

January 4, 2022

Ms. Ruby Potter
Health Facilities Coordination Officer
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore MD 21215-2299

Re: University of Maryland St. Joseph Medical Center
Post-Approval CON Project Modification- Perioperative Services Facilities
Docket 18-03-2415

Dear Ms. Potter:

On behalf of University of Maryland St. Joseph Medical Center (“UM SJMC”), we are submitting an electronic copy of its Request for Post-Approval Project Change and related exhibits in the above-referenced matter. A WORD version will be forwarded in a separate email. Four (4) hard copies of this filing along with one full-size set of modified project drawings will be sent separately by FedEx.

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

Thank you for your assistance. Please contact us if you have any questions.

Sincerely,



Thomas C. Dame



Mallory M. Regenbogen

Enclosures

cc: Wynee Hawk, RN, JD, Chief, Certificate of Need
Ben Steffen, Executive Director, MHCC
Sarah Pendley, Esq., Assistant Attorney General, MHCC
Paul Parker, Director, Center for Health Care Facilities Planning & Development, MHCC
Gregory Wm. Branch, M.D., MBA, CPE, FACP, Baltimore County Health Care Officer

GALLAGHER

GALLAGHER EVELIUS & JONES
ATTORNEYS AT LAW

Robin Luxon, RN, BSN, MBA, FACHE, Senior Vice President, Corporate Strategy,
Business Development, Ambulatory/ Ancillary Services, UM SJMC

Paul Nicholson, Senior Vice President and Chief Financial Officer, UM SJMC

Elizabeth Groncki, MPH, Director, Planning, Business Development and Clinical
Integration, UM SJMC

Desirae Ford, MBA, Senior Manager, Decision Support, UM SJMC

Kristen Mickins, MHA, Senior Planning and Business Development Analyst, Decision
Support, UM SJMC

Craig Wheelless, Director, Healthcare Business Planning Services, KPMG

Hunter Robertson, Senior Program Manager, Covalus

Aaron Rabinowitz, Esq., Senior Vice President and General Counsel, UMMS

IN THE MATTER OF	*	
	*	
UNIVERSITY OF MARYLAND	*	BEFORE THE
	*	
St. JOSEPH MEDICAL CENTER	*	MARYLAND HEALTH CARE
	*	
CERTIFICATE OF NEED FOR REPLACEMENT	*	COMMISSION
	*	
AND CONSOLIDATION OF PERIOPERATIVE	*	Docket No. 18-03-2415
	*	
SERVICES FACILITIES	*	

* * * * *

REQUEST FOR POST-APPROVAL PROJECT CHANGE

University of Maryland St. Joseph Medical Center (“UM SJMC”) respectfully requests the Maryland Health Care Commission (the “Commission”) approve a project change to the Certificate of Need (“CON”) issued on October 16, 2018, as described herein.

I. BACKGROUND

UM SJMC is a 219-bed tertiary care surgical community hospital. It is a top surgical facility with a surgical staff comprised of nearly 300 surgeons and 30 anesthesiologists. In fiscal year 2021, nearly 50% of UM SJMC’s revenue was related to provision of inpatient and outpatient surgical services.¹ The hospital has a long tradition of performing complex surgical cases in most surgical specialties. It was the first community hospital to perform open heart surgery in 1982 and the first community hospital to perform a robotic prostatectomy in 2005. Centers for Medicare and Medicaid Services has recognized UM SJMC as a Five-Star hospital for its exceptional patient safety and quality, and the Leapfrog Group, the leading independent patient safety advocacy organization in the United States, has given UM SJMC an “A” rating for patient safety. In addition, U.S. News and World Report has rated UM SJMC as the #1 community hospital in Maryland in 2019, 2020, and 2021, with specific recognition in many surgical specialties, including cardiac surgery, knee and hip joint replacement surgery, colon surgery, and aortic surgery.

In 2018, when UM SJMC began this \$60 million renovation project to upgrade its surgical platform to 21st century standards, its projected need analysis included an anticipated shift of cases to the ambulatory market as well as other assumptions that resulted in projected need for a total of 11 general purpose operating rooms (“ORs”) upon completion of the project. As discussed more fully in Section III below on the Rational for Requested Project Modification, UM SJMC did not anticipate at that time the increased interest in its high-quality environment

¹ Specifically, in fiscal year 2021, UM SJMC’s charges for surgical services provided in its general purpose operating rooms, special purpose cardiac operating rooms, and its procedure rooms equaled 48% of its total revenue.

from Kaiser Permanente nor the growth in certain surgical specialties and Centers of Excellence. In addition, as the shift in surgical care to the ambulatory environment continues, UM SJMC's surgical cases that are straightforward with a low co-morbidity patient population have increasingly moved to the ambulatory surgical center setting, while more complex cases which require additional OR time have remained in the regulated hospital environment. All of these factors are triggering surgical case volume and minute growth that is expect to result in excess demand for the currently planned 11-room general purpose OR platform.

On October 16, 2018, the Commission granted a CON (Docket No. 18-03-2415), authorizing UM SJMC to renovate and consolidate its perioperative services facilities. Part of the project involves the renovation and consolidation of its general purpose ORs into a single surgery department and renovation and consolidation of its cardiac surgical services. Upon completion of the project, UM SJMC planned to include 11 general purpose ORs and one special purpose hybrid OR in its general surgical suite on the east side of the hospital's ground floor, and two cardiac ORs and four cardiac catheterization and interventional labs in its cardiac surgical suite on the west side of the ground floor.

The approved CON project is a phased-in-place renovation constructed through five separate phases in order to minimize disruption to patient care and maintain access to all essential services throughout the construction period. UM SJMC carefully planned the five phases of this CON project to continue to meet the demand for surgical services during all phases of construction, especially given that several of its ORs were already undergoing renovations through a separate determination of coverage project due to a water incursion incident that occurred in May 2016. As described on page 9 of the CON application:

[Phase 1 of the project] includes minor modifications to two operating rooms [ORs #11 and #12] on the east side of the hospital ground floor to prepare them to be used as cardiac operating rooms temporarily during construction. After completion of Phase 3, these operating rooms will function as general operating rooms for the remaining two renovation phases. At the completion of all phases, one of the operating rooms will be decommissioned and become support space, and the other operating room will be retained as a general purpose operating room.

For the reasons set forth below, UM SJMC now requests to retain a 12th general purpose OR (OR #11) that it initially planned to decommission upon completion of the project. See **Exhibit 2** for revised project drawings. Page 1 (A1.00A) shows the existing floor plan before the CON project began, page 2 (A2.00A) shows the original renovation plan presented in the CON application, and page 3 (A2.00A) shows the revised renovation plan with OR #11 being renovated in place and retained as the 12th general purpose OR in lieu of being converted to support space.

