

June 27, 2024

VIA EMAIL & FEDERAL EXPRESS MAIL

Mr. Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215-2299

**Re: Request for Post-Approval Project Change
University of Maryland Medical Center CON To Establish 16-Bed
Child and Adolescent Inpatient Acute Psychiatric Unit
Matter No. 18-24-2429**

Dear Mr. Steffen:

On behalf of University of Maryland Medical Center (“UMMC”), I am submitting an electronic copy of its Request for Post-Approval Project Change to request an increase in the capital cost associated with its CON project to establish a 16-bed child and adolescent inpatient acute psychiatric unit. A WORD version will be forwarded in a separate email. Four (4) hard copies of this filing will be sent separately by FedEx.

I 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. If you have any questions, please feel free to contact me.

Sincerely,


Mallory Regenbogen

Enclosures
cc by email:

Wynee Hawk, RN, JD, Director, Center for Health Care Planning & Development,
MHCC
Jeanne-Marie Gawel, Acting Chief, Certificate of Need, MHCC
Alexa Bertinelli, Esq., Assistant Attorney General, MHCC
Caitlin E. Tepe, Esq., Assistant Attorney General, MHCC

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GALLAGHER

GALLAGHER EVELIUS & JONES
ATTORNEYS AT LAW

Mr. Ben Steffen

June 27, 2024

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Ruby Potter, Program Manager, MHCC

Deanna Dunn, Program Manager, MHCC

Letitia Dzirasa, M.D., Commissioner of Health, Baltimore City Health Department

Dana Farrakhan, DrPH, SVP, Strategy, Community and Business Development, UMMC

Linda Whitmore, RA, MBA, Director of Project Development, UMMC

Scott Tinsley-Hall, Senior Director, Office of Strategy Management, UMMC

Emily Wein, Esq., Vice President and General Counsel, UMMC

Rebecca Daley, Esq., Chief Transactions & Regulatory Counsel, UMMS

Christopher Tully, Esq., Associate Counsel, UMMS

Ella Aiken, Esq., Gallagher Evelius & Jones LLP

IN THE MATTER OF
UNIVERSITY OF MARYLAND MEDICAL
CENTER CERTIFICATE OF NEED TO
ESTABLISH 16-BED CHILD AND
ADOLESCENT INPATIENT ACUTE
PSYCHIATRIC UNIT

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*
* BEFORE THE
* MARYLAND HEALTH
* CARE COMMISSION
*
*

Matter No. 18-24-2429

CON Granted May 16, 2019

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REQUEST FOR POST-APPROVAL PROJECT CHANGE

University of Maryland Medical Center (“UMMC”) respectfully requests the Maryland Health Care Commission (the “Commission”) approve a nunc pro tunc project change to the Certificate of Need Review (“CON”) issued on May 16, 2019, as described herein.

I. BACKGROUND OF APPROVED PROJECT

On May 16, 2019, the Commission approved UMMC’s CON to establish a 16-bed child and adolescent inpatient acute psychiatric unit, authorizing UMMC to add a new service, acute inpatient psychiatric services for adolescents (ages 13-18), and relocate its inpatient child psychiatry beds to new, renovated quarters in the hospital. The new unit has a total of 16-beds, with eight beds each to serve children and adolescents, which are managed as separate populations. Female and male patients are accommodated and the design of the unit allows for separation by gender in sleeping and toileting activity.

The proposed unit is located in space that was renovated to serve this unit on the 11th floor of UMMC’s North Hospital building. To accommodate the project, UMMC completely renovated approximately 11,200 square feet (“SF”) that had previously been used for adult inpatient psychiatric services and acute medical services. A portion of the 12th floor, approximately 2,600 SF, was also renovated to provide activity and therapy space for the child and adolescent patients. *See Exhibit 1*, May 16, 2019 CON.

The project has an approved estimated cost of \$9,580,000, which includes \$9,379,000 in capital costs; \$146,000 inflation allowance; and \$55,000 in financing and other cash requirements. UMMC funded this project through cash reserves.

