 164,240
Outpatient Services	169,273	198,457	182,282	190,272	195,401	200,328	205,379	210,308	230,665	236,224	241,916	247,745
Gross Patient Revenue	\$ 280,839	\$ 325,000	\$ 305,140	\$ 315,991	\$ 324,939	\$ 333,616	\$ 342,512	\$ 350,809	\$ 383,357	\$ 392,672	\$ 402,213	\$ 411,985
Deductions from Patient Revenue												
Contractual Discounts	47,069	47,625	41,886	43,376	44,604	45,795	47,016	48,155	52,623	53,902	55,211	56,553
Bad Debt	7,030	8,082	11,436	11,842	12,178	12,503	12,836	13,147	14,367	14,716	15,074	15,440
Provision for Charity	3,380	4,379	3,392	3,513	3,613	3,709	3,808	3,900	4,262	4,366	4,472	4,580
Deductions from Gross Revenue	57,479	60,086	56,714	58,731	60,394	62,007	63,661	65,203	71,252	72,983	74,757	76,573
Net Patient Revenue	\$ 223,360	\$ 264,914	\$ 248,425	\$ 257,260	\$ 264,545	\$ 271,609	\$ 278,852	\$ 285,606	\$ 312,105	\$ 319,688	\$ 327,456	\$ 335,412
Other Operating Revenue	11,172	10,577	6,826	6,962	7,102	7,244	7,389	7,536	7,687	7,841	7,998	8,158
<b>Total Operating Revenue</b>	<b>\$ 234,532</b>	<b>\$ 275,491</b>	<b>\$ 255,251</b>	<b>\$ 264,223</b>	<b>\$ 271,646</b>	<b>\$ 278,853</b>	<b>\$ 286,240</b>	<b>\$ 293,143</b>	<b>\$ 319,792</b>	<b>\$ 327,529</b>	<b>\$ 335,454</b>	<b>\$ 343,570</b>
Operating Expenses												
Salaries and Wages	\$ 74,346	\$ 83,106	\$ 80,325	\$ 81,113	\$ 81,914	\$ 82,812	\$ 83,745	\$ 86,606	\$ 89,697	\$ 92,890	\$ 96,198	\$ 99,625
Employee Benefits	17,407	16,940	18,951	19,117	19,315	19,537	19,767	20,442	21,173	21,927	22,708	23,517
Professional Fees	13,023	11,797	15,089	15,633	16,168	16,721	17,294	17,887	18,539	19,216	19,918	20,645
Supplies	30,377	32,539	32,755	29,919	30,447	31,031	31,671	33,041	34,541	36,008	37,538	39,135
Purchased Services	40,205	49,179	49,113	50,096	50,998	51,919	52,862	53,919	54,677	55,770	56,886	58,023
Insurance	2,887	3,715	4,181	4,265	4,350	4,437	4,526	4,616	4,709	4,803	4,899	4,997
Depreciation & Amortization	14,224	13,334	18,296	16,261	15,459	15,642	14,961	15,031	40,646	41,192	41,834	42,477
Interest	1,810	2,645	4,492	4,442	4,353	4,266	4,180	4,095	19,706	19,293	18,864	18,420
Total Operating Expenses	\$ 194,279	\$ 213,255	\$ 223,203	\$ 220,845	\$ 223,004	\$ 226,364	\$ 229,006	\$ 235,638	\$ 283,688	\$ 291,099	\$ 298,844	\$ 306,840
<b>Operating Income</b>	<b>\$ 40,253</b>	<b>\$ 62,236</b>	<b>\$ 32,049</b>	<b>\$ 43,378</b>	<b>\$ 48,642</b>	<b>\$ 52,488</b>	<b>\$ 57,234</b>	<b>\$ 57,505</b>	<b>\$ 36,103</b>	<b>\$ 36,430</b>	<b>\$ 36,609</b>	<b>\$ 36,730</b>
Physician Loss Allocation	19,482	18,485	19,040	19,611	20,199	20,805	21,429	22,072	22,734	23,416	24,119	24,842
<b>Operating Income Including Physician Losses</b>	<b>\$ 20,771</b>	<b>\$ 43,751</b>	<b>\$ 13,009</b>	<b>\$ 23,767</b>	<b>\$ 28,443</b>	<b>\$ 31,683</b>	<b>\$ 35,805</b>	<b>\$ 35,433</b>	<b>\$ 13,369</b>	<b>\$ 13,014</b>	<b>\$ 12,491</b>	<b>\$ 11,887</b>

Note(1): Values presented do not include Easton allocations of Shore Medical Group losses, which totaled \$19.48M in FY2021 and \$18.49M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements. If the FY2022 physician loss allocation were to be inflated at 3% annually for 10 years it would increase operating expense by \$24.84M in FY2032



## Shore Health System

Easton

Crosswalk to AFS

FY2021

	AFS	Physician Losses	Expense Breakouts	Unreconciled Variance	CON
<u>Revenue:</u>					
Inpatient Revenue	\$ 111,566			\$ -	\$ 111,566
Outpatient Revenue	169,273			-	169,273
<b>Gross Patient Revenue</b>	<b>\$ 280,839</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 280,839</b>
Contractual Allowances	47,069			-	47,069
Bad Debt	7,030			-	7,030
Charity	3,380			-	3,380
<b>Total Deductions</b>	<b>\$ 57,479</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 57,479</b>
<b>Net Patient Revenue</b>	<b>\$ 223,360</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 223,360</b>
Other Operating Revenue	11,172			-	11,172
<b>Total Operating Revenue</b>	<b>\$ 234,532</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 234,532</b>
<u>Expense:</u>					
Salaries & Wages	\$ 91,753		\$ (17,407)	\$ -	\$ 74,346
Employee Benefits			17,407	-	17,407
Professional Fees	32,505	(19,482)		-	13,023
Supplies	30,377			-	30,377
Purchased Services	43,092		(2,887)	-	40,205
Insurance			2,887	-	2,887
Depreciation & Amortization	14,224			-	14,224
Interest	1,810			-	1,810
<b>Total Operating Expenses</b>	<b>\$ 213,761</b>	<b>\$ (19,482)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 194,279</b>
<b>Operating Income</b>	<b>\$ 20,771</b>	<b>\$ 19,482</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40,253</b>

## Shore Health System

Easton

Crosswalk to AFS

FY2022

	AFS	Physician Losses	Expense Breakouts	Unreconciled Variance	CON
<u>Revenue:</u>					
Inpatient Revenue	\$ 126,543			\$ -	\$ 126,543
Outpatient Revenue	198,457			-	198,457
<b>Gross Patient Revenue</b>	<b>\$ 325,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 325,000</b>
Contractual Allowances	47,625			-	47,625
Bad Debt	8,082			-	8,082
Charity	4,379			-	4,379
<b>Total Deductions</b>	<b>\$ 60,086</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,086</b>
<b>Net Patient Revenue</b>	<b>\$ 264,914</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 264,914</b>
Other Operating Revenue	10,577			-	10,577
<b>Total Operating Revenue</b>	<b>\$ 275,491</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 275,491</b>
<u>Expense:</u>					
Salaries & Wages	\$ 100,046		\$ (16,940)	\$ -	\$ 83,106
Employee Benefits			16,940	-	16,940
Professional Fees	30,282	(18,485)		-	11,797
Supplies	32,539			-	32,539
Purchased Services	52,894		(3,715)	-	49,179
Insurance			3,715	-	3,715
Depreciation & Amortization	13,334			-	13,334
Interest	2,645			-	2,645
<b>Total Operating Expenses</b>	<b>\$ 231,740</b>	<b>\$ (18,485)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 213,255</b>
<b>Operating Income</b>	<b>\$ 43,751</b>	<b>\$ 18,485</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 62,236</b>