II. PROPOSED PROJECT MODIFICATION

As described above, during Phase 1 of the project, ORs #11 and #12 underwent minor modifications to prepare them for use as cardiac ORs for the remaining phases of the project. As part of this proposed project modification, UM SJMC anticipates that additional minor renovations to OR #11 will occur in Phase 5 of the project. Specifically, OR #11 will be

renovated to bring it up to current code, including electrical updates and the addition of secondary isolation panels. The room layout will be updated to adopt the standardized layout of UM SJMC's other ORs, a design feature shown to reduce errors and improve patient safety. In addition, the surfaces of the OR including, floors, walls, and ceilings will be renovated with new materials that improve infection prevention. The estimated cost of the renovations to OR #11 is \$400K plus an additional \$100K in moveable equipment for a total of \$500K.

This project modification does not involve an expansion in UM SJMC's OR inventory, rather a request to retain an already existing OR. Table 1 below provides an updated overview of UM SJMC's OR Inventory since May 2016.² Prior to the water incursion incident that occurred in May 2016, UM SJMC had 15 general purpose ORs and four special purpose cardiac ORs for a total of 19 ORs (excluding its labor and delivery ORs). From the date of the water incursion incident through the completion of the CON project, UM SJMC has had 10 to 12 general purpose ORs in service during various phases of renovation and three special purpose ORs (two cardiac and one hybrid), aside from a reduced inventory during a very short period at the start of the COVID-19 pandemic. Upon completion of the project, UM SJMC requests to retain a 12th general purpose ORs and its three special purpose ORs for a total of 15 ORs (excluding its labor and delivery ORs). Accordingly, upon completion of this project UM SJMC will reduce its general purpose OR inventory from 15 to 12 ORs, and its special purpose OR inventory from four to three ORs in comparison to its May 2016 OR inventory.³

² Table 1 is an updated version of Table 22 provided in UM SJMC's responses to the Commission's Additional Information Questions Dated March 27, 2018.

³ But for the water incursion incident occurring less than two years prior to the filing of the CON application, this project would have requested a reduction from 15 general purpose ORs to 12 general purpose ORs upon completion of the project. However, due to circumstances beyond the facility's control, the water incursion incident required several of its ORs to be taken offline immediately for renovations that were performed under separate determination of coverage project that began prior to the start of this project in order to get essential ORs back online as soon as possible. Even with retention of a 12th general purpose OR, UM SJMC is proposing an overall reduction in its general purpose OR inventory compared with its May 2016 inventory levels.

**Table 1
UM SJMC Operating Room Inventory**

Operating Room Type	ORs In Service Prior to Water Incursion Incident	ORs in Service Following the Water Incursion Incident and During CON Project	ORs In Service Upon Completion of Project
Mixed Use General Purpose ORs	15	10-12*	12
Special Purpose ORs	4 cardiac	3 cardiac (1 hybrid OR 2 cardiac)	3 cardiac (1 hybrid OR 2 cardiac)
Labor and Delivery	2	2	2
Total	21	15-17	17

*Does not include reduced OR count from March to June 2020 due to COVID-19 pandemic.

III. RATIONALE FOR REQUESTED PROJECT MODIFICATION

UM SJMC requests to retain in its active OR inventory a 12th general purpose OR upon completion of this project because it projects that it will need this additional OR capacity based on the updated need analysis presented below. UM SJMC has updated its assumptions and need projection using recent surgical volumes and the capacity assumptions from the Surgical Services State Health Plan Chapter at COMAR 10.24.11.07.

For the purposes of this updated need analysis, all cardiac cases have been carved out of the analysis as these cases are performed in UM SJMC’s two dedicated special purpose ORs and hybrid OR. In addition, all cases performed in UM SJMC’s procedure rooms and labor and delivery ORs have been excluded from this analysis. Accordingly, the total case volumes and minutes presented in this analysis are only those cases and minutes that have been or will be performed in UM SJMC’s general purpose ORs.

The request to retain a 12th general purpose OR reflects recent growth in the number of surgical cases at UM SJMC, a fiscal year 2022 budget that reflects a recovery from the adverse impact of COVID-19, a new affiliation agreement with Kaiser Permanente that is projected to result in over 800 additional surgical cases being performed at UM SJMC by fiscal year 2025, and expected service line growth due to program development in collaboration with University of Maryland Medical System.

A. UPDATED ASSUMPTIONS

1. Impact of COVID-19 Pandemic on Historical and Projected Case Volumes

As shown in Table 2 below, in fiscal year 2020, UM SJMC experienced a reduction in general OR cases driven predominantly by the adverse impact of the COVID-19 pandemic. Many patients delayed surgical procedures during the pandemic with a greater impact on outpatient, elective cases, but inpatient cases were affected as well. In addition, from March through June 2020 there were a reduced number of general purpose ORs in operation – ranging from a low of three ORs in April 2020 and increasing to seven ORs in June 2020 – due to the hold on elective surgical cases, reduced demand, and to conserve appropriate staff and supplies in accordance with the Maryland Secretary of Health’s directives. In fiscal year 2021, UM SJMC routinely operated at least 10 general purpose ORs, and additional ORs are expected to be operational in fiscal year 2022 as surgical volumes increase. As experienced in the six months of January through June 2021, the number of cases began to recover. UM SJMC expects that this recovery in case volumes will continue as reflected in UM SJMC’s fiscal year 2022 budget presented in Table 2 below.

**Table 2
UM SJMC Historical and Budgeted General OR Cases
FY2019 – FY2022**

	Actual		CY2021	FY2022
	FY2019	FY2020	Annualized (1)	Budget (2)
General OR Cases				
Inpatient	3,651	3,110	2,853	3,463
Outpatient	5,441	4,325	4,591	5,055
Total	9,092	7,435	7,444	8,518

Source: UM SJMC operating room management system, OpTime. OpTime is part of EPIC that has been in use by UM SJMC since October 2014.

Note (1): Reflects the six months of January - June 2021 annualized.

Note (2): Includes Kaiser surgical cases beginning in May 2022 and growth in Spine surgical cases

2. New Surgical Case Volumes from Kaiser Permanente

As shown in Table 3 below, UM SJMC’s fiscal year 2022 budget includes an expected 119 new Kaiser Permanente (KP) surgical cases.⁴ UM SJMC’s agreement with KP is expected to be effective May 1, 2022. Annualized, these 119 cases will equal 711 cases which reflect

⁴ The KP surgical cases volumes shown in Table 3 encompass several surgical specialties but do not include any cardiac cases.

KP’s current utilization. KP expects that this volume of KP surgical cases will grow to 885 cases by fiscal year 2025.

