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November 19, 2019

VIA E-MAIL AND REGULAR MAIL

Robin Luxon, Vice President
University of Maryland Upper Chesapeake Health System
520 Upper Chesapeake Drive
Bel Air, Maryland 21014

Re: Modified Certificate of Need Application to Establish a Specialty Psychiatric Hospital at Aberdeen
Matter No. 18-12-2436

Dear Ms. Luxon:

Maryland Health Care Commission staff has reviewed the modified Certificate of Need (CON) application to establish a 33-bed specialty psychiatric hospital in Aberdeen, Maryland as part of a larger initiative to reorganize health care delivery in Harford County. Based on that review, staff has the following questions and requests for additional information or clarification.

Comparison to Prior Iteration of the Project

1. In the modified application, the number of acute inpatient psychiatric beds was reduced from 40 to 33. However, despite this bed reduction both space (by 2,448 BGSF/3.4%) and estimated project cost increased, the cost quite significantly, from about $53.9 million to almost $63 million (17%).
   a) Why did the reduced number of beds not result in downsizing the building's footprint?
   b) Explain in detail what drove the cost increase, with a table comparing the line items.
   c) Explain the increased BGSF.
   d) Explain how the space originally allocated to the 7 reduced inpatient beds will be used.

2. On p. 11, the application asserts that the "proposed project/program square footage per bed falls well within the expected and customary range for such facilities," citing a previous MHCC decision (Sheppard Pratt at Elkridge, Docket No. 15-15-2367). Please provide broader-sourced benchmarking evidence that the sizing is appropriate.

3. The applicant projects a need for 33 beds based on population, use rates for inpatient psychiatric care, and market share assumptions. That analysis does not suggest a need for more inpatient services in the foreseeable future, and the project's allocation of space to outpatient services is already significant.

    a) In light of this, please justify the almost 5300 SF of shell space.

    b) Explain why a future expansion of outpatient services would not be better accommodated in the adjacent building, rather than building speculative space in the proposed special psychiatric hospital.

State Health Plan Standards

4. Standard AP6 requires "separate written quality assurance programs, program evaluations and treatment protocols for special populations including...patients with secondary diagnosis of substance use, and geriatric patients." Staff cannot find distinct *quality assurance programs*, *program evaluations,* or treatment *protocols* for the classes of patients identified in the standard (patients with secondary diagnosis of substance use, and geriatric patients) within the documents submitted in Exhibit 9. Please excerpt the relevant passages with citations to the documents in which they can be found. (An alternative way to submit this response would be to highlight and note the relevant sections within the document in which they are contained.)

5. Standard AP 11 requires that a special psychiatric hospital "must document that the age-adjusted average total cost for an acute psychiatric admission [not exceed that of] the...acute general psychiatric units in the local health planning area." Regarding Table 4:
    a) The notes accompanying Table 4 do not appear to show what (3) and (4) apply to.
    b) Please explain the logic behind each step of the calculations, as well as the conclusions reached.
    c) Up until age 65, the applicant projects that its CMI will be lower than the areawide average, while for the cohorts above 65 the CMI is significantly higher. Please explain the assumptions and rationale.

6. (AP 14) MHCC does not have a letter acknowledging awareness of the project from the Maryland Department of Health.

Need

7. Please provide a list of sources for each table in the application. While three sources were generally identified, each table should have a specific citation.

8. Use rates per 1000 is discussed on page 42 and in Table 10. What is the unit of measure? Admissions per thousand? Days per thousand? It does not appear to be stated and staff does not want to make an assumption.

9. The table below has been drawn from application Tables F and I. Staff has several questions relating to these projections.

	Actual		Projected			Projections at Aberdeen			Change, '21 – '22	Change, '19 – '24
	2017	2018	2019	2020	2021	2022	2023	2024	Projected last year at HMH and 1st year at Aberdeen	Current year projections compared to 3rd year at Aberdeen
Acute psych discharges	1,233	1,195	1,185	1,191	1,197	1,313	1,320	1,328	9.6%	12%
Acute psych days	7,486	7,737	7,735	7,993	8,057	9,358	9,445	9,535	16%	23.3%
Acute psych ALOS	6.07	6.47	6.53	6.71	6.73	7.13	7.15	7.18	5.9%	10%
Outpatient psych clinic	5,646	5,759	5,874	5,992	6,111	6,234	6,358	6,485	2%	10.4%
Intensive outpatient program	1,443	1,362	1,286	1,214	1,146	1,593	1,625	1,658	39%	28.9%
Partial hospitalization	0	0	1,300	2,600	2,600	3,900	5,200	5,200	50%	300%

a) In an environment in which adult psychiatric admissions have been falling, across the state and at HMH, please explain projection of an immediate increase of almost 10% in the first year at Aberdeen. Fully explain the assumptions underlying the healthy increase in projected discharges.
b) Please explain how the intensive outpatient program will reverse an actual and projected volume decline (2017 – 2021) to attain a 39% increase in the first year at Aberdeen.
c) Table 13 forecasts that market share will increase from a projected 16.1% in 2021 to 20.7% at the new facility. Please explain the dynamic that is expected to create that shift. Include a discussion of whether any particular geographic, demographic or clinical market segments will drive that shift, and where those patients are going currently.
d) It appears that the partial hospitalization program was initiated in 2019 and is projected to see 1300 patients. On what time period, and what volume was the projection of 1300 built? Also explain the factors and dynamics that lead to such robust program growth.