**Shore Regional Health**  
**SHS - Dorchester / Cambridge FMF P&L**  
**FY2021 - FY2032**  
(\$'s in thousands)

	Actual		Budget	Projected								
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Patient Revenue												
Inpatient Services	\$ 12,668	\$ 2,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outpatient Services	26,989	26,965	25,407	23,289	23,913	24,593	25,291	26,007	26,741	27,494	28,269	29,065
Gross Patient Revenue	\$ 39,657	\$ 29,687	\$ 25,407	\$ 23,289	\$ 23,913	\$ 24,593	\$ 25,291	\$ 26,007	\$ 26,741	\$ 27,494	\$ 28,269	\$ 29,065
Deductions from Patient Revenue												
Contractual Discounts	1,652	7,725	3,488	3,197	3,283	3,376	3,472	3,570	3,671	3,774	3,880	3,990
Bad Debt	1,943	1,021	952	873	896	922	948	975	1,002	1,030	1,059	1,089
Provision for Charity	696	323	282	259	266	273	281	289	297	306	314	323
Deductions from Gross Revenue	4,291	9,069	4,722	4,329	4,445	4,571	4,701	4,834	4,970	5,110	5,254	5,402
Net Patient Revenue	\$ 35,366	\$ 20,618	\$ 20,685	\$ 18,961	\$ 19,469	\$ 20,022	\$ 20,590	\$ 21,173	\$ 21,771	\$ 22,384	\$ 23,014	\$ 23,663
Other Operating Revenue	1,087	433	442	450	460	469	478	488	497	507	517	528
<b>Total Operating Revenue</b>	<b>\$ 36,453</b>	<b>\$ 21,051</b>	<b>\$ 21,127</b>	<b>\$ 19,411</b>	<b>\$ 19,928</b>	<b>\$ 20,491</b>	<b>\$ 21,068</b>	<b>\$ 21,661</b>	<b>\$ 22,268</b>	<b>\$ 22,891</b>	<b>\$ 23,532</b>	<b>\$ 24,190</b>
Operating Expenses												
Salaries and Wages	\$ 11,991	\$ 9,925	\$ 8,493	\$ 8,785	\$ 9,086	\$ 9,397	\$ 9,720	\$ 10,054	\$ 10,447	\$ 10,819	\$ 11,205	\$ 11,604
Employee Benefits	2,807	2,111	1,658	1,715	1,774	1,835	1,898	1,963	2,040	2,112	2,187	2,265
Professional Fees	2,100	2,570	1,890	1,961	2,030	2,102	2,177	2,254	2,340	2,429	2,522	2,618
Supplies	4,894	2,579	1,142	1,193	1,245	1,299	1,355	1,415	1,481	1,543	1,607	1,675
Purchased Services	6,559	5,333	4,734	4,828	4,925	5,023	5,124	5,226	5,331	5,437	5,546	5,657
Insurance	378	372	396	404	412	420	429	437	446	455	464	473
Depreciation & Amortization	2,295	3,463	1,523	1,198	1,138	1,153	1,105	1,114	1,124	1,134	1,144	1,153
Interest	449	399	374	327	320	314	309	304	299	294	289	284
Total Operating Expenses	\$ 31,473	\$ 26,752	\$ 20,210	\$ 20,413	\$ 20,930	\$ 21,544	\$ 22,115	\$ 22,767	\$ 23,507	\$ 24,223	\$ 24,964	\$ 25,730
<b>Operating Income</b>	<b>\$ 4,980</b>	<b>\$ (5,701)</b>	<b>\$ 916</b>	<b>\$ (1,002)</b>	<b>\$ (1,001)</b>	<b>\$ (1,053)</b>	<b>\$ (1,047)</b>	<b>\$ (1,106)</b>	<b>\$ (1,239)</b>	<b>\$ (1,332)</b>	<b>\$ (1,432)</b>	<b>\$ (1,540)</b>
Physician Loss Allocation	3,085	1,439	1,482	1,527	1,572	1,620	1,668	1,718	1,770	1,823	1,878	1,934
<b>Operating Income Including Physician Losses</b>	<b>\$ 1,895</b>	<b>\$ (7,140)</b>	<b>\$ (566)</b>	<b>\$ (2,528)</b>	<b>\$ (2,574)</b>	<b>\$ (2,673)</b>	<b>\$ (2,715)</b>	<b>\$ (2,825)</b>	<b>\$ (3,009)</b>	<b>\$ (3,155)</b>	<b>\$ (3,310)</b>	<b>\$ (3,474)</b>

Note(1): Values presented do not include Dorchester / Cambridge FMF allocations of Shore Medical Group losses, which totaled \$3.09M in FY2021 and \$1.44M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements. If the FY2022 physician loss allocation were to be inflated at 3% annually for 10 years it would increase operating expense by \$1.93M in FY2032

**Shore Health System**  
**Dorchester / Cambridge FMF**  
**Crosswalk to AFS**  
**FY2021**

	AFS	Physician Losses	Expense Breakouts	Unreconciled Variance	CON
<u>Revenue:</u>					
Inpatient Revenue	\$ 12,668			\$ -	\$ 12,668
Outpatient Revenue	26,989			-	26,989
<b>Gross Patient Revenue</b>	<b>\$ 39,657</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,657</b>
Contractual Allowances	1,652			-	1,652
Bad Debt	1,943			-	1,943
Charity	696			-	696
<b>Total Deductions</b>	<b>\$ 4,291</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,291</b>
<b>Net Patient Revenue</b>	<b>\$ 35,366</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,366</b>
Other Operating Revenue	1,087			-	1,087
<b>Total Operating Revenue</b>	<b>\$ 36,453</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 36,453</b>
<u>Expense:</u>					
Salaries & Wages	\$ 14,798		\$ (2,807)	\$ -	\$ 11,991
Employee Benefits			2,807	-	2,807
Professional Fees	5,185	(3,085)		-	2,100
Supplies	4,894			-	4,894
Purchased Services	6,937		(378)	-	6,559
Insurance			378	-	378
Depreciation & Amortization	2,295			-	2,295
Interest	449			-	449
<b>Total Operating Expenses</b>	<b>\$ 34,558</b>	<b>\$ (3,085)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 31,473</b>
<b>Operating Income</b>	<b>\$ 1,895</b>	<b>\$ 3,085</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,980</b>

**Shore Health System**  
**Dorchester / Cambridge FMF**  
**Crosswalk to AFS**  
**FY2022**

	AFS	Physician Losses	Expense Breakouts	Unreconciled Variance	CON
<u>Revenue:</u>					
Inpatient Revenue	\$ 2,722			\$ -	\$ 2,722
Outpatient Revenue	26,965			-	26,965
<b>Gross Patient Revenue</b>	<b>\$ 29,687</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,687</b>
Contractual Allowances	7,725			-	7,725
Bad Debt	1,021			-	1,021
Charity	323			-	323
<b>Total Deductions</b>	<b>\$ 9,069</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,069</b>
<b>Net Patient Revenue</b>	<b>\$ 20,618</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,618</b>
Other Operating Revenue	433			-	433
<b>Total Operating Revenue</b>	<b>\$ 21,051</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,051</b>
<u>Expense:</u>					
Salaries & Wages	\$ 12,036		\$ (2,111)	\$ -	\$ 9,925
Employee Benefits			2,111	-	2,111
Professional Fees	4,009	(1,439)		-	2,570
Supplies	2,579			-	2,579
Purchased Services	5,705		(372)	-	5,333
Insurance			372	-	372
Depreciation & Amortization	3,463			-	3,463
Interest	399			-	399
<b>Total Operating Expenses</b>	<b>\$ 28,191</b>	<b>\$ (1,439)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,752</b>
<b>Operating Income</b>	<b>\$ (7,140)</b>	<b>\$ 1,439</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,701)</b>