Table 3
Projection of Kaiser Permanente Surgical Cases at UM SJMC
FY2022 – FY2025

	FY2022	Projected		
	Budget	FY2023	FY2024	FY2025
General OR Cases				
Inpatient	87	555	598	650
Outpatient	32	201	216	235
Total	119	756	814	885

A letter of support from KP regarding its projected cases that will move to UM SJMC as a result of the affiliation will be sent separately to the Commission.

3. Growth in Certain Surgical Specialties and Centers of Excellence

In addition to the additional KP surgical cases, UM SJMC is focused on developing several initiatives in conjunction with the University of Maryland Medical Center Downtown Campus (“UMMC”) that are expected to result in growth in several of its surgical specialties. UM SJMC projects growth in its surgical spine, breast/plastic, thoracic, and bariatric surgical cases through fiscal year 2025 as shown in Table 4 and described more fully below.

Two spine surgeons are retiring and UM SJMC is recruiting two new spine surgeons, one that will begin in fiscal year 2022 and another that will begin in fiscal year 2023. UM SJMC expects a ramp up in these newly recruited surgeons’ cases in fiscal years 2024 and 2025.

UM SJMC is working in conjunction with UMMC to revamp its thoracic surgery program which has declined in recent years as shown in Table 4 below. The Greenebaum Comprehensive Cancer Center at UMMC is at the heart of the University of Maryland Cancer Network, which includes several community hospitals including the Cancer Center of Excellence at UM SJMC. UM SJMC is working in alignment with UMMC on strengthening a hub and spoke model to treat cancer patients in their communities, closer to their homes. As part of this initiative, UM SJMC anticipates additional thoracic case volumes will be served at UM SJMC beginning in fiscal year 2024 rather than being referred to UMMC, which has been experiencing high capacity levels in its ORs. UM SJMC anticipates that this will be a vital program as cancer cases are expected to increase in the next several years since patients have delayed seeking care during the pandemic.

One of UM SJMC’s breast/plastic surgeons departed recently and it has recruited a new breast/plastic surgeon. UM SJMC is developing a model similar to its thoracic model with UMMC that will be a Breast Health Center Regional Model with a new Regional Medical Director overseeing the development of the program.

UM SJMC is also developing a Bariatric Center of Excellence in conjunction with UMMC. UM SJMC’s new bariatric program is expected to operate as a hub and spoke model in conjunction with UMMC’s Bariatric Center. In addition to the bariatric case volumes presented in Table 4 below, KP will also be shifting its bariatric surgery volumes to UM SJMC which are reflected in Table 3 above.

Table 4 below shows that 162 spine cases are included in the fiscal year 2022 budget. The growth in the breast, bariatric, and thoracic service lines is expected to occur in fiscal year 2023 and continue through fiscal year 2025 with a total of 737 incremental, new cases. The percent split of these cases between inpatient and outpatient are presented in the far left column of Table 4 alongside the service line description.

Table 4
Projected Growth in UM SJMC Service Line Surgical Cases
FY2022 – FY2025

	FY2022 Budget	Projected		
		FY2023	FY2024	FY2025
General OR Cases (1)				
Spine (50% / 50%)	162	195	249	287
Breast / Plastic (5% / 95%)		200	250	300
Bariatric (100% / 0%)		50	75	100
Thoracic (100% / 0%)			25	50
Total	162	445	599	737

Source: UM SJMC senior management and clinical service line leaders

Note (1): Excludes cases included in Kaiser Permanente projection of surgical cases

While bariatric surgery is a newly established service, the growth in other service lines meets or builds on the historical utilization levels at UM SJMC. Table 5 below compares the projected fiscal year 2025 cases, by service line, to UM SJMC’s actual, annualized and budgeted experience in fiscal year 2019 through 2022. In fiscal year 2025, Table 5 below presents a carry forward of the fiscal year 2022 budgeted utilization along with the projected growth in cases in each service line. For both breast/plastic and thoracic service lines, the total projected cases in fiscal year 2025 approximate the actual number of cases in fiscal year 2019. For spine, UM SJMC expects continued growth on the actual and budgeted experience in fiscal years 2021 and 2022.

Table 5
Projected Growth in UM SJMC Service Line Surgical Cases
FY2019 – FY2022 and FY2025

	Actual		CY2021 Annualized (1)	FY2022 Budget	FY2025 Projection
	FY2019	FY2020			
Spine					
Actual / Budget	785	630	950	796	796
Projected Growth				162	287
Total	785	630	950	958	1,083
Breast / Plastic					
Actual / Budget	424	316	170	136	136
Projected Growth				-	300
Total	424	316	170	136	436
Thoracic					
Actual / Budget	56	42	6	-	50
Projected Growth					
Total	56	42	6	-	50

Source: Actual, annualized and budgeted surgical cases are from UM SJMC OpTime reports

4. Case Volumes Moving to Ambulatory Surgery Centers

In the original CON application, UM SJMC assumed that approximately 100 low acuity inpatient surgical cases and 558 outpatient surgical cases would shift from the hospital to freestanding ambulatory surgery centers beginning in fiscal year 2019. UM SJMC believes that some of this shift in cases to the ASC setting has already been realized. As such, Table 6 below shows that beginning in fiscal year 2023, UM SJMC projects a reduction of 50 low acuity inpatient surgical cases and 279 outpatient surgical cases due to the impact of ASCs. The reduction in these cases is expected to be comprised of inpatient knee replacements and outpatient orthopedic cases. The total 329 cases transitioning to the ASC setting represents approximately 4% of the fiscal year 2022 budgeted number of cases prior to the inclusion of new KP and spine surgical cases.

Table 6
Projected Shift of UM SJMC Hospital Surgical Cases to Freestanding ASCs
FY2022 – FY2025

	FY2022 Budget	Projected			
		FY2023	FY2024	FY2025	FY2026
General OR Cases					
Inpatient		(50)	(50)	(50)	(50)
Outpatient		(279)	(279)	(279)	(279)
Total	-	(329)	(329)	(329)	(329)

Source: UM SJMC senior management and clinical service line leaders

5. Population Growth

In the original CON application, UM SJMC calculated the compound annual growth rate (CAGR) for its service area population based on data from Claritas Spotlight from 2017 to 2022 to project growth through fiscal year 2025. At that time, the population in the age 65 and over grouping was expected to grow significantly, which contributed to an average annual population growth rate of approximately 0.5%.