UMMC continued to file quarterly reports throughout the duration of the CON project, with its seventh and final report being filed for the quarter ending January 7, 2021. The COVID-19 pandemic presented an array of challenges for UMMC during this time frame, with COVID-19 hospitalizations surging to peak levels in January 2021. In addition, there was turnover in the project manager who was managing the project. UMMC regrets that during the final phases of the CON project it overlooked the need to file a final quarterly report and seek first use review and certification from MHCC prior to putting this essential new unit into operation. Upon discovery of this oversight, UMMC filed a nunc pro tunc request for first use certification along with its final quarterly report on June 10, 2024. *See Exhibit 2.*

The renovations involved in this project were completed May 5, 2021 and first use of the newly renovated unit occurred on June 30, 2021. UMMC communicated the opening of this unit to OHCQ personnel, who surveyed the unit on April 29, 2021 prior to its opening. **Exhibit 2** includes a final quarterly report for this project. In preparing its final quarterly report, UMMC discovered that it incurred a total capital cost of \$9,808,657, which, as described in Sections II and III below, slightly exceeds its inflation allowance by \$97,569.

II. RATIONALE FOR REQUESTED PROJECT CHANGE

UMMC is requesting a nunc pro tunc project change to increase the approved capital cost associated with the CON project based on the costs which have already been incurred. UMMC is requesting to increase the capital costs associated with the project by \$429,657, bringing the total capital cost to \$9,808,657, and the total project cost with other cash requirements to \$9,863,657.

As discussed more fully in Section III below, the Commission’s inflation allowance calculation provided at COMAR § 10.24.01.17B(2), provides a permitted increase in capital expenditure of \$332,088, or 3.54%, resulting in an increase in a total allowable capital cost of \$9,711,088. Accordingly, UMMC has incurred capital costs of \$97,569 beyond the allowed amount. Table 1 below provides the CON project’s current approved costs and the requested increased capital cost amounts. As noted in UMMC’s final quarterly report, the capital cost increases have already been incurred and paid for with cash.

Table 1
Total Approved Capital Costs and Requested Increased Capital Costs

Project Budget/Expenditures	Total Approved Capital Costs	Total Requested Increased Capital Costs
1. Capital Costs		
New Construction		
Building		

Architect/engineering fees		
Permits (building, utilities, etc.)		
Building		
Architect/engineering fees		
Permits (building, utilities, etc.)		
Subtotal- New Construction		
Renovation		
Building	\$7,422,000	\$7,808,723
Architect/engineering fees	\$600,000	\$834,025
Permits (Building, Utilities, etc.)	\$75,000	Incl. above
Subtotal – Renovations	\$8,097,000	\$8,642,748
Other Capital Costs		
Movable equipment	\$600,000	\$963,683
Contingencies	\$682,000	\$0
Other (Project Management Enabling Relocations)	\$0	\$202,226
Subtotal Other Capital Cost	\$1,282,000	\$1,165,909
TOTAL CURRENT CAPITAL COST	\$9,379,000	\$9,808,657
Other Non-Current Capital Costs		
Inflation allowance	\$146,000	\$0
TOTAL CAPITAL COSTS	\$9,525,000	\$9,808,657
2. Financing Costs and Other Cash Requirements		
CON Application Legal Fees	\$35,000	\$35,000
Non-CON Consulting Fees	20,000	\$20,000
Subtotal	\$75,000	\$55,000
Total Uses of Funds (1+2+3)	\$9,580,000	\$9,863,657

The increased capital expenditures above the original approved estimates were due primarily to a slight underestimation of project costs in certain categories and the increased inflation that UMMC experienced as a result of the COVID-19 pandemic. As an example, architect and engineering fee costs and moveable equipment costs both exceeded their original estimates. These factors resulted in UMMC incurring a total of \$429,657 above the approved capital budget, excluding the inflation allowance. Taking into account the inflation allowance, UMMC incurred capital costs of \$97,569 above the approved capital budget. Given that the project has been completed and no additional costs will be incurred, UMMC respectfully requests the Commission approve a nunc pro tunc project change to increase the total approved capital costs for this project to \$9,808,657, with total approved uses of funds for the CON project of \$9,863,657.