**Shore Regional Health**  
**SHS - Queen Anne's ED P&L**  
**FY2021 - FY2032**  
(\$'s in thousands)

	Actual		Budget	Projected								
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Patient Revenue												
Inpatient Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Outpatient Services	8,274	8,119	8,607	8,836	9,072	9,314	9,562	9,817	10,079	10,348	10,624	10,908
Gross Patient Revenue	\$ 8,274	\$ 8,119	\$ 8,607	\$ 8,836	\$ 9,072	\$ 9,314	\$ 9,562	\$ 9,817	\$ 10,079	\$ 10,348	\$ 10,624	\$ 10,908
Deductions from Patient Revenue												
Contractual Discounts	-	1,372	1,181	1,213	1,245	1,279	1,313	1,348	1,384	1,421	1,458	1,497
Bad Debt	-	-	323	331	340	349	358	368	378	388	398	409
Provision for Charity	-	-	96	98	101	104	106	109	112	115	118	121
Deductions from Gross Revenue	-	1,372	1,600	1,642	1,686	1,731	1,777	1,825	1,873	1,923	1,975	2,027
Net Patient Revenue	\$ 8,274	\$ 6,747	\$ 7,007	\$ 7,194	\$ 7,386	\$ 7,583	\$ 7,785	\$ 7,993	\$ 8,206	\$ 8,425	\$ 8,650	\$ 8,880
Other Operating Revenue	203	135	138	140	143	146	149	152	155	158	161	165
<b>Total Operating Revenue</b>	<b>\$ 8,477</b>	<b>\$ 6,882</b>	<b>\$ 7,145</b>	<b>\$ 7,334</b>	<b>\$ 7,529</b>	<b>\$ 7,729</b>	<b>\$ 7,934</b>	<b>\$ 8,145</b>	<b>\$ 8,361</b>	<b>\$ 8,583</b>	<b>\$ 8,811</b>	<b>\$ 9,045</b>
Operating Expenses												
Salaries and Wages	\$ 2,351	\$ 3,996	\$ 5,313	\$ 5,506	\$ 5,708	\$ 5,918	\$ 6,136	\$ 6,364	\$ 6,600	\$ 6,846	\$ 7,102	\$ 7,367
Employee Benefits	551	850	1,130	1,171	1,214	1,258	1,305	1,353	1,403	1,456	1,510	1,566
Professional Fees	407	780	1,404	1,452	1,502	1,555	1,609	1,665	1,723	1,783	1,845	1,910
Supplies	926	804	843	878	914	952	992	1,033	1,076	1,118	1,162	1,208
Purchased Services	1,207	1,257	2,571	2,622	2,675	2,728	2,783	2,839	2,895	2,953	3,012	3,073
Insurance	71	127	141	143	146	149	152	155	158	161	165	168
Depreciation & Amortization	453	446	516	455	432	437	418	421	424	427	430	433
Interest	87	-	127	124	122	119	117	115	113	111	109	107
Total Operating Expenses	\$ 6,053	\$ 8,260	\$ 12,044	\$ 12,352	\$ 12,713	\$ 13,116	\$ 13,511	\$ 13,943	\$ 14,392	\$ 14,855	\$ 15,334	\$ 15,831
<b>Operating Income</b>	<b>\$ 2,424</b>	<b>\$ (1,378)</b>	<b>\$ (4,899)</b>	<b>\$ (5,018)</b>	<b>\$ (5,184)</b>	<b>\$ (5,387)</b>	<b>\$ (5,577)</b>	<b>\$ (5,798)</b>	<b>\$ (6,031)</b>	<b>\$ (6,272)</b>	<b>\$ (6,523)</b>	<b>\$ (6,786)</b>
Physician Loss Allocation	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating Income Including Physician Losses</b>	<b>\$ 2,424</b>	<b>\$ (1,378)</b>	<b>\$ (4,899)</b>	<b>\$ (5,018)</b>	<b>\$ (5,184)</b>	<b>\$ (5,387)</b>	<b>\$ (5,577)</b>	<b>\$ (5,798)</b>	<b>\$ (6,031)</b>	<b>\$ (6,272)</b>	<b>\$ (6,523)</b>	<b>\$ (6,786)</b>

Note(1): Queen Anne's ED deductions from revenue were not included in FY2021 Audited Financials and are instead included in Easton's P&L for FY2021

Note(2): Queen Anne's ED bad debt, provision for charity, and interest expense are not included in the FY2022 Audited Financials and are instead included in Easton's P&L for FY2022

## Shore Health System

Queen Anne's ED

Crosswalk to AFS

FY2021

	AFS	Physician Losses	Expense Breakouts	Unreconciled Variance	CON
<u>Revenue:</u>					
Inpatient Revenue	\$ -			\$ -	\$ -
Outpatient Revenue	8,274			-	8,274
<b>Gross Patient Revenue</b>	<b>\$ 8,274</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,274</b>
Contractual Allowances	-			-	-
Bad Debt	-			-	-
Charity	-			-	-
<b>Total Deductions</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Patient Revenue</b>	<b>\$ 8,274</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,274</b>
Other Operating Revenue	203			-	203
<b>Total Operating Revenue</b>	<b>\$ 8,477</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,477</b>
<u>Expense:</u>					
Salaries & Wages	\$ 2,902		\$ (551)	\$ -	\$ 2,351
Employee Benefits			551	-	551
Professional Fees	407			-	407
Supplies	926			-	926
Purchased Services	1,278		(71)	-	1,207
Insurance			71	-	71
Depreciation & Amortization	453			-	453
Interest	87			-	87
<b>Total Operating Expenses</b>	<b>\$ 6,053</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,053</b>
<b>Operating Income</b>	<b>\$ 2,424</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,424</b>

## Shore Health System

Queen Anne's ED

Crosswalk to AFS

FY2022

	AFS	Physician Losses	Expense Breakouts	Unreconciled Variance	CON
<u>Revenue:</u>					
Inpatient Revenue	\$ -			\$ -	\$ -
Outpatient Revenue	8,119			-	8,119
<b>Gross Patient Revenue</b>	<b>\$ 8,119</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,119</b>
Contractual Allowances	1,372			-	1,372
Bad Debt	-			-	-
Charity	-			-	-
<b>Total Deductions</b>	<b>\$ 1,372</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,372</b>
<b>Net Patient Revenue</b>	<b>\$ 6,747</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,747</b>
Other Operating Revenue	135			-	135
<b>Total Operating Revenue</b>	<b>\$ 6,882</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,882</b>
<u>Expense:</u>					
Salaries & Wages	\$ 4,846		\$ (850)	\$ -	\$ 3,996
Employee Benefits			850	-	850
Professional Fees	780			-	780
Supplies	804			-	804
Purchased Services	1,384		(127)	-	1,257
Insurance			127	-	127
Depreciation & Amortization	446			-	446
Interest	-			-	-
<b>Total Operating Expenses</b>	<b>\$ 8,260</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,260</b>
<b>Operating Income</b>	<b>\$ (1,378)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,378)</b>