UM SJMC has updated its population growth assumption for this need projection using more recent data. The growth in population in UM SJMC’s surgical service area, as defined by the most common zip codes comprising 85% of surgical cases, is now limited to 0.06% a year. The population projection was provided by Claritas Spotlight for 2021 and 2026. UM SJMC used a CAGR from the 2021 to 2026 data to project growth for each year through fiscal year 2025. As shown in Table 7 below, while the projected growth in population is limited, it is expected to generate 16 additional surgical cases at UM SJMC by fiscal year 2025.

**Table 7
Projected Population Growth in UM SJMC Surgical Cases
FY2022 – FY2025**

FY2022 Budget	Projected		
	FY2023	FY2024	FY2025
General OR Cases	5	11	16

Source: Application of population % growth, as calculated from population projection provided by Claritas Spotlight, to UM SJMC FY2022 budget

B. UPDATED PROJECTION OF OPERATING ROOM NEED

Table 8 below presents UM SJMC’s historical cases from fiscal years 2019 to 2021, its fiscal year 2022 budgeted cases, and its projected surgical cases for fiscal years 2023 to 2025, which are based on the assumptions detailed above.

Table 8
UM SJMC Historical and Projected Surgical Cases
FY2019 – FY2025

	Actual			FY2022 Budget	Projected		
	FY2019	FY2020	FY2021		FY2023	FY2024	FY2025
Actual and FY2022 Budget							
Inpatient	3,651	3,110	2,853	3,295	3,295	3,295	3,295
Outpatient	5,441	4,325	4,591	4,942	4,942	4,942	4,942
Total	9,092	7,435	7,444	8,237	8,237	8,237	8,237
Addition of Kaiser Cases							
Inpatient				87	555	598	650
Outpatient				32	201	216	235
Total	-	-	-	119	756	814	885
Addition of Service Line Growth							
Inpatient				81	157	236	307
Outpatient				81	288	363	430
Total	-	-	-	162	445	599	737
Subtraction of Cases Shifted to ASCs							
Inpatient				-	(50)	(50)	(50)
Outpatient				-	(279)	(279)	(279)
Total	-	-	-	-	(329)	(329)	(329)
Population Growth							
Inpatient				-	2	4	7
Outpatient				-	3	7	10
Total	-	-	-	-	5	11	16
Total General OR Cases							
Inpatient	3,651	3,110	2,853	3,463	3,959	4,083	4,209
Outpatient	5,441	4,325	4,591	5,055	5,155	5,249	5,337
Total	9,092	7,435	7,444	8,518	9,114	9,332	9,546

Along with the projection of surgical cases, UM SJMC also projected the related number of surgical minutes for inpatient and outpatient general OR cases. UM SJMC’s total historical minutes were identified using UM SJMC’s OpTime report. With this information, UM SJMC calculated average inpatient and outpatient minutes per case and applied those averages to the number of projected surgical cases to project inpatient and outpatient general OR minutes.

The average minutes per case for the KP surgical cases were provided by KP based on its historical experience. The average minutes per case for the growth in UM SJMC service line cases were based on UM SJMC’s historical experience related to each service line. The average minutes per case for the expected reduction in cases that will move to ASCs was based on UM SJMC’s average minutes per case for inpatient knee replacements and outpatient orthopedic cases. The range of average minutes per case applied to the addition and subtraction of cases, as described above, are presented in Table 9 below.

Table 9
UM SJMC Average Minutes per Case

	Average Minutes per Case		
	Inpatient	Outpatient	Average
FY2022 Budget	137	99	114
Kaiser Permanente	135	91	124
UM SJMC Service Line Growth			
Spine	234	146	190
Breast / Plastic	151	148	148
Bariatric	137	-	137
Thoracic	219	-	219
UM SJMC Cases Lost to ASCs	99	82	85

Source: UM SJMC Operating Room management

UM SJMC utilized an average turnaround time (“TAT”) of 41 minutes per case. This assumption reflects actual experience at UM SJMC based on its general purpose OR cases in fiscal year 2021. UM SJMC’s TAT per case has increased slightly in recent years (FY 2019 TAT – 36.9 minutes; FY 2020 TAT – 40.8 minutes) due primarily to an increase in complex cases including more robotic cases and spine surgeries which have increased TAT. With the expected shift of cases to ASCs, UM SJMC expects to continue to have more complex cases with higher acuity levels with increases in supplies that require additional cleaning. Table 10 presents the projected surgical and TAT minutes associated with the projected surgical cases.

Table 10
UM SJMC Historical and Projected Surgical Minutes
FY2019 – FY2025

	Actual			FY2022	Projected		
	FY2019	FY2020	FY2021	Budget	FY2023	FY2024	FY2025
General OR Minutes							
Inpatient	474,546	406,507	390,743	480,872	552,694	573,946	594,195
Outpatient	481,105	390,995	467,920	502,105	525,682	538,318	549,963
Total Surgical	955,651	797,502	858,663	982,976	1,078,376	1,112,264	1,144,158
Turn-Around Time	372,772	304,835	305,204	349,218	373,680	382,609	391,384
Total	1,328,423	1,102,337	1,163,867	1,332,194	1,452,056	1,494,873	1,535,542

Source: Actual and budgeted surgical minutes are from UM SJMC OpTime reports
Turn-Around Time reflects the application of TAT per case provided by UM SJMC OR management times the number of cases

In order to determine the number of ORs needed, UM SJMC utilized the capacity assumptions from the Surgical Services State Health Plan. Optimal capacity for general purpose ORs is defined as 1,900 hours or 114,000 minutes per room per year, which equals 80% of full capacity. Full capacity is 2,375 hours or 142,500 minutes per room per year. The projected OR minutes, including TAT, are divided by the 114,000 minutes standard to obtain the projected number of ORs needed by the facility. In order to demonstrate need under COMAR

10.24.11.05B, a hospital must demonstrate that each proposed OR is likely to be utilized at optimal capacity or higher levels within three years of completion of the project.

As demonstrated in Table 11 below, each of the 12 general purpose ORs proposed by UM SJMC are expected to be utilized at optimal capacity or above within three years of completion of the project, which is expected to occur by the end of fiscal year 2022.

Table 11
UM SJMC Projected OR Need
FY2022 – FY2025

	Actual			FY2022 Budget	Projected		
	FY2019	FY2020	FY2021		FY2023	FY2024	FY2025
Total OR Minutes (1)	1,328,423	1,102,337	1,163,867	1,332,194	1,452,056	1,494,873	1,535,542
Optimal Capacity in minutes (1900 Hours)	114,000	114,000	114,000	114,000	114,000	114,000	114,000
OR Need at Optimal Capacity	11.7	9.7	10.2	11.7	12.7	13.1	13.5

Note (1): Includes both surgical and turn-around time

Based on the assumptions presented above, UM SJMC projects a need for 12 ORs in fiscal year 2022 with the addition of the KP surgical cases and increase in spine surgeries. As KP cases and the identified service line cases increase, UM SJMC anticipates a need for 13 ORs by fiscal year 2025 based on optimal capacity standard. If measured against full capacity of 2,375 hours or 142,500 minutes, UM SJMC projects it will be operating its 12 ORs at 90% of full capacity by fiscal year 2025 (112% of optimal capacity). Accordingly, UM SJMC requests to retain a 12th general purpose OR upon completion of this project.