III. MHCC’S INFLATION ALLOWANCE

The increase in capital costs described above exceeds the currently total allowable capital cost as inflated by applying the inflation index set forth in the Commission’s regulations. *See* COMAR § 10.24.01.17B(2). This computation is based on the process outlined in the document on the Commission’s website: “Determining the Threshold for

Required Approval of Changes in Certificate of Need Approved Capital Cost,” which was last updated on November 17, 2023.¹

The Commission approved \$9,580,000 in total use of funds for the project, including \$9,379,000 in total capital expenditures, not including inflation, and \$130,000 in other cash requirements. UMMC incurred a total capital cost of \$9,808,657. Other cash requirements decreased to \$55,000, bringing the total project cost to \$9,863,657. The net increase in both capital costs and total use of funds, excluding inflation, is \$429,657.

UMMC submitted its CON Application on August 3, 2018, and the Commission approved the CON on May 16, 2019. The total approved capital cost for the project is \$9,379,000, excluding inflation. Applying the inflation index, which the Commission requires applicants to use once an application is approved in accordance with COMAR § 10.24.01.17B(2), permits 3.54% inflation as calculated below.

The calculation involves three full years of inflation allowance, from the CON application filing in the third quarter of 2018 through completion of the project and first use of the project at the end of the second quarter of 2021. The inflation index percentages for each of the years are multiplied to determine the inflation percentage allowance:

$$1.013 \text{ (year 1)} \times 1.012 \text{ (year 2)} \times 1.010 \text{ (year 3)}$$

The product of the three inflation values is 1.0354, or 3.54% inflation for the applicable period. Applying this rate to the \$9,379,000 in approved Total Current Capital Costs amounts to:

Total Approved Current Capital Costs	\$9,379,000
(less inflation)	
Allowable Inflation at 3.54%	\$332,088
Total Allowable Capital Costs	<u>\$9,711,088</u>

The project’s total incurred capital costs of \$9,808,657 exceeds the total allowable capital costs by \$97,569.

Pursuant to COMAR § 10.24.01.17B(2), because the total capital costs exceed the total allowable capital costs with inflation, UMMC must obtain Commission approval for the capital cost increase.

1

https://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/2023_3rd_Qtr_cost_indexes%20cap_cost_modification_20231117.pdf

IV. THE REQUESTED PROJECT CHANGE IS APPROVABLE

Commission regulation COMAR § 10.24.01.17A requires notification of any proposed project changes. Only certain types of project changes identified at COMAR § 10.24.01.17C are impermissible, none of which are implicated by this proposed capital cost increase. A capital cost increase that exceeds the approved capital cost plus the MHCC's specified inflation allowance requires review by the Commission. COMAR 10.24.01.17B(2). Accordingly, this proposed change to increase capital costs requires Commission approval, but is appropriate for inclusion on the Commission's consent agenda. COMAR 10.24.01.10K.

CONCLUSION

For the reasons set forth above, UMMC respectfully requests that the Commission approve the nunc pro tunc project change described above.

Respectfully submitted,



Mallory M. Regenbogen
Gallagher Evelius & Jones LLP
218 North Charles Street, Suite 400
Baltimore MD 21201
(410) 951-1417
Attorney for UMMC

Date: June 27, 2024

EXHIBIT 1

MARYLAND HEALTH CARE COMMISSION

Certificate of Need

TO: Dana Farrakhan
Vice President, Strategy/Business Development
University of Maryland Medical Center
22 S. Greene Street
Baltimore, Maryland 21201

May 16, 2019
Date

RE: Addition of Adolescent Inpatient Psychiatric Services
In Space Renovated to Accommodate
Both Child and Adolescent Patients

18-24-2429
Docket No.

PROJECT DESCRIPTION

This Certificate of Need authorizes the University of Maryland Medical Center to add a new service, acute inpatient psychiatric services for adolescents (ages 13-18), as part of a project that also relocates its inpatient child psychiatry beds to new, renovated quarters in the hospital. The proposed unit will have a total of 16 beds, with eight each for children and adolescents, and will manage them as separate populations. Both female and male patients will be accommodated and the design of the unit will allow for separation by gender in sleeping and toileting activity.

The proposed unit will be located in space that will be renovated for that purpose on the 11th floor of the North Hospital building. To accommodate the project, the University of Maryland Medical Center will completely renovate approximately 11,200 square feet ("SF") that had previously been used for adult inpatient psychiatric services and acute medical services. A portion of the 12th floor, approximately 2,600 SF, will also be renovated to provide activity and therapy space for the child and adolescent patients.