**Shore Regional Health**  
**SRH - Chestertown P&L**  
**FY2021 - FY2032**  
(\$'s in thousands)

	Actual		Budget	Projected								
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Patient Revenue												
Inpatient Services	\$ 10,309	\$ 6,806	\$ 7,191	\$ 7,055	\$ 7,228	\$ 7,428	\$ 7,632	\$ 7,843	\$ 8,058	\$ 8,280	\$ 8,507	\$ 8,741
Outpatient Services	36,968	50,309	55,994	51,222	52,468	53,893	55,358	56,860	58,400	59,981	61,606	63,273
Gross Patient Revenue	\$ 47,277	\$ 57,115	\$ 63,185	\$ 58,277	\$ 59,696	\$ 61,321	\$ 62,990	\$ 64,702	\$ 66,459	\$ 68,260	\$ 70,113	\$ 72,014
Deductions from Patient Revenue												
Contractual Discounts	7,687	4,895	7,381	6,807	6,973	7,163	7,358	7,558	7,763	7,973	8,190	8,412
Bad Debt	1,990	2,613	3,424	3,158	3,234	3,323	3,413	3,506	3,601	3,699	3,799	3,902
Provision for Charity	629	1,034	821	757	776	797	819	841	864	887	911	936
Deductions from Gross Revenue	10,306	8,542	11,625	10,722	10,983	11,282	11,589	11,904	12,228	12,559	12,900	13,250
Net Patient Revenue	\$ 36,971	\$ 48,573	\$ 51,559	\$ 47,555	\$ 48,712	\$ 50,039	\$ 51,401	\$ 52,798	\$ 54,231	\$ 55,701	\$ 57,213	\$ 58,764
Other Operating Revenue	1,581	1,312	457	466	475	485	495	504	515	525	535	546
<b>Total Operating Revenue</b>	<b>\$ 38,552</b>	<b>\$ 49,885</b>	<b>\$ 52,016</b>	<b>\$ 48,021</b>	<b>\$ 49,188</b>	<b>\$ 50,523</b>	<b>\$ 51,895</b>	<b>\$ 53,302</b>	<b>\$ 54,745</b>	<b>\$ 56,226</b>	<b>\$ 57,749</b>	<b>\$ 59,310</b>
Operating Expenses												
Salaries and Wages	\$ 10,946	\$ 11,772	\$ 12,642	\$ 13,080	\$ 13,533	\$ 14,002	\$ 14,486	\$ 14,988	\$ 15,507	\$ 16,044	\$ 16,600	\$ 17,175
Employee Benefits	3,079	3,312	3,282	3,330	3,378	3,425	3,471	3,517	3,561	3,604	3,646	3,686
Professional Fees	5,897	5,903	5,391	5,597	5,811	6,034	6,264	6,504	6,753	7,011	7,279	7,557
Supplies	3,858	2,630	2,588	2,702	2,822	2,947	3,078	3,214	3,356	3,505	3,660	3,822
Purchased Services	15,702	14,033	16,959	17,385	17,821	18,268	18,727	19,197	19,679	20,173	20,679	21,198
Insurance	658	671	984	1,003	1,023	1,044	1,065	1,086	1,108	1,130	1,152	1,176
Depreciation & Amortization	3,459	2,819	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647	2,647
Interest	123	151	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 43,722	\$ 41,291	\$ 44,492	\$ 45,745	\$ 47,036	\$ 48,366	\$ 49,738	\$ 51,152	\$ 52,610	\$ 54,113	\$ 55,663	\$ 57,261
<b>Operating Income</b>	<b>\$ (5,170)</b>	<b>\$ 8,594</b>	<b>\$ 7,524</b>	<b>\$ 2,276</b>	<b>\$ 2,152</b>	<b>\$ 2,157</b>	<b>\$ 2,157</b>	<b>\$ 2,150</b>	<b>\$ 2,135</b>	<b>\$ 2,113</b>	<b>\$ 2,085</b>	<b>\$ 2,049</b>
Physician Loss Allocation	3,225	3,390	3,492	3,596	3,704	3,815	3,930	4,048	4,169	4,294	4,423	4,556
<b>Operating Income Including Physician Losses</b>	<b>\$ (8,395)</b>	<b>\$ 5,204</b>	<b>\$ 4,032</b>	<b>\$ (1,320)</b>	<b>\$ (1,552)</b>	<b>\$ (1,658)</b>	<b>\$ (1,773)</b>	<b>\$ (1,898)</b>	<b>\$ (2,034)</b>	<b>\$ (2,182)</b>	<b>\$ (2,338)</b>	<b>\$ (2,506)</b>

Note(1): Values presented do not include Chestertown allocations of Shore Medical Group losses, which totaled \$3.23M in FY2021 and \$3.39M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements. If the FY2022 physician loss allocation were to be inflated at 3% annually for 10 years it would increase operating expense by \$4.56M in FY2032

Note(2): Allocations of Shore Regional Health overhead and interest expense are not included in the FY2023 budget or projections for FY2024 - FY2032

**Shore Regional Health**  
**Chestertown**  
**Crosswalk to AFS**  
**FY2021**

	AFS	Physician Losses	Expense Breakouts	Unreconciled Variance	CON
<u>Revenue:</u>					
Inpatient Revenue	\$ 10,309			\$ -	\$ 10,309
Outpatient Revenue	36,968			-	36,968
<b>Gross Patient Revenue</b>	<b>\$ 47,277</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 47,277</b>
Contractual Allowances	7,687			-	7,687
Bad Debt	1,990			-	1,990
Charity	629			-	629
<b>Total Deductions</b>	<b>\$ 10,306</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,306</b>
<b>Net Patient Revenue</b>	<b>\$ 36,971</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 36,971</b>
Other Operating Revenue	1,581			-	1,581
<b>Total Operating Revenue</b>	<b>\$ 38,552</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 38,552</b>
<u>Expense:</u>					
Salaries & Wages	\$ 14,025		\$ (3,079)	\$ -	\$ 10,946
Employee Benefits			3,079	-	3,079
Professional Fees	9,122	(3,225)		-	5,897
Supplies	3,858			-	3,858
Purchased Services	16,360		(658)	-	15,702
Insurance			658	-	658
Depreciation & Amortization	3,459			-	3,459
Interest	123			-	123
<b>Total Operating Expenses</b>	<b>\$ 46,947</b>	<b>\$ (3,225)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 43,722</b>
<b>Operating Income</b>	<b>\$ (8,395)</b>	<b>\$ 3,225</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,170)</b>

**Shore Regional Health**  
**Chestertown**  
**Crosswalk to AFS**  
**FY2022**

	AFS	Physician Losses	Expense Breakouts	Unreconciled Variance	CON
<u>Revenue:</u>					
Inpatient Revenue	\$ 6,806			\$ -	\$ 6,806
Outpatient Revenue	50,309			-	50,309
<b>Gross Patient Revenue</b>	<b>\$ 57,115</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 57,115</b>
Contractual Allowances	4,895			-	4,895
Bad Debt	2,613			-	2,613
Charity	1,034			-	1,034
<b>Total Deductions</b>	<b>\$ 8,542</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,542</b>
<b>Net Patient Revenue</b>	<b>\$ 48,573</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,573</b>
Other Operating Revenue	1,312			-	1,312
<b>Total Operating Revenue</b>	<b>\$ 49,885</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 49,885</b>
<u>Expense:</u>					
Salaries & Wages	\$ 15,084		\$ (3,312)	\$ -	\$ 11,772
Employee Benefits			3,312	-	3,312
Professional Fees	9,293	(3,390)		-	5,903
Supplies	2,630			-	2,630
Purchased Services	14,704		(671)	-	14,033
Insurance			671	-	671
Depreciation & Amortization	2,819			-	2,819
Interest	151			-	151
<b>Total Operating Expenses</b>	<b>\$ 44,681</b>	<b>\$ (3,390)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,291</b>
<b>Operating Income</b>	<b>\$ 5,204</b>	<b>\$ 3,390</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,594</b>

