

Maryland Health Care Commission

Certificate of Need

TO: Walter Furlong
Vice President of Strategy/Business Development
University of Maryland St. Joseph Medical Center
7601 Osler Drive, Towson, MD 21204

October 16, 2018
Date

RE: Replacement and Update of Surgical Facilities and Cardiac Unit at
University of Maryland St. Joseph Medical Center

18-03-2415
Docket No.

PROJECT DESCRIPTION

This Certificate of Need authorizes University of Maryland St. Joseph Medical Center (“SJMC”) to replace and update its current surgical facilities and cardiac care unit (“CCU”). SJMC currently has 17 ORs in service: 12 mixed-use, general purpose ORs; three special purpose ORs (one “hybrid” OR designed for certain types of cardiovascular cases and two other conventional cardiac ORs), and two labor and delivery ORs. SJMC’s existing surgical facilities have an average age of 27 years, and do not meet current industry standards for size and space. Similarly, the CCU’s cardiac catheterization laboratory spaces are undersized by current industry standards and are located in two separate areas within the hospital, which is inefficient.

SJMC has received Commission approval to replace and renovate the outdated operating rooms, the five cardiac catheterization labs, the interventional procedure labs, and the prep-recovery areas serving the surgical services department. Implementation of the project will be in five phases and include both new construction (316 SF) and renovation of existing space (87,174 SF) for a combined total of 87,490 SF. It will create newly configured spaces within the hospital.

Upon completion of the proposed project, SJMC will see a net reduction of one operating room in its current operational OR capacity (a mixed-use general purpose OR) three cardiac catheterization labs, and three CSU rooms. The total ORs that will be in service upon completion of this project includes: 11 Mixed Use General Purpose ORs; three Special Purpose ORs (one Hybrid and two Cardiac); and two Labor and Delivery ORs.

The project is estimated to cost \$60,000,000, including:

- \$36.8 million for the building renovations; \$17.4 million in other capital costs; \$2.9 million as an inflation allowance;
- \$615,000 for new construction; and
- \$2.4 million in financing costs and other cash requirements.

SJMC anticipates funding the project with about \$40 million in cash reserves and escrow funds; and \$20 million in philanthropic contributions.

ORDER

The Maryland Health Care Commission reviewed the Staff Report and Recommendation and, based on that analysis and the record in the review, ordered, on October 16, 2018, that a Certificate of Need be issued for the project, subject to the following condition:

Any rate increase proposed by the hospital related to the capital cost of the project shall not include the amount of the projected construction cost for the space that exceeds the per bed square footage limitation in COMAR 10.24.10.04B(9) or those portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure that are based on the excess space.

PERFORMANCE REQUIREMENTS

In accordance with the conditions of the Certificate of Need set forth above and COMAR 10.24.01.12C(3)(g), the project is subject to the following performance requirements:

1. Obligation of not less than 51 percent of the approved capital expenditure for the entire project, as documented by a binding construction contract, within 12 months of the date of this Certificate of Need;
2. Initiation of construction no later than four months after the effective date of the binding construction contract; and
3. Up to 24 months after the effective date of the binding construction contract to complete the first approved phase of construction;
4. Up to 24 months to complete Phases 2 through 5 after completion of the previous phase.

Failure to meet these performance requirements will render this Certificate of Need void, subject to the requirements of COMAR 10.24.01.12F through I.

PROPOSED CHANGES TO APPROVED PROJECT

Before making any changes to the facts in the Certificate of Need application and other information provided to the Commission, University of Maryland St. Joseph Medical Center must notify the Commission in writing and receive Commission approval of each proposed change, including the obligation of any funds above those approved by the Commission in this Certificate of Need, in accordance with COMAR 10.24.01.17. Pursuant to COMAR 10.24.01.17B(2), the project cannot incur capital cost increases that exceed the approved capital cost inflated by an amount determined by applying the Building Cost Index published on a quarterly basis by Global Insight in Health-Care Cost Review unless it obtains a modification of this Certificate of Need from the Commission. Instructions for determining the threshold that necessitates Commission review and approval of changes to the capital cost approved in this Certificate of Need are located on the Commission's website at:

http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/con_cap_cost_index_1st_qtr_2015.pdf

DESIGN APPROVAL AND FACILITIES LICENSURE BY MDH

This Certificate of Need does not constitute a license or replace any approvals required by the Office of Health Care Quality (“OHCQ”) or other divisions of the Maryland Department of Health (MDH) to construct and operate a new health care facility or to operate new space within an existing facility. University of Maryland St. Joseph Medical Center must provide MDH with all information it requires for plan approval or approval to put new or renovated space within the facility into use, including information pertaining to project design and specifications.

QUARTERLY STATUS REPORTS

University of Maryland St. Joseph Medical Center must file quarterly status reports on the approved project, beginning January 16, 2019, three months from the date of this Certificate of Need, and continuing through the completion of the project.

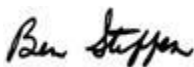
REQUEST FOR FIRST USE REVIEW

University of Maryland St. Joseph Medical Center must request in writing, not less than 60 days but not more than 120 days before the first use of the replacement hospital, a first use review from the Commission, specifying the anticipated date of first use and documenting that the project has been substantially completed and will be completed, within 120 days or less, in a manner and at a cost consistent with this Certificate of Need. Commission staff will review the request in consultation, as necessary, with OHCQ, and in accordance with COMAR 10.24.01.18, to determine whether the project is in conformance with the Certificate of Need. First use approval does not constitute a license or replace any approvals required by OHCQ or others within MDH to operate new space within an existing health care facility. Therefore, University of Maryland St. Joseph Medical Center should assure that OHCQ is notified of the imminent completion of the project and should arrange for completion of any inspections and or approvals required by OHCQ in a timely manner. First use approval remains in effect for 90 days. If first use of the new building space does not occur within 90 days of approval, University of Maryland St. Joseph Medical Center shall reapply for first use approval.

ACKNOWLEDGEMENT OF RECEIPT OF CERTIFICATE OF NEED.

Acknowledgement of your receipt of this Certificate of Need, stating acceptance of its terms and conditions, is required within thirty (30) days.

MARYLAND HEALTH CARE COMMISSION



Ben Steffen
Executive Director

cc: Patricia Tomsco Nay, MD, Office of Health Care Quality
Katie Wunderlich, Executive Director, HSCRC
Gregory Wm. Branch, M.D., Health Officer, Baltimore County