The project is approved at an estimated cost of \$9,580,000, which includes \$7.442 million for the building renovations; \$1.282 million in other capital costs; \$146,000 inflation allowance; \$675,000 for permits and building fees; and \$55,000 in legal fees and other cash requirements. The University of Maryland Medical Center will fund the project with cash reserves.

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 May 17, 2019, that a Certificate of Need be issued for the project.

PERFORMANCE REQUIREMENTS

In accordance with COMAR 10.24.01.12C(3)(b), the project is subject to the following performance requirements:

1. Obligation of not less than 51 percent of the approved capital expenditure for the project, as documented by a binding construction contract, within 24 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 construction and to document that the approved project has been completed, has met all legal requirements, and is providing the approved new service.

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.

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 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 MARYLAND DEPARTMENT OF HEALTH

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 operate new space within an existing facility. University of Maryland Medical Center must provide MDH with all information it requires for plan approval or approval to put renovated space within the facility into use, including information pertaining to project design and specifications.

QUARTERLY STATUS REPORTS

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

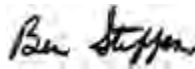
REQUEST FOR FIRST USE REVIEW

University of Maryland Medical Center must request in writing, not less than 60 days but not more than 120 days before the first use of the renovated space and initiation of adolescent psychiatric services, 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 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 renovated space does not occur within 90 days of approval, University of Maryland 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 T. Nay, MD, Executive Director, Office of Health Care Quality
Katie Wunderlich, Executive Director, HSCRC
Letitia Dzirasa, M.D., Commissioner of Health, Baltimore City

EXHIBIT 2

June 10, 2024

VIA EMAIL & FEDERAL EXPRESS MAIL

Mr. Ben Steffen
Executive Director
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215-2299

**Re: Request for First Use Review and Certification for
Establishment of 16-Bed Inpatient Acute Psychiatric Unit for
Children and Adolescents at
University of Maryland Medical Center
Matter No. 18-24-2429**

Dear Mr. Steffen:

On behalf of University of Maryland Medical Center (“UMMC”), and pursuant to COMAR 10.24.01.18(A), I write with request first use review and certification nunc pro tunc of UMMC’s Certificate of Need (“CON”) project, and a waiver of the 60-day prior notice requirement. This CON was approved by the MHCC on May 16, 2019, and involved the addition of a new service line, acute inpatient psychiatric services for adolescents (ages 13-18), and the relocation of UMMC’s inpatient child psychiatry beds to new, renovated quarters on the 11th floor of the North Hospital building. The renovated unit includes a total of 16 bed, with eight each for children and adolescents, which are managed as separate populations. The total approved project cost for this project is \$9,580,000, which was funded through cash reserves of UMMC.

UMMC continued to file quarterly reports throughout the duration of this project, with its seventh and final report being filed for the quarter ending January 7, 2021. The COVID-19 pandemic presented an array of challenges for UMMC during this time frame, with COVID-19 hospitalizations surging to peak levels in January 2021. In addition, there was turnover in the project manager who was managing this project, which may have contributed to the oversight in filing a final quarterly report and first use request. UMMC regrets that during the final phases of the project it overlooked the need to seek first use review and certification from MHCC prior to putting this essential bed capacity into operation. UMMC just recently discovered that it had not filed its first use request for this project, and submits this first use request to MHCC nunc pro tunc to remedy this oversight.

The renovations involved in this project were completed May 5, 2021 and first use of the newly renovated unit occurred on June 30, 2021. UMMC communicated the opening of this unit to OHCQ personnel, who surveyed the unit on April 29, 2021 prior to its opening. Attached as

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GALLAGHER EVELIUS & JONES
ATTORNEYS AT LAW

Mr. Ben Steffen

June 10, 2024

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Exhibit 1 is a final quarterly report for this project. As shown in its final quarterly report, UMMC incurred total capital costs of \$9,808,657, which slightly exceeds its allowed inflation allowance. Per discussion with MHCC staff, UMMC will await direction on whether a project change will be needed.