# **EXHIBIT 45**

**TABLE F. STATISTICAL PROJECTIONS - UM SMC at Easton**

***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 (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>1. DISCHARGES</b>												
a. MSGA	3,822	3,862	3,944	4,004	4,065	4,129	4,194	4,260	4,329	4,400	4,472	4,547
<b>Total MSGA</b>	<b>3,822</b>	<b>3,862</b>	<b>3,944</b>	<b>4,004</b>	<b>4,065</b>	<b>4,129</b>	<b>4,194</b>	<b>4,260</b>	<b>4,329</b>	<b>4,400</b>	<b>4,472</b>	<b>4,547</b>
b. Pediatrics	8	27	27	27	27	27	27	27	27	27	27	27
c. Obstetrics	1,030	999	1,004	1,012	1,020	1,028	1,036	1,044	1,052	1,060	1,069	1,077
e. Psych	-	266	350	351	352	353	355	356	478	480	481	483
f. Rehabilitation	312	191	198	206	214	222	231	239	249	259	269	279
<b>Total Acute</b>	<b>5,172</b>	<b>5,345</b>	<b>5,523</b>	<b>5,599</b>	<b>5,678</b>	<b>5,759</b>	<b>5,842</b>	<b>5,927</b>	<b>6,135</b>	<b>6,225</b>	<b>6,318</b>	<b>6,413</b>
g. Other (Specify/add rows of needed)												
<b>TOTAL DISCHARGES</b>	<b>5,172</b>	<b>5,345</b>	<b>5,523</b>	<b>5,599</b>	<b>5,678</b>	<b>5,759</b>	<b>5,842</b>	<b>5,927</b>	<b>6,135</b>	<b>6,225</b>	<b>6,318</b>	<b>6,413</b>
<b>2. PATIENT DAYS</b>												
a. MSGA	18,810	21,786	22,224	22,469	22,720	22,978	23,242	23,619	24,006	24,403	24,812	25,231
<b>Total MSGA</b>	<b>18,810</b>	<b>21,786</b>	<b>22,224</b>	<b>22,469</b>	<b>22,720</b>	<b>22,978</b>	<b>23,242</b>	<b>23,619</b>	<b>24,006</b>	<b>24,403</b>	<b>24,812</b>	<b>25,231</b>
b. Pediatrics	20	72	72	72	72	72	72	72	72	72	72	72
c. Obstetrics	1,865	1,892	1,901	1,916	1,931	1,946	1,962	1,977	1,993	2,008	2,024	2,040
e. Psych	-	1,469	2,014	2,033	2,052	2,071	2,091	2,111	2,854	2,882	2,910	2,938
f. Rehabilitation	3,040	2,197	2,280	2,367	2,457	2,550	2,648	2,750	2,857	2,967	3,083	3,203
<b>Total Acute</b>	<b>23,735</b>	<b>27,416</b>	<b>28,492</b>	<b>28,857</b>	<b>29,232</b>	<b>29,618</b>	<b>30,015</b>	<b>30,529</b>	<b>31,781</b>	<b>32,333</b>	<b>32,900</b>	<b>33,485</b>
g. Other (Specify/add rows of needed)												
<b>TOTAL PATIENT DAYS</b>	<b>23,735</b>	<b>27,416</b>	<b>28,492</b>	<b>28,857</b>	<b>29,232</b>	<b>29,618</b>	<b>30,015</b>	<b>30,529</b>	<b>31,781</b>	<b>32,333</b>	<b>32,900</b>	<b>33,485</b>

**TABLE F. STATISTICAL PROJECTIONS - UM SMC at Easton**

***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 (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>3. AVERAGE LENGTH OF STAY (patient days divided by discharges)</b>												
a. MSGA	4.9	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.5
<b>Total MSGA</b>	<b>4.9</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>
b. Pediatrics	2.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
c. Obstetrics	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
e. Psych	-	5.5	5.8	5.8	5.8	5.9	5.9	5.9	6.0	6.0	6.0	6.1
f. Rehabilitation	9.7	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
<b>Total Acute</b>	<b>4.6</b>	<b>5.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>
g. Other (Specify/add rows of needed)												
<b>TOTAL AVERAGE LENGTH OF STAY</b>	<b>4.6</b>	<b>5.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>
<b>4. NUMBER OF LICENSED BEDS</b>												
a. MSGA	70	75	76	77	78	79	80	81	82	84	85	86
<b>Total MSGA</b>	<b>70</b>	<b>75</b>	<b>76</b>	<b>77</b>	<b>78</b>	<b>79</b>	<b>80</b>	<b>81</b>	<b>82</b>	<b>84</b>	<b>85</b>	<b>86</b>
b. Pediatrics	1	1	1	1	1	1	1	1	1	1	1	1
c. Obstetrics	11	10	10	11	11	11	11	11	11	11	11	11
e. Psych	-	8	8	8	8	8	8	8	11	11	11	12
f. Rehabilitation	11	8	8	9	9	9	10	10	10	11	11	12
<b>Total Acute</b>	<b>93</b>	<b>102</b>	<b>103</b>	<b>106</b>	<b>107</b>	<b>108</b>	<b>110</b>	<b>111</b>	<b>115</b>	<b>118</b>	<b>119</b>	<b>122</b>
g. Other (Specify/add rows of needed)												
<b>TOTAL LICENSED BEDS</b>	<b>93</b>	<b>102</b>	<b>103</b>	<b>106</b>	<b>107</b>	<b>108</b>	<b>110</b>	<b>111</b>	<b>115</b>	<b>118</b>	<b>119</b>	<b>122</b>

**TABLE F. STATISTICAL PROJECTIONS - UM SMC at Easton**

**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 (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<i>Indicate CY or FY</i>												
<b>5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE:</b> Leap year formulas should be changed by applicant to reflect 366 days per year.												
a. MSGA	73.6%	79.6%	80.0%	79.8%	80.0%	80.0%	80.0%	79.8%	80.0%	80.0%	80.0%	79.8%
<b>Total MSGA</b>	<b>73.6%</b>	<b>79.6%</b>	<b>80.0%</b>	<b>79.8%</b>	<b>80.0%</b>	<b>80.0%</b>	<b>80.0%</b>	<b>79.8%</b>	<b>80.0%</b>	<b>80.0%</b>	<b>80.0%</b>	<b>79.8%</b>
b. Pediatrics	5.5%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%
c. Obstetrics	46.5%	51.8%	52.1%	47.6%	48.1%	48.5%	48.9%	49.1%	49.6%	50.0%	50.4%	50.7%
e. Psych	0.0%	50.3%	69.0%	69.4%	70.3%	70.9%	71.6%	72.1%	71.1%	71.8%	72.5%	66.9%
f. Rehabilitation	75.7%	75.2%	78.1%	71.8%	74.8%	77.6%	72.6%	75.1%	78.3%	73.9%	76.8%	72.9%
<b>Total Acute</b>	<b>69.9%</b>	<b>73.7%</b>	<b>75.7%</b>	<b>74.4%</b>	<b>75.0%</b>	<b>75.4%</b>	<b>75.0%</b>	<b>75.2%</b>	<b>75.6%</b>	<b>75.3%</b>	<b>75.8%</b>	<b>74.7%</b>
i. Other (Specify/add rows of needed)												
<b>TOTAL OCCUPANCY %</b>	<b>69.9%</b>	<b>73.7%</b>	<b>75.7%</b>	<b>74.4%</b>	<b>75.0%</b>	<b>75.4%</b>	<b>75.0%</b>	<b>75.2%</b>	<b>75.6%</b>	<b>75.3%</b>	<b>75.8%</b>	<b>74.7%</b>
<b>6. OUTPATIENT VISITS (RVU's)</b>												
a. Emergency Department - Easton	25,354	24,931	25,144	25,363	25,588	25,819	26,056	26,300	26,551	26,809	27,074	27,347
d. Same Day Surgery	4,328	4,467	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538
e. Laboratory RVU's	3,053,290	3,492,427	3,522,275	3,552,935	3,584,435	3,616,801	3,650,064	3,684,252	3,719,396	3,755,529	3,792,682	3,830,890
f. Imaging RVU's	659,226	735,797	742,085	748,545	755,182	762,001	769,008	776,211	783,616	791,228	799,056	807,106
g. MRI RVU's	80,874	57,379	63,138	74,038	74,671	75,321	75,989	76,675	77,380	78,105	78,850	79,616
<b>TOTAL OUTPATIENT VISITS (RVU's)</b>	<b>3,823,072</b>	<b>4,315,001</b>	<b>4,357,181</b>	<b>4,405,420</b>	<b>4,444,413</b>	<b>4,484,480</b>	<b>4,525,656</b>	<b>4,567,977</b>	<b>4,611,481</b>	<b>4,656,209</b>	<b>4,702,200</b>	<b>4,749,497</b>

