



June 2, 2023

VIA Email & U.S. MAIL

Ms. Jessica Farrar
Vice President of Strategic Planning and Decision Support
2001 Medical Parkway
Annapolis, Maryland, 21401

Re: Luminous Health
Doctors Community Medical Center
Second Completeness
Docket # 23-16-2466

Dear Ms. Farrar:

Commission staff has reviewed the Certificate of Need (CON) Completeness Response from May 16, 2023, which has been determined to be incomplete. The HSCRC has also reviewed your responses and has additional questions, therefore please provide responses to the questions below:

Table D MVS

1. Please provide more detail on the impact “extraordinary costs” had on the MVS calculation.
2. Regarding Exhibit 1, Table D, the corrected Table D is the same version of the table that was submitted with the CON application. Please provide a corrected Table D that identifies the total site and off-site costs included and excluded from the MVS analysis for the revised \$139,623,357 in new construction costs.

Table E Budget

3. The average useful life of acquired assets used in this Table is approximately 36 years. Based on other recent CON reviews of large capital projects, the average useful life used is approximately 25 years. Given that overly optimistic life expectancy drives down annual depreciation expense, please justify the use of this assumption by line-item assets.
4. What is the anticipated date of bond financing?

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5. Please identify the obligated group for the bond.
6. What are the expected dates of construction completion for each of the three phases?
7. In Uses of Funds, assuming borrowing precedes the construction, please provide detail related to the provision for capitalized interest.
8. In Sources of Funds, assuming borrowing precedes the construction, please provide details related to the provision for interest earnings on bond proceeds.
9. What is the estimated MVS exclusion value, if any?
10. Under “Other Capital Costs” there is now a blank next to “Prevailing Wages”, please explain this change.
11. Regarding the response to Question #7(b), please provide the bond issue costs and the \$628,629 under Table E, Financing Costs and Other Cash Requirements.
12. Regarding the response to Question #13, as previously requested, please provide details on how LHDCMC would address if the requested rate relief from the HSCRC is not granted.

Table G Revenues and Expenses Uninflated Entire Facility

13. What is the value of GBR for FY 2023 as per the rate file?
14. It appears that top line revenues grow by 14.3% from 2022 to 2023, what is the basis for the increase?
15. Excluding incremental revenue for OB service introduction and assumed Incremental Capital Award, what is the assumed basis for uninflated top line revenue growth?
16. What is the formula for projecting top line OB service revenue from 2027 through 2033?
17. Explain the high-level formula for projecting a \$4.2 million annual GBR award for capital.
18. Note estimated average annual per books depreciation expense (with 36-year life) = \$7.9 million. Please make any needed changes.



19. Note estimated average annual per books depreciation expense (with 25-year life) = \$11.3 million. Please make any needed changes.
20. Why does contra revenue percent change from 18.3% to 16.0% through the years projected?
21. Explain why projected “non-patient other” operating revenue falls from over \$7 million to just \$2.5 million through the years.
22. Interest on current debt would be expected to fall as years progress and loans are paid down, please explain why it remains flat?
23. Interest of project debt would be expected to fall with the amortization of bonds, following completion of construction and commencement of operation, please explain why it remains flat?
24. Current depreciation expense is expected to fall as assets become depreciated, please explain why it remains flat?
25. Supply expense is expected to change with patient volume measures, which grow at 2.5% CAGR, please explain why a 0.2% CAGR growth is projected?

Table H Revenues and Expenses Inflated Entire Facility

26. Payroll expense is growing at 2.8% CAGR, while Table G grows at 2.5% CAGR. Payroll for 2033 is 3% higher than the same for Table G. What is the assumed inflation rate on payroll?
27. Interest expense and depreciation expense should not be inflated, but rather should be the same as value on Table G. Please make any needed changes.
28. Supply expense should grow with patient volumes plus inflation. Please make any needed changes.

Table J Uninflated New Service

29. What methodology was used for projecting top line OB service revenue from 2027 through 2033?
30. Please explain the contra revenue % change from 12.6% to 15.6% over the years projected?

General Surgical

31. Regarding the response to Question #25, in response to Paragraph .05A (2), please identify where on Luminis Health website patients would be able to review the types



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and volumes of surgical procedures performed at Doctor's Hospital for the most recent 12 months available.

32. Regarding the response to Question #27 and Tables 27 through 29, provide a breakdown of the inpatient and outpatient surgical cases and surgical minutes similar to the format used in response to Question #31, Table 33 on p. 25 for (a) 66-month construction period and (b) the first three years after project completion.

Other

33. Please include balance sheet projections.
34. Regarding the response to Question #28, please complete ambulatory surgery CON application Addendum B Providing Individual Physician Volume Data for each of the eleven surgeons that LHDCMC will recruit to the general surgical services program. Please provide the surgical cases and volume for the two current and three projected years and identify where each of these surgeons currently perform their surgical procedures. For these eleven surgeons, please respond to the standard at Paragraph .05B(9)(b) Impact and the effect the relocation of these eleven surgeons will have on the hospitals where each surgeon currently practices.

Please submit four copies of the responses to the above questions and requests for additional information within ten working days of receipt. Also submit the response electronically, in both Word and PDF format, to Ruby Potter (ruby.potter@maryland.gov) and mhcc.confilings@maryland.gov. If additional time is needed to prepare a response, please let me know at your earliest convenience.

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

Should you have any questions regarding this matter, please contact me at (410) 764-3371.

Sincerely,



Jeanne Marie Gawel, Program Manager, CON



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cc:

Marta Harding, Esquire
Wynee Hawk, Director Health Care Facilities Planning and Development
Ruby Potter
Caitlin Tepe, AAG
Alexa Bertinelli, AAG
Sanmi Areola PhD, Health Officer, Prince George's County Health Department
Bill Chan



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