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December 29, 2017

VIA E-MAIL AND REGULAR MAIL

James C. Buck, Esquire
Gallagher, Evelius & Jones, L.L.P.
218 North Charles Street, Suite 400
Baltimore, Maryland 21201

Re: Request for Exemption from Certificate of Need Review Consolidation of University of Maryland Harford Memorial Hospital and University of Maryland Upper Chesapeake Medical Center

Dear Mr. Buck:

Based on a review of the above-referenced request for exemption from Certificate of Need review, staff has the following questions and requests for additional information or clarification:

State Health Plan Standards

Bed Need

1. A reduction in observation patient discharges of approximately 11% and a reduction in observation patient length of stay of 0.2 days (13.3%) was projected for University of Maryland Upper Chesapeake Medical Center ("UCMC") between FY 2017 and FY 2019. This projection reflects the discussion of high use of observation status at UCMC on pages 16 and 17 of the request.

    A. Does experience to date indicate that UCMC is on track for achieving the projected reductions?
    B. What proportion of the reduction in observation patients is projected to result from admission of short-stay patients who, in recent years, had been served as relatively longer-stay observation patients?

2. Given that the project will establish the first dedicated observation unit at UCMC, how many bed days for existing general medical/surgical beds will be freed up for use by admitted patients after the observation unit goes into operation?

3. From Table F, Exhibit 9 of the response to completeness questions on the other exemption request on file from Upper Chesapeake Health, we see that UCMC projects 11.449 observation patient days in FY 2017, presumably all of which are being accommodated in general medical/surgical patient rooms. We also see that University of Maryland Harford Memorial Hospital ("HMH") is projected to experience 14,318 general medical/surgical patient days in FY 2017, only 2,869 more patient days than the observation patient day total at UCMC, representing an average daily census of just 7.9 patients. Given that all of the observation patient days currently experienced at UCMC will be eliminated from the general medical/surgical nursing units at UCMC, why is it necessary to construct an additional 41 general medical/surgical patient rooms at UCMC to accommodate general medical/surgical patient census that will transfer from HMH to UCMC after the conversion of HMH to a freestanding medical facility ("FMF")?

4. Related to Question 3, we also see from the same Table F, Exhibit 9, that general medical/surgical discharges at UCMC are projected to increase by 12% between FY 2016 and FY 2021, the last year before HMH converts to an FMF, with a corresponding increase of 13% in general medical/surgical patient days at UCMC over the same period, resulting from a 1% increase in average length of stay ("ALOS"). In contrast, general medical/surgical discharges at HMH are projected to increase 24% between FY 2016 and FY 2021 and, remarkably, general medical/surgical patient days are projected to increase 43% over this same period, due to an increase in ALOS for such patients of 15% at HMH. The historic context for these projections are, based on MHCC analysis of the HSCRC discharge data base, a decline of 33% in medical/surgical/gynecological/ addictions ("MSGA") discharges at HMH in the ten year period of CY 2006 to CY 2016 and a 7% decline in MSGA discharges at UCMC over the same period.

   A. How can these projections be viewed as credible in light of the recent history of medical/surgical bed demand at Harford County hospitals?
   B. How does the applicant explain the contrast in projections of general medical/surgical bed demand and ALOS between UCMC and HMH for the period FY 2016 and FY 2021?

<u>Costs and Effectiveness</u>

5. No cost estimates are provided for the five alternative approaches to expansion of UCMC described on pages 28 to 31 of the request. But the applicant's "analysis" of the options refers to a "review of the cost and benefits of the available options."

   Provide a more comprehensive discussion of the "costs and benefits" of the alternative considered than the single paragraph on page 31. Explicitly discuss the effectiveness of each alternative in terms of the project's key objective – providing the likely additional space needed to provide the inpatient services that will no longer be available at HMH after its conversion to an FMF. (Secondary "benefits" can be assessed and appropriately considered within the context of "cost/effectiveness" in reaching final conclusions, but the initial assessment should compare and contrast the particular effectiveness of providing more bed space, given that this is essentially the only need directly addressed by the chosen Option 1A, with respect to the conversion of HMH.)

6. The other exemption request states that "the existing (HMH) physical plant has outlived its useful life" and "renovation of the facility (HMH) is not cost effective" and notes the "practical" limitations for any expansion of the existing HMH campus. It also states that relocation and replacement of HMH was "considered but determined not to be cost effective and was viewed disfavorably by the Commission Staff and the staff of the Health Services Cost Review Commission."

   However, neither exemption request provides a substantive discussion of this threshold issue. (The other request notes that "approximately $100 million" would be required to modernize the HMH physical plan to achieve the statewide average age of plant.) As an issue pertinent to both exemption requests and as a useful addition to the record, please provide a broader perspective on the alternative of maintaining a second general hospital operation in Havre de Grace area, which would obviate the need for this project and involve a substantially different development plan for the Bulle Rock site involving relocation and replacement of HMH. Provide a perspective on the cost estimates and feasibility assessment developed by Upper Chesapeake Health in reaching a decision that continued operation of a second general hospital in Harford County was not cost effective and/or financially feasible.

Please submit four copies of the responses to 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). 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) 764-3261.

Sincerely,

Paul E. Parker, Director
Health Care Facilities Planning & Development

cc: Lyle E. Sheldon, President and CEO, UM Upper Chesapeake Health System
Kevin McDonald
Russell W. Moy, M.D., Health Officer, Harford County