**TABLE F. STATISTICAL PROJECTIONS - UM SMC at Easton**

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Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>7. OBSERVATIONS**</b>												
a. Number of Patients - Easton	3,581	3,602	3,633	3,664	3,697	3,730	3,765	3,800	3,836	3,873	3,912	3,951
b. Hours - Easton	93,658	150,523	150,291	150,084	149,900	149,741	149,607	149,498	149,415	149,358	149,327	149,323

\* 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 - UM SMC at Easton & SHS Unregulated**

**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.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>1. REVENUE</b>												
a. Inpatient Services	\$ 111,566	\$ 126,543	\$ 122,858	\$ 122,675	\$ 123,276	\$ 123,732	\$ 124,173	\$ 124,090	\$ 131,531	\$ 131,439	\$ 131,363	\$ 131,287
b. Outpatient Services	\$ 172,055	\$ 204,244	\$ 186,661	\$ 188,048	\$ 188,341	\$ 188,391	\$ 188,433	\$ 188,245	\$ 201,238	\$ 201,036	\$ 200,859	\$ 200,681
<b>Gross Patient Service Revenues</b>	<b>\$ 283,621</b>	<b>\$ 330,787</b>	<b>\$ 309,519</b>	<b>\$ 310,724</b>	<b>\$ 311,617</b>	<b>\$ 312,123</b>	<b>\$ 312,605</b>	<b>\$ 312,336</b>	<b>\$ 332,769</b>	<b>\$ 332,475</b>	<b>\$ 332,221</b>	<b>\$ 331,968</b>
c. Deductions	\$ 57,479	\$ 60,086	\$ 57,528	\$ 57,752	\$ 57,918	\$ 58,012	\$ 58,102	\$ 58,052	\$ 61,850	\$ 61,795	\$ 61,748	\$ 61,701
<b>Net Patient Services Revenue</b>	<b>\$ 226,142</b>	<b>\$ 270,701</b>	<b>\$ 251,991</b>	<b>\$ 252,971</b>	<b>\$ 253,699</b>	<b>\$ 254,110</b>	<b>\$ 254,503</b>	<b>\$ 254,284</b>	<b>\$ 270,919</b>	<b>\$ 270,680</b>	<b>\$ 270,474</b>	<b>\$ 270,267</b>
d. Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e. Other Operating Revenue	\$ 12,462	\$ 11,145	\$ 7,405	\$ 7,405	\$ 7,405	\$ 7,405	\$ 7,405	\$ 7,405	\$ 7,405	\$ 7,405	\$ 7,405	\$ 7,405
<b>NET OPERATING REVENUE</b>	<b>\$ 238,604</b>	<b>\$ 281,846</b>	<b>\$ 259,396</b>	<b>\$ 260,377</b>	<b>\$ 261,104</b>	<b>\$ 261,516</b>	<b>\$ 261,909</b>	<b>\$ 261,689</b>	<b>\$ 278,325</b>	<b>\$ 278,085</b>	<b>\$ 277,879</b>	<b>\$ 277,672</b>
<b>2. EXPENSES</b>												
a. Salaries & Wages (including benefits)	\$ 90,231	\$ 101,632	\$ 102,118	\$ 100,163	\$ 98,284	\$ 96,544	\$ 94,864	\$ 95,251	\$ 95,782	\$ 96,305	\$ 96,833	\$ 97,366
b. Contractual Services	\$ 35,553	\$ 50,470	\$ 50,580	\$ 50,580	\$ 50,484	\$ 50,391	\$ 50,303	\$ 50,303	\$ 50,018	\$ 50,018	\$ 50,018	\$ 50,018
c. Interest on Current Debt	\$ 1,810	\$ 2,532	\$ 4,557	\$ 4,476	\$ 4,387	\$ 4,299	\$ 4,213	\$ 4,128	\$ 4,045	\$ 3,963	\$ 3,883	\$ 3,805
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,694	\$ 15,362	\$ 15,014	\$ 14,647
e. Current Depreciation and Amortization	\$ 14,224	\$ 13,334	\$ 18,559	\$ 16,387	\$ 15,578	\$ 15,764	\$ 15,080	\$ 15,152	\$ 12,809	\$ 13,358	\$ 14,002	\$ 14,648
f. Project Depreciation and Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,961	\$ 27,961	\$ 27,961	\$ 27,961
g. Supplies	\$ 30,386	\$ 32,660	\$ 32,911	\$ 29,036	\$ 28,526	\$ 28,066	\$ 27,654	\$ 27,848	\$ 28,101	\$ 28,276	\$ 28,453	\$ 28,632
h. Professional Fees	\$ 12,664	\$ 11,797	\$ 15,089	\$ 15,177	\$ 15,240	\$ 15,302	\$ 15,366	\$ 15,430	\$ 15,526	\$ 15,624	\$ 15,723	\$ 15,823
i. Insurance & Other	\$ 2,887	\$ 3,715	\$ 4,181	\$ 4,181	\$ 4,181	\$ 4,181	\$ 4,181	\$ 4,181	\$ 4,181	\$ 4,181	\$ 4,181	\$ 4,181
j. Fixed Cost Additions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 187,755</b>	<b>\$ 216,140</b>	<b>\$ 227,994</b>	<b>\$ 220,000</b>	<b>\$ 216,681</b>	<b>\$ 214,549</b>	<b>\$ 211,661</b>	<b>\$ 212,293</b>	<b>\$ 254,116</b>	<b>\$ 255,048</b>	<b>\$ 256,068</b>	<b>\$ 257,080</b>
<b>3. INCOME</b>												
a. Income From Operation	\$ 50,849	\$ 65,706	\$ 31,402	\$ 40,377	\$ 44,423	\$ 46,967	\$ 50,248	\$ 49,396	\$ 24,208	\$ 23,037	\$ 21,811	\$ 20,592
b. Non-Operating Income	\$ 28,052	\$ (20,369)	\$ 15,187	\$ 15,187	\$ 15,187	\$ 15,187	\$ 15,187	\$ 15,187	\$ 15,187	\$ 15,187	\$ 15,187	\$ 15,187
<b>SUBTOTAL</b>	<b>\$ 78,901</b>	<b>\$ 45,337</b>	<b>\$ 46,589</b>	<b>\$ 55,564</b>	<b>\$ 59,611</b>	<b>\$ 62,154</b>	<b>\$ 65,435</b>	<b>\$ 64,583</b>	<b>\$ 39,396</b>	<b>\$ 38,224</b>	<b>\$ 36,998</b>	<b>\$ 35,779</b>
c. Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET INCOME (LOSS)</b>	<b>\$ 78,901</b>	<b>\$ 45,337</b>	<b>\$ 46,589</b>	<b>\$ 55,564</b>	<b>\$ 59,611</b>	<b>\$ 62,154</b>	<b>\$ 65,435</b>	<b>\$ 64,583</b>	<b>\$ 39,396</b>	<b>\$ 38,224</b>	<b>\$ 36,998</b>	<b>\$ 35,779</b>