IV. IMPACT ON PROJECT BUDGET AND SCHEDULE

The Commission approved this CON project with a total cost of \$60,000,000. The approved project budget is not expected to increase as a result of this project modification. The additional renovations to OR #11 are estimated to cost \$400K and additional moveable equipment will cost \$100k, for a total of \$500K. UM SJMC has approximately \$1.3M remaining in its construction contingency and expects these funds to cover these additional costs.

UM SJMC initially planned for Phase 5 of the project to be complete around July of 2022. The renovations to OR #11 are expected to occur as part of Phase 5, and are not expected to affect the project schedule.

V. UPDATED FINANCIAL PROJECTIONS

Certain types of CON project modifications require approval by the Commission, including “when total projected operating expenses or revenue increases exceed the projected expenses or revenues in the approved Certificate of Need application, inflated by 10 percent per year[.]” COMAR 10.24.01.17(B)(3). This proposed CON modification is expected to have a minor impact on UM SJMC’s expenses. UM SJMC has continued to maintain staffing for 12 general purpose ORs throughout this project to adequately support its case volumes, and therefore, is not projecting an increase in staffing expenses related to retention of the 12th OR. UM SJMC’s revenue is determined by the facility’s Global Budget Revenue (“GBR”)

Agreement with the Health Services Cost Review Commission, which is adjusted annually taking into account myriad factors including demographic changes, various pay for performance and quality initiatives, and changes in utilization and volume.

Commission Staff requested UM SJMC provide updated financial projections with this CON modification request. Attached as **Exhibit 1** are updated financial projections in MHCC Tables G and H. In the original CON application, UM SJMC included a financial projection that was based on the hospital's fiscal year 2018 budget. In this CON modification, the financial projection is based on the hospital's fiscal year 2022 budget. Included in UM SJMC's fiscal year 2022 budget is \$659.0 million of gross patient service revenue. This budgeted gross patient service revenue is \$16.0 million greater than the projection of \$643.0 million of gross patient service revenue that was included in the original CON application. This increase in gross patient service revenue helps to increase UM SJMC's fiscal year 2022 budgeted net income of \$17.9 million. In the original CON application, the fiscal year 2022 projected net income was \$15.1 million. As presented in **Exhibit 1** Table H, the improvement in fiscal year 2022 over the projection included in the original CON application continues throughout the financial projection.

CONCLUSION

For the reasons set forth above, UM SJMC respectfully requests that the Commission authorize the changes described herein to the UM SJMC CON project previously approved by the Commission.

Respectfully submitted,



Thomas C. Dame



Mallory R. Regenbogen

Gallagher Evelius & Jones LLP
218 North Charles Street, Suite 400
Baltimore MD 21201
(410) 727-7702

*Attorneys for University of Maryland St. Joseph
Medical Center*

January 4, 2022

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FY20256

Table 4 Projected Growth in UM SJMC Service Line Surgical Cases FY2022 –
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I hereby declare and affirm under the penalties of perjury that the facts stated in this Request for Post-Approval Modification to University of Maryland St. Joseph Medical Center Perioperative Services Certificate of Need and its attachments are true and correct to the best of my knowledge, information, and belief.

12.3.21

Date



Robin Luxon RN BSN MBA FACHE
Senior Vice President, Corporate Strategy,
Business Development, Ambulatory/ Ancillary
Services
University of Maryland St. Joseph Medical
Center

I hereby declare and affirm under the penalties of perjury that the facts stated in this Request for Post-Approval Modification to University of Maryland St. Joseph Medical Center Perioperative Services Certificate of Need and its attachments are true and correct to the best of my knowledge, information, and belief.

12/6/21
Date


Paul Nicholson
Senior Vice President and Chief Financial Officer
University of Maryland St. Joseph Medical
Center

I hereby declare and affirm under the penalties of perjury that the facts stated in this Request for Post-Approval Modification to University of Maryland St. Joseph Medical Center Perioperative Services Certificate of Need and its attachments are true and correct to the best of my knowledge, information, and belief.

12/9/2021
Date

Desirae Ford
Desirae Ford, MBA
Senior Manager, Decision Support
University of Maryland St. Joseph Medical
Center

I hereby declare and affirm under the penalties of perjury that the facts stated in this Request for Post-Approval Modification to University of Maryland St. Joseph Medical Center Perioperative Services Certificate of Need and its attachments are true and correct to the best of my knowledge, information, and belief.

12/13/21

Date

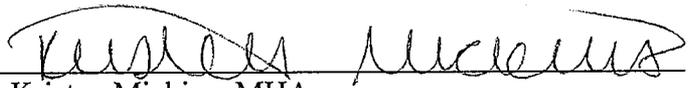


Hunter Robertson
Senior Program Manager
Covalus

I hereby declare and affirm under the penalties of perjury that the facts stated in this Request for Post-Approval Modification to University of Maryland St. Joseph Medical Center Perioperative Services Certificate of Need and its attachments are true and correct to the best of my knowledge, information, and belief.