Availability of More Cost Effective Alternatives

10. Please provide a narrative explaining what Table 30 demonstrates, and describing the calculations and assumptions contributing to its construction.

11. The application states that:

> Pending an agreement with the HSCRC regarding distribution of HMH's global budget revenue, an increase in rates from the HSCRC will not be required under Alternative 4, which includes the proposed project. UM UCH is negotiating with the HSCRC to reallocate revenue from HMH's global budget revenue cap to cover capital expenses and volume redistribution at UC Behavioral Health, UCMC, and UC FMF. Assuming that a sufficient amount of HMH's global budget revenue cap is reallocated within UM UCH, UM UCH anticipates that an increase in rates will not be required under Alternative 4 described in response to COMAR 10.24.01.08G(3)(c).

Please discuss what progress has been made in these discussions with HSCRC. If possible, provide documentation from HSCRC regarding an agreement.

13. The application also states:

> Pending final approval from the HSCRC regarding distribution of HMH's global budget revenue, the proposed project would also provide Maryland system saving of $2.8 million annually due to the hospital's reimbursement being based on the Medicare prospective payment system and a reduction in rates for Medicaid utilization.

Please explain how that savings would be realized.

Construction Costs and Cost Effectiveness of Alternatives

14. Please respond to the following set of questions relating to the nature and/or cost of the construction.

a) In the existing medical office building, please describe the type of work that will take place at a total cost of $2,654,630.

b) Please complete the following table, so as to restate the information in Exhibit 1, Table B – New Construction in a form that allows MHCC staff to understand the space allocation by department or service(s) by floor, and the square footage of each.

Lower Level		**Second Floor**		**Third Floor**	
13,475 SF		**44,385 SF**		**1,942 SF**	
Dept. / Service	SF	Dept. / Service	SF	Dept. / Service	SF

c) There is an inconsistency in your project description (p.7), which states that the combined gross square footage of the facility will be 141,235; however, it also states that UC Behavioral Health will total 74,892 gross SF, and the freestanding medical facility 69,343 gross SF (which totals 144,235 gross SF). The latter set of numbers is what you entered onto the respective Table Bs for both the FMF and behavioral health components. Please confirm the space allotments, and total.

15. Culling data from Table C-Construction Characteristics, Table D-Onsite and Offsite Costs Included and Excluded, and Table E-Project Budget, MHCC staff calculated a Marshall Valuation Service benchmark value of $350.02 per SF while the project cost per SF of new

construction comes to $443.18 per SF, exceeding the benchmark by $93.16 per SF (a total excess of $5,571,084), or almost 27%. Please explain this apparent excess cost.

Project Budget

16. Please explain the data and/or assumptions underlying the: a) $4.2 million in contingency allowance; b) $5.3 million in Gross Interest during construction period and; c) projected inflation allowance of $1.7 million.

17. The CON application assistance seems quite excessive compared to other projects MHCC has seen. Please explain how it was incurred and calculated.

18. Given substantial profits and cash reserves, the applicant proposes to fund this project entirely through borrowing. Please explain why this is financially prudent and beneficial to the citizens of Maryland.

19. For the record, please confirm that the entries in Tables G, H, J, and K are in thousands ('000s).

20. Please file an amended workforce table (Table L) reflecting the positions currently dedicated to the acute inpatient psychiatric unit at HMH in the *CURRENT ENTIRE FACILITY* columns.

Please submit four copies of the responses to completeness questions and the additional information requested in this letter within ten working day of receipt. Also submit a response electronically, in both Word and PDF format, to Ruby Potter (ruby.potter@maryland.gov).

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

Should you have any questions regarding this matter, feel free to contact either me at (410)764-5982 or Eric Baker at (410)764-8782.

Sincerely,

Kevin McDonald
Chief, Certificate of Need

cc: Lyle E. Sheldon, President and CEO, UM Upper Chesapeake Health System
Russell Moy, M.D., Acting Health Officer, Harford County
James C. Buck, Esq., Gallagher, Evelius & Jones, L.L.P.
Paul Parker, MHCC
Eric Baker, MHCC