**TABLE G. REVENUES & EXPENSES, UNINFLATED - UM SMC at Easton & SHS Unregulated**

**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.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>4. PATIENT MIX</b>												
<b>a. Percent of Total Revenue</b>												
1) Medicare	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%
2) Medicaid	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%
3) Blue Cross	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
4) Commercial Insurance	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6) Other	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>b. Percent of Equivalent Inpatient Days</b>												
1) Medicare	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%
2) Medicaid	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%
3) Blue Cross	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
4) Commercial Insurance	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6) Other	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Values presented do not include Easton allocations of Shore Medical Group losses, which totaled \$19.48M in FY2021 and \$18.49M in FY2022. These will need to be added back in order to reconcile to the audited financial statements

**Table G – Key Financial Projection Assumptions for UM SMC at Easton & SHS Unregulated (Uninflated)**

Projection is based on the UM SMC at Easton & SHS Unregulated FY2023 budgeted revenues and expenses with assumptions identified below. These amounts do not include allocations of physician losses from Shore Medical Group

Projection period reflects FY2024 – FY2032

Volumes	— See Table F of the application for volume projections
<b>Patient Revenue</b> <ul style="list-style-type: none"> <li>• FY2024 <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 0.00%</li> <li>○ Quality Adjustments — -0.12%</li> <li>○ Other Rates — 0.40%</li> <li>○ Volume — 0.05%</li> <li>— Total — 0.33%</li> </ul> </li> <li>• FY2025 <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 0.00%</li> <li>○ Quality Adjustments — 0.00%</li> <li>○ Other Rates — 0.03%</li> <li>○ Volume — 0.05%</li> <li>— Total — 0.08%</li> </ul> </li> <li>• FY2026+ <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 0.00%</li> <li>○ Quality Adjustments — 0.00%</li> <li>○ Other Rates — -0.10%</li> <li>○ Volume — 0.05%</li> <li>— Total — -0.05%</li> </ul> </li> <li>• Deductions from Gross Revenue — 18.6%</li> <li>• Revenue Enhancements — In FY2029, Shore Health System will request a full rate adjustment of \$24.0M, equal to 50% of depreciation and interest related to the project — Includes an HSCRC Markup factor of 1.1</li> </ul>	
<b>Other Revenue</b> <ul style="list-style-type: none"> <li>• Other Operating Revenue Inflation — 2.0%</li> </ul>	
<b>Expenses</b> <ul style="list-style-type: none"> <li>• Inflation <ul style="list-style-type: none"> <li>○ Salaries &amp; Benefits — 0.0%</li> <li>○ Professional Fees — 0.0%</li> <li>○ Supplies — 0.0%</li> <li>○ Purchased Services — 0.0%</li> <li>○ Insurance &amp; Other — 0.0%</li> </ul> </li> <li>• Volume Variability <ul style="list-style-type: none"> <li>○ Salaries &amp; Benefits — 45.0%</li> <li>○ Professional Fees — 80.0%</li> <li>○ Supplies — 50.0%</li> <li>○ Purchased Services — 50.0%</li> <li>○ Insurance &amp; Other — 0.0%</li> </ul> </li> <li>• Interest Expense <ul style="list-style-type: none"> <li>○ Project Debt — Interest expense on \$333.3M proceeds from a 30-year issuance of debt at an interest rate of 5%</li> </ul> </li> <li>• Depreciation and Amortization — Reflects depreciation on a \$539.6M project with a weighted average useful life of 19.2 years</li> <li>• Shore Medical Group Physician Loss Allocations — Easton allocations of Shore Medical Group physician losses, totaling \$19.48M in FY2021 and \$18.49M in FY2022 are not included in this projection. This will need to be added back in order to reconcile to the audited financial statements</li> <li>• Performance Improvements <ul style="list-style-type: none"> <li>○ Identified PI: <ul style="list-style-type: none"> <li>— Agency Reductions — \$6.0M by FY2027</li> <li>— FTE Savings — \$2.5M by FY2027</li> <li>— 340B Savings — \$4.0M in drug savings &amp; \$1.0M in other savings by FY2027</li> <li>— Inventory Management — \$2.0M by FY2027</li> <li>— Other PI — \$0.5M by FY2027</li> </ul> </li> <li>○ Total Identified PI: — \$15.0M by FY2027 (cumulative)</li> <li>○ Unidentified PI: — No unidentified PI included in the projection</li> </ul> </li> </ul>	

TABLE H. REVENUES & EXPENSES, INFLATED - UM SMC at Easton & SHS Unregulated

**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.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>1. REVENUE</b>												
a. Inpatient Services	\$ 111,566	\$ 126,543	\$ 122,858	\$ 125,719	\$ 129,538	\$ 133,288	\$ 137,134	\$ 140,501	\$ 152,691	\$ 156,448	\$ 160,297	\$ 164,240
b. Outpatient Services	\$ 172,055	\$ 204,244	\$ 186,661	\$ 192,714	\$ 197,908	\$ 202,941	\$ 208,101	\$ 213,142	\$ 233,613	\$ 239,287	\$ 245,100	\$ 251,053
<b>Gross Patient Service Revenues</b>	<b>\$ 283,621</b>	<b>\$ 330,787</b>	<b>\$ 309,519</b>	<b>\$ 318,433</b>	<b>\$ 327,446</b>	<b>\$ 336,230</b>	<b>\$ 345,235</b>	<b>\$ 353,643</b>	<b>\$ 386,304</b>	<b>\$ 395,735</b>	<b>\$ 405,396</b>	<b>\$ 415,293</b>
c. Deductions	\$ 57,479	\$ 60,086	\$ 57,528	\$ 59,185	\$ 60,860	\$ 62,493	\$ 64,167	\$ 65,729	\$ 71,800	\$ 73,553	\$ 75,348	\$ 77,188
<b>Net Patient Services Revenue</b>	<b>\$ 226,142</b>	<b>\$ 270,701</b>	<b>\$ 251,991</b>	<b>\$ 259,248</b>	<b>\$ 266,586</b>	<b>\$ 273,737</b>	<b>\$ 281,068</b>	<b>\$ 287,914</b>	<b>\$ 314,504</b>	<b>\$ 322,182</b>	<b>\$ 330,048</b>	<b>\$ 338,105</b>
d. Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e. Other Operating Revenue	\$ 12,462	\$ 11,145	\$ 7,405	\$ 7,553	\$ 7,704	\$ 7,859	\$ 8,016	\$ 8,176	\$ 8,340	\$ 8,506	\$ 8,676	\$ 8,850
<b>NET OPERATING REVENUE</b>	<b>\$ 238,604</b>	<b>\$ 281,846</b>	<b>\$ 259,396</b>	<b>\$ 266,801</b>	<b>\$ 274,290</b>	<b>\$ 281,595</b>	<b>\$ 289,084</b>	<b>\$ 296,090</b>	<b>\$ 322,844</b>	<b>\$ 330,689</b>	<b>\$ 338,724</b>	<b>\$ 346,955</b>
<b>2. EXPENSES</b>												
a. Salaries & Wages (including benefits)	\$ 90,231	\$ 101,632	\$ 102,118	\$ 103,167	\$ 104,270	\$ 105,496	\$ 106,771	\$ 110,422	\$ 114,368	\$ 118,443	\$ 122,666	\$ 127,040
b. Contractual Services	\$ 35,553	\$ 50,470	\$ 50,580	\$ 51,591	\$ 52,523	\$ 53,476	\$ 54,449	\$ 55,538	\$ 56,328	\$ 57,455	\$ 58,604	\$ 59,776
c. Interest on Current Debt	\$ 1,810	\$ 2,532	\$ 4,557	\$ 4,476	\$ 4,387	\$ 4,299	\$ 4,213	\$ 4,128	\$ 4,045	\$ 3,963	\$ 3,883	\$ 3,805
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,694	\$ 15,362	\$ 15,014	\$ 14,647
e. Current Depreciation and Amortization	\$ 14,224	\$ 13,334	\$ 18,559	\$ 16,387	\$ 15,578	\$ 15,764	\$ 15,080	\$ 15,152	\$ 12,809	\$ 13,358	\$ 14,002	\$ 14,648
f. Project Depreciation and Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,961	\$ 27,961	\$ 27,961	\$ 27,961
g. Supplies	\$ 30,386	\$ 32,660	\$ 32,911	\$ 30,082	\$ 30,617	\$ 31,208	\$ 31,856	\$ 33,235	\$ 34,744	\$ 36,219	\$ 37,757	\$ 39,363
h. Professional Fees	\$ 12,664	\$ 11,797	\$ 15,089	\$ 15,633	\$ 16,168	\$ 16,721	\$ 17,294	\$ 17,887	\$ 18,539	\$ 19,216	\$ 19,918	\$ 20,645
i. Insurance and Other	\$ 2,887	\$ 3,715	\$ 4,181	\$ 4,265	\$ 4,350	\$ 4,437	\$ 4,526	\$ 4,616	\$ 4,709	\$ 4,803	\$ 4,899	\$ 4,997
<b>TOTAL OPERATING EXPENSES</b>	<b>\$187,755</b>	<b>\$216,140</b>	<b>\$227,994</b>	<b>\$225,601</b>	<b>\$227,893</b>	<b>\$231,402</b>	<b>\$234,190</b>	<b>\$240,979</b>	<b>\$289,197</b>	<b>\$296,780</b>	<b>\$304,703</b>	<b>\$312,882</b>
<b>3. INCOME</b>												
a. Income From Operation	\$ 50,849	\$ 65,706	\$ 31,402	\$ 41,200	\$ 46,397	\$ 50,194	\$ 54,894	\$ 55,110	\$ 33,647	\$ 33,909	\$ 34,021	\$ 34,073
b. Non-Operating Income	\$ 28,052	\$ (20,369)	\$ 15,187	\$ 15,491	\$ 15,801	\$ 16,117	\$ 16,439	\$ 16,768	\$ 14,303	\$ 17,445	\$ 17,794	\$ 18,150
<b>SUBTOTAL</b>	<b>\$ 78,901</b>	<b>\$ 45,337</b>	<b>\$ 46,589</b>	<b>\$ 56,691</b>	<b>\$ 62,198</b>	<b>\$ 66,311</b>	<b>\$ 71,334</b>	<b>\$ 71,879</b>	<b>\$ 47,950</b>	<b>\$ 51,354</b>	<b>\$ 51,816</b>	<b>\$ 52,223</b>
c. Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET INCOME (LOSS)</b>	<b>\$ 78,901</b>	<b>\$ 45,337</b>	<b>\$ 46,589</b>	<b>\$ 56,691</b>	<b>\$ 62,198</b>	<b>\$ 66,311</b>	<b>\$ 71,334</b>	<b>\$ 71,879</b>	<b>\$ 47,950</b>	<b>\$ 51,354</b>	<b>\$ 51,816</b>	<b>\$ 52,223</b>