12/13/2021

Date



Kristen Mickins, MHA

Senior Planning and Business Development

Analyst, Decision Support

University of Maryland St. Joseph Medical

Center

EXHIBIT 1

TABLE F. STATISTICAL PROJECTIONS - ENTIRE FACILITY

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 Actual	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.			
	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
<i>Indicate CY or FY</i>							
1. ADMISSIONS							
a. General Medical/Surgical*	9,649	8,626	8,994	7,995	9,380	9,474	9,569
b. ICU/CCU	1,550	1,294	1,154	1,513	1,793	1,810	1,829
Total MSGA	11,199	9,920	10,148	9,508	11,173	11,285	11,397
c. Pediatric	180	193	145	202	239	241	244
d. Obstetric	2,115	1,999	1,779	1,899	2,328	2,351	2,375
e. Acute Psychiatric	798	683	596	752	760	767	775
Total Acute	14,292	12,795	12,668	12,361	14,500	14,645	14,791
f. Rehabilitation	0	0	0	0	0	0	0
g. Comprehensive Care	0	0	0	0	0	0	0
h. Other (Specify/add rows of needed)	0	0	0	0	0	0	0
TOTAL ADMISSIONS	14,292	12,795	12,668	12,361	14,500	14,645	14,791
2. PATIENT DAYS							
a. General Medical/Surgical*	41,443	36,223	40,224	39,038	44,651	45,097	45,548
b. ICU/CCU	4,295	4,729	4,315	4,390	4,994	5,044	5,095
Total MSGA	45,738	40,952	44,539	43,429	49,645	50,141	50,643
c. Pediatric	418	485	404	467	524	529	534
d. Obstetric	4,978	4,543	3,918	4,214	5,363	5,417	5,471
e. Acute Psychiatric	5,887	5,241	5,380	5,540	5,595	5,651	5,708
Total Acute	57,021	51,221	54,241	53,649	61,127	61,738	62,356
f. Rehabilitation	0	0	0	0	0	0	0
g. Comprehensive Care	0	0	0	0	0	0	0
h. Other (Specify/add rows of needed)	0	0	0	0	0	0	0
TOTAL PATIENT DAYS	57,021	51,221	54,241	53,649	61,127	61,738	62,356
3. AVERAGE LENGTH OF STAY (patient days divided by admissions)							
a. General Medical/Surgical*	4.3	4.2	4.5	4.9	4.8	4.8	4.8
b. ICU/CCU	2.8	3.7	3.7	2.9	2.8	2.8	2.8
Total MSGA	4.1	4.1	4.4	4.6	4.4	4.4	4.4
c. Pediatric	2.3	2.5	2.8	2.3	2.2	2.2	2.2
d. Obstetric	2.4	2.3	2.2	2.2	2.3	2.3	2.3
e. Acute Psychiatric	7.4	7.7	9.0	7.4	7.4	7.4	7.4
Total Acute	4.0	4.0	4.3	4.3	4.2	4.2	4.2
f. Rehabilitation							
g. Comprehensive Care							
h. Other (Specify/add rows of needed)							
TOTAL AVERAGE LENGTH OF STAY	4.0	4.0	4.3	4.3	4.2	4.2	4.2

TABLE F. STATISTICAL PROJECTIONS - ENTIRE FACILITY

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 Actual	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.			
	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
<i>Indicate CY or FY</i>							
4. NUMBER OF LICENSED BEDS							
a. General Medical/Surgical*	140	140	140	136	155	157	159
b. ICU/CCU	37	37	37	37	37	37	37
Total MSGA	177	177	177	173	192	194	196
c. Pediatric	4	4	4	4	4	4	4
d. Obstetric	20	20	20	20	20	20	20
e. Acute Psychiatric	18	18	18	18	18	18	18
Total Acute	219	219	219	215	234	236	238
f. Rehabilitation	0	0	0	0	0	0	0
g. Comprehensive Care	0	0	0	0	0	0	0
h. Other (Specify/add rows of needed)	0	0	0	0	0	0	0
TOTAL LICENSED BEDS	219	219	219	215	234	236	238
5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.							
a. General Medical/Surgical*	81.1%	70.9%	78.7%	78.7%	78.7%	78.7%	78.7%
b. ICU/CCU	31.8%	35.0%	32.0%	32.5%	37.0%	37.4%	37.7%
Total MSGA	70.8%	63.4%	68.9%	68.8%	70.7%	70.8%	71.0%
c. Pediatric	28.6%	33.2%	27.7%	32.0%	35.9%	36.2%	36.6%
d. Obstetric	68.2%	62.2%	53.7%	57.7%	73.5%	74.2%	74.9%
e. Acute Psychiatric	89.6%	79.8%	81.9%	84.3%	85.2%	86.0%	86.9%
Total Acute	71.3%	64.1%	67.9%	68.4%	71.4%	71.7%	71.9%
f. Rehabilitation							
g. Comprehensive Care							
h. Other (Specify/add rows of needed)							
TOTAL OCCUPANCY %	71.3%	64.1%	67.9%	68.4%	71.4%	71.7%	71.9%
6. OUTPATIENT VISITS							
a. Emergency Department	36,666	30,217	27,082	28,088	29,505	29,653	29,801
b. Same-day Surgery	8,977	7,226	8,009	8,359	8,684	8,728	8,771
c. Laboratory							
d. Imaging							
e. Other (Specify/add rows of needed)	36,641	25,295	23,658	23,827	24,669	24,792	24,916
TOTAL OUTPATIENT VISITS	82,284	62,738	58,749	60,274	62,859	63,173	63,489
7. OBSERVATIONS**							
a. Number of Patients	6,958	6,256	6,636	7,098	7,760	7,915	8,074
b. Hours	130,854	114,941	130,174	140,053	151,978	155,018	158,118

* 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 hospital 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 - ENTIRE FACILITY

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 Actual	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.		
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Indicate CY or FY						
1. REVENUE						
a. Inpatient Services	\$ 250,015,000	\$ 271,029,000	\$ 266,483,476	\$ 277,811,369	\$ 277,846,641	\$ 277,887,679
b. Outpatient Services	\$ 288,527,000	\$ 348,367,000	\$ 392,493,083	\$ 399,706,683	\$ 400,065,377	\$ 400,412,268
Gross Patient Service Revenues	\$ 538,542,000	\$ 619,396,000	\$ 658,976,559	\$ 677,518,052	\$ 677,912,019	\$ 678,299,946
c. Allowance For Bad Debt	\$ 6,549,410	\$ 7,763,504	\$ 8,996,512	\$ 9,048,754	\$ 9,054,016	\$ 9,059,197
d. Contractual Allowance	\$ 136,139,102	\$ 161,375,835	\$ 187,005,716	\$ 188,091,645	\$ 188,201,017	\$ 188,308,713
e. Charity Care	\$ 7,666,488	\$ 9,087,660	\$ 10,530,972	\$ 10,592,125	\$ 10,598,284	\$ 10,604,349
Net Patient Services Revenue	\$ 388,187,000	\$ 441,169,000	\$ 452,443,359	\$ 469,785,528	\$ 470,058,702	\$ 470,327,687
f. Other Operating Revenues (Specify/add rows if needed)	\$ 29,488,000	\$ 17,881,000	\$ 6,752,333	\$ 6,888,672	\$ 6,861,969	\$ 6,834,961
NET OPERATING REVENUE	\$ 417,675,000	\$ 459,050,000	\$ 459,195,692	\$ 476,674,200	\$ 476,920,671	\$ 477,162,648
2. EXPENSES						
a. Salaries & Wages (including benefits)	\$ 215,414,000	\$ 229,879,000	\$ 232,737,826	\$ 243,645,703	\$ 244,239,460	\$ 245,311,730
b. Contractual Services	\$ 7,134,000	\$ 6,722,000	\$ 7,889,000	\$ 7,889,000	\$ 7,889,000	\$ 7,889,000
c. Interest on Current Debt	\$ 11,882,000	\$ 11,829,000	\$ 10,480,000	\$ 10,351,000	\$ 10,183,000	\$ 10,011,000
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e. Current Depreciation	\$ 24,716,000	\$ 24,472,000	\$ 26,205,000	\$ 25,687,000	\$ 26,428,000	\$ 28,175,000
f. Project Depreciation	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 3,000,000	\$ 3,000,000
g. Current Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
h. Project Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
i. Supplies	\$ 59,535,000	\$ 70,707,000	\$ 67,184,226	\$ 70,079,192	\$ 70,078,434	\$ 70,077,670
j. Other Expenses (Specify/add rows if needed)	\$ 93,398,000	\$ 91,943,000	\$ 98,974,163	\$ 101,137,236	\$ 99,234,121	\$ 97,406,016
TOTAL OPERATING EXPENSES	\$ 412,079,000	\$ 435,552,000	\$ 443,470,216	\$ 460,289,131	\$ 461,052,015	\$ 461,870,416
3. INCOME						
a. Income From Operation	\$ 5,596,000	\$ 23,498,000	\$ 15,725,477	\$ 16,385,069	\$ 15,868,656	\$ 15,292,232
b. Non-Operating Income	\$ 475,000	\$ 3,928,000	\$ 2,173,333	\$ 2,173,333	\$ 2,173,333	\$ 2,173,333
SUBTOTAL	\$ 6,071,000	\$ 27,426,000	\$ 17,898,810	\$ 18,558,403	\$ 18,041,989	\$ 17,465,565
c. Income Taxes						
NET INCOME (LOSS)	\$ 6,071,000	\$ 27,426,000	\$ 17,898,810	\$ 18,558,403	\$ 18,041,989	\$ 17,465,565