**TABLE H. REVENUES & EXPENSES, INFLATED - UM SMC at Easton & SHS Unregulated**

**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 (Actual)		Current Year Budgeted	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.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
<b>4. PATIENT MIX</b>												
<b>a. Percent of Total Revenue</b>												
1) Medicare	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%	55.7%
2) Medicaid	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%
3) Blue Cross	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
4) Commercial Insurance	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6) Other	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>b. Percent of Equivalent Inpatient Days</b>												
<b>Total MSGA</b>												
1) Medicare	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%	59.2%
2) Medicaid	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%
3) Blue Cross	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
4) Commercial Insurance	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6) Other	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Values presented do not include Easton allocations of Shore Medical Group losses, which totaled \$19.48M in FY2021 and \$18.49M in FY2022. These will need to be added back in order to reconcile to the audited financial statements

**Table H – Key Financial Projection Assumptions for UM SMC at Easton & SHS Unregulated (Includes HSCRC Annual Update Factors & Expense Inflation)**

Projection is based on the UM SMC at Easton & SHS Unregulated FY2023 budgeted revenues and expenses with assumptions identified below. These amounts do not include allocations of physician losses from Shore Medical Group

Projection period reflects FY2024 – FY2032

Volumes	— See Table F of the application for volume projections
<b>Patient Revenue</b> <ul style="list-style-type: none"> <li>• FY2024 <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 2.48%</li> <li>○ Quality Adjustments — -0.12%</li> <li>○ Other Rates — 0.40%</li> <li>○ Volume — <u>0.05%</u></li> <li>— Total 2.81%</li> </ul> </li> <li>• FY2025 <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 2.50%</li> <li>○ Quality Adjustments — 0.00%</li> <li>○ Other Rates — 0.03%</li> <li>○ Volume — <u>0.05%</u></li> <li>— Total 2.58%</li> </ul> </li> <li>• FY2026+ <ul style="list-style-type: none"> <li>○ HSCRC Inflation Factor — 2.50%</li> <li>○ Quality Adjustments — 0.00%</li> <li>○ Other Rates — -0.10%</li> <li>○ Volume — <u>0.05%</u></li> <li>— Total 2.45%</li> </ul> </li> <li>• Deductions from Gross Revenue — 18.6%</li> <li>• Revenue Enhancements — In FY2029, Shore Health System will request a full rate adjustment of \$24.0M, equal to 50% of depreciation and interest related to the project — Includes an HSCRC Markup factor of 1.1</li> </ul>	
<b>Other Revenue</b> <ul style="list-style-type: none"> <li>• Other Operating Revenue Inflation — 2%</li> </ul>	
<b>Expenses</b> <ul style="list-style-type: none"> <li>• Inflation <ul style="list-style-type: none"> <li>○ Salaries &amp; Benefits — 3.0%</li> <li>○ Professional Fees — 3.6%</li> <li>○ Supplies — 3.0%</li> <li>○ Purchased Services — 2.0%</li> <li>○ Insurance &amp; Other — 2.0%</li> </ul> </li> <li>• Volume Variability <ul style="list-style-type: none"> <li>○ Salaries &amp; Benefits — 45%</li> <li>○ Professional Fees — 80%</li> <li>○ Supplies — 50%</li> <li>○ Purchased Services — 50%</li> <li>○ Insurance &amp; Other — 0%</li> </ul> </li> <li>• Interest Expense <ul style="list-style-type: none"> <li>○ Project Debt — Interest expense on \$333.3M proceeds from a 30-year issuance of debt at an interest rate of 5%</li> </ul> </li> <li>• Depreciation and Amortization — Reflects depreciation on a \$539.6M project with a weighted average useful life of 19.2 years</li> <li>• Shore Medical Group Physician Loss Allocations — Easton allocations of Shore Medical Group physician losses, totaling \$19.48M in FY2021 and \$18.49M in FY2022 are not included in this projection. This will need to be added back in order to reconcile to the audited financial statements</li> <li>• Performance Improvements <ul style="list-style-type: none"> <li>○ Identified PI: <ul style="list-style-type: none"> <li>— Agency Reductions — \$6.0M by FY2027</li> <li>— FTE Savings — \$2.5M by FY2027</li> <li>— 340B Savings — \$4.0M in drug savings &amp; \$1.0M in other savings by FY2027</li> <li>— Inventory Management — \$2.0M by FY2027</li> <li>— Other PI — <u>\$0.5M by FY2027</u></li> </ul> </li> <li>○ Total Identified PI: — \$15.0M by FY2027 (cumulative)</li> <li>○ Unidentified PI: — No unidentified PI included in the projection</li> </ul> </li> </ul>	