University of Maryland Saint Joseph Medical Center
Key Financial Projection Assumptions - Uninflated

1) Basis of Projection	Based on UMSJMC's FY2022 budget.
2) Volumes	
- Surgical Volume	Reflects a 0.06% annual increase related to population growth plus additions for a new affiliation agreement with Kaiser Permanente, beginning in May 2022, as well as growth in spine, breast/plastic, bariatric and thoracic service lines. This growth is partially offset by an assumed reduction in surgical cases due to shifts to freestanding Ambulatory Surgery Centers. These volume assumptions are presented above in this application.
- All Other Volume	Non-surgical volumes are projected to grow 1.0% a year.
3) Patient Revenue	
- Regulated Gross Charges	
> Annual Update Factor	0.0% annual update factor.
> Population Adjustment	0.0% annual demographic adjustment.
> HSCRC Rate Increase	UM SJMC will request a \$22.3M annual increase in its GBR, effective May 1, 2022, to reflect the additional Kaiser Permanente hospital wide volume.
- Unregulated Gross Charges	0.0% annual increase.
- Regulated Revenue Deductions	
> Contractual Allowances	Remains constant at FY2022 budgeted 10.6% of gross revenues including denials.
> Allowance for Bad Debt	Remains constant at FY2022 budgeted 1.8% of gross revenues.
> Charity Care	Remains constant at FY2022 budgeted 2.0% of gross revenues.
- Unregulated Revenue Deductions	
> Contractual Allowances	Increase from 63.7% of of gross revenues in FY2022 to 65.0% in FY2025.
4) Other Operating Revenue	0.0% annual increase.
5) Non-Operating Revenue	Projected to average UM SJMC's experience from FY2019 through the prior fiscal year.
6) Expenses	
- Inflation	
> Salaries	0.0% annual increase.
> Physician Services	0.0% annual increase.
> Supplies & Drugs	0.0% annual increase.
> Purchased Services	0.0% annual increase.
> Other Operating Expenses	0.0% annual increase.
- Expense Variability	
> Salaries	Total hospital FTEs are projected to increase by 60 in FY2022/FY2023 in conjunction with new inpatient Kaiser Permanente admissions and then increase at 50% variability of the 1.0% annual growth in total hospital volumes.
> Supplies & Drugs	100% variability with growth in volumes.
> Other Operating Expenses	No expected growth related to increases in volume
- Performance Improvements	\$1.0M performance improvement in FY2023 growing to a cumulative \$8.0M by FY2025.
- Interest Expense	Reflects interest expense on existing debt of approximately \$205M in FY2022. No additional debt and incremental interest expense are assumed to be incurred during the projection period.
- Depreciation and Amortization	
> OR Renovation Project	Reflects incremental annual depreciation of \$3M for the OR renovation project with \$40.4M of building related assets depreciated over a useful life of 40 years, and \$20.2M of equipment depreciated over a useful life of 10 years.
> Other Capital Expenditures	Reflects depreciation of existing and projected capital expenditures with useful lives of 30-40 years and IT and equipment with lives of 5-7 years.
7) Capital Expenditures	
- OR Renovation Project	Total of \$60.0M with \$2.7M in FY2017, \$1.9M in FY2018, \$5.0M in FY2019, \$11.1M in FY2020, \$14.6M in FY2021, \$13.3M in FY2022 and \$11.3M in FY2023.
- Other Facility Investments	\$3.3M in FY2023, \$11.4M in FY2024, \$12.4M in FY2025.
- IT Infrastructure	\$4.8M a year in FY2023 - FY2025.
- Routine Capital	\$16.5M in FY2023, \$19.0M in FY2024, \$20.6M in FY2025.
8) Debt	
- OR Renovation Project	No debt will be issued to finance the OR renovation project
- Other Debt	Existing debt of approximately \$205M in FY2022 will be amortized over the life of the loans.

TABLE H. REVENUES & EXPENSES, INFLATED - ENTIRE FACILITY

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 Actual	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.		
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Indicate CY or FY						
1. REVENUE						
a. Inpatient Services	\$ 250,015,000	\$ 271,029,000	\$ 266,483,476	\$ 284,478,842	\$ 291,343,320	\$ 298,379,623
b. Outpatient Services	\$ 288,527,000	\$ 348,367,000	\$ 392,493,083	\$ 409,299,643	\$ 419,498,953	\$ 429,939,399
Gross Patient Service Revenues	\$ 538,542,000	\$ 619,396,000	\$ 658,976,559	\$ 693,778,485	\$ 710,842,273	\$ 728,319,021
c. Allowance For Bad Debt	\$ 6,549,410	\$ 7,763,504	\$ 8,996,512	\$ 9,265,925	\$ 9,493,824	\$ 9,727,239
d. Contractual Allowance	\$ 136,139,102	\$ 161,375,835	\$ 187,005,716	\$ 192,605,844	\$ 197,343,070	\$ 202,194,941
e. Charity Care	\$ 7,666,488	\$ 9,087,660	\$ 10,530,972	\$ 10,846,336	\$ 11,113,106	\$ 11,386,333
Net Patient Services Revenue	\$ 388,187,000	\$ 441,169,000	\$ 452,443,359	\$ 481,060,380	\$ 492,892,273	\$ 505,010,509
f. Other Operating Revenues (Specify/add rows if needed)	\$ 29,488,000	\$ 17,881,000	\$ 6,752,333	\$ 7,054,000	\$ 7,195,296	\$ 7,338,983
NET OPERATING REVENUE	\$ 417,675,000	\$ 459,050,000	\$ 459,195,692	\$ 488,114,380	\$ 500,087,569	\$ 512,349,492
2. EXPENSES						
a. Salaries & Wages (including benefits)	\$ 215,414,000	\$ 229,879,000	\$ 232,737,826	\$ 249,736,845	\$ 256,604,082	\$ 264,173,903
b. Contractual Services	\$ 7,134,000	\$ 6,722,000	\$ 7,889,000	\$ 8,125,670	\$ 8,369,440	\$ 8,620,523
c. Interest on Current Debt	\$ 11,882,000	\$ 11,829,000	\$ 10,480,000	\$ 10,351,000	\$ 10,183,000	\$ 10,011,000
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e. Current Depreciation	\$ 24,716,000	\$ 24,472,000	\$ 26,205,000	\$ 25,687,000	\$ 26,428,000	\$ 28,175,000
f. Project Depreciation	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 3,000,000	\$ 3,000,000
g. Current Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
h. Project Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
i. Supplies	\$ 59,535,000	\$ 70,707,000	\$ 67,184,226	\$ 72,274,598	\$ 74,538,780	\$ 76,874,725
j. Other Expenses (Specify/add rows if needed)	\$ 93,398,000	\$ 91,943,000	\$ 98,974,163	\$ 103,159,980	\$ 103,243,180	\$ 103,368,043
TOTAL OPERATING EXPENSES	\$ 412,079,000	\$ 435,552,000	\$ 443,470,216	\$ 470,835,093	\$ 482,366,482	\$ 494,223,194
3. INCOME						
a. Income From Operation	\$ 5,596,000	\$ 23,498,000	\$ 15,725,477	\$ 17,279,287	\$ 17,721,087	\$ 18,126,298
b. Non-Operating Income	\$ 475,000	\$ 3,928,000	\$ 2,173,333	\$ 2,300,000	\$ 2,296,400	\$ 2,599,930
SUBTOTAL	\$ 6,071,000	\$ 27,426,000	\$ 17,898,810	\$ 19,579,287	\$ 20,017,487	\$ 20,726,228
c. Income Taxes						
NET INCOME (LOSS)	\$ 6,071,000	\$ 27,426,000	\$ 17,898,810	\$ 19,579,287	\$ 20,017,487	\$ 20,726,228

University of Maryland Saint Joseph Medical Center
Key Financial Projection Assumptions - Inflated

1) Basis of Projection	Based on UMSJMC's FY2022 budget.
2) Volumes	
- Surgical Volume	Reflects a 0.06% annual increase related to population growth plus additions for a new affiliation agreement with Kaiser Permanente, beginning in May 2022, as well as growth in spine, breast/plastic, bariatric and thoracic service lines. This growth is partially offset by an assumed reduction in surgical cases due to shifts to freestanding Ambulatory Surgery Centers. These volume assumptions are presented above in this application.
- All Other Volume	Non-surgical volumes are projected to grow 1.0% a year.
3) Patient Revenue	
- Regulated Gross Charges	
> Annual Update Factor	2.0% annual update factor.
> Population Adjustment	0.4% annual demographic adjustment.
> HSCRC Rate Increase	UM SJMC will request a \$22.3M annual increase in its GBR, effective May 1, 2022, to reflect the additional Kaiser Permanente hospital wide volume.
- Unregulated Gross Charges	2.4% annual increase.
- Regulated Revenue Deductions	
> Contractual Allowances	Remains constant at FY2022 budgeted 10.6% of gross revenues including denials.
> Allowance for Bad Debt	Remains constant at FY2022 budgeted 1.8% of gross revenues.
> Charity Care	Remains constant at FY2022 budgeted 2.0% of gross revenues.
- Unregulated Revenue Deductions	
> Contractual Allowances	Increase from 63.7% of of gross revenues in FY2022 to 65.0% in FY2025.
4) Other Operating Revenue	2.4% annual increase.
5) Non-Operating Revenue	Projected to average UM SJMC's experience from FY2019 through the prior fiscal year.
6) Expenses	
- Inflation	
> Salaries	2.5% annual increase
> Physician Services	3.0% annual increase.
> Supplies & Drugs	3.1% annual increase.
> Purchased Services	2.0% annual increase.
> Other Operating Expenses	2.0% annual increase.
- Expense Variability	
> Salaries	Total hospital FTEs are projected to increase by 60 in FY2022/FY2023 in conjunction with new inpatient Kaiser Permanente admissions and then increase at 50% variability of the 1.0% annual growth in total hospital volumes.
> Supplies & Drugs	100% variability with growth in volumes.
> Other Operating Expenses	No expected growth related to increases in volume
- Performance Improvements	\$1.0M performance improvement in FY2023 growing to a cumulative \$8.0M by FY2025.
- Interest Expense	Reflects interest expense on existing debt of approximately \$205M in FY2022. No additional debt and incremental interest expense are assumed to be incurred during the projection period.
- Depreciation and Amortization	
> OR Renovation Project	Reflects incremental annual depreciation of \$3M for the OR renovation project with \$40.4M of building related assets depreciated over a useful life of 40 years, and \$20.2M of equipment depreciated over a useful life of 10 years.
> Other Capital Expenditures	Reflects depreciation of existing and projected capital expenditures with useful lives of 30-40 years and IT and equipment with lives of 5-7 years.
7) Capital Expenditures	
- OR Renovation Project	Total of \$60.0M with \$2.7M in FY2017, \$1.9M in FY2018, \$5.0M in FY2019, \$11.1M in FY2020, \$14.6M in FY2021, \$13.3M in FY2022 and \$11.3M in FY2023.
- Other Facility Investments	\$3.3M in FY2023, \$11.4M in FY2024, \$12.4M in FY2025.
- IT Infrastructure	\$4.8M a year in FY2023 - FY2025.
- Routine Capital	\$16.5M in FY2023, \$19.0M in FY2024, \$20.6M in FY2025.
8) Debt	
- OR Renovation Project	No debt will be issued to finance the OR renovation project
- Other Debt	Existing debt of approximately \$205M in FY2022 will be amortized over the life of the loans.

EXHIBIT 2