If the Commission staff is interested in a walk-through of this unit, UMMC would be happy to coordinate a visit. If interested, please contact Linda Whitmore, who can assist with scheduling a visit.

Linda Whitmore, RA, MBA
Director of Project Development, UMMC
Phone: 410-328-3497
Email: LWhitmore@umm.edu

Thank you for your assistance. If you have any questions, please feel free to contact me.

Sincerely,



Mallory Regenbogen

cc by email:

Ms. Ruby Potter, Health Facilities Coordination Officer, MHCC
Wynee Hawk, RN, JD, Director, Center for Health Care Planning & Development,
MHCC

Jeanne-Marie Gawel, Acting Chief, Certificate of Need, MHCC

Alexa Bertinelli, Esq., Assistant Attorney General, MHCC

Caitlin E. Tepe, Esq., Assistant Attorney General, MHCC

Letitia Dzirasa, M.D., Commissioner of Health, Baltimore City Health Department

Dana Farrakhan, DrPH, SVP, Strategy, Community and Business Development, UMMC

Linda Whitmore, RA, MBA, Director of Project Development, UMMC

Scott Tinsley-Hall, Director, Strategy & System Market Intelligence, UMMC

Emily Wein, Esq., Vice President and General Counsel, UMMC

Rebecca Daley, Esq., Chief Transactions & Regulatory Counsel, UMMS

Christopher Tully, Esq., Associate Counsel, UMMS

Ella Aiken, Esq., Gallagher Evelius & Jones LLP

EXHIBIT 1

CERTIFICATE OF NEED QUARTERLY PROGRESS REPORT

Name and address of facility/project: University of Maryland Medical Center 22 S. Greene Street, Baltimore, MD 21201	CON Docket Nos: 18-24-2429
Person responsible for this report (Name and title) Linda Whitmore, Director of Project Development, UMMC	Report Number:
Telephone No: (410) 328-3497	Report Period: 1/8/21 – 6/30/2021

Instructions:

- (a) All holders of a Certificate of Need (CONJ issued by the Maryland Health Care Commission (Commission) are required to submit Quarterly Progress Reports until such time as the project is complete (COMAR 10.24.01.13B). Failure to provide these reports may result in revocation of the CON. Any changes to the facts of the approved project as represented to the Commission must be reported through these quarterly progress reports.
- (b) The Commission's regulations at COMAR 10.24.01.17 describe the types of changes to a certified project that may require a modification of the CON, or a new CON. The following project changes are modifications which require prior approval by the Commission: (1) significant changes in physical plant design; (2) capital cost increases; (3) total expense or revenue increases; (4) changes in the financing mechanisms of the project; (5) a change in location or address of the project. Changes in the fundamental nature of a facility or services, increases in the capacity of beds or other medical services categories, and changes that require an extension of time to meet the applicable performance requirements, except as permitted by regulation, may require a new CON.
- (c) You must send a copy of each report to the responsible local health planning agency.
- (d) You must provide documentation of the fulfillment of each of the performance requirements applicable to this project with these reports. Each performance requirement may be extended by up to six months upon showing of good cause. A written request for an extension must be received by the Commission at least 30 days before the date by which the performance requirement is to be completed. A request is considered to allow good cause if it demonstrates that circumstances completely beyond the control of the holder of the CON require the extension. Good cause does not include delays in securing financing. Documentation is required showing good cause and reasonable assurance that the performance requirement will be met by the end of the extended period.
- (e) If the CON was approved with conditions, those conditions are listed below, and you must report on the progress in meeting those conditions. Documentation of compliance with these conditions will be necessary for any future CON applications.
- (f) The Commission may require submission of documentation to substantiate all expenditures and any other representations made in this report at any time.
- (g) If the contact person and phone number shown above has changed, please make the necessary correction. If the address of the project will change, NOTIFY THE COMMISSION IMMEDIATELY
- (h) Do not delete any items from this form. You may add items to this form as

necessary, and you may respond to other items with "not applicable", if appropriate.

1. Describe the progress made in the implementation of the current phase(s) of the project in the space below, and complete Table 1, providing projected or actual dates or cost. If the original estimated dates of completion have changed, provide a brief narrative description explaining the reason for the change. If obligation of funds for any phase of the project has been completed since submission of the last quarterly report, or if a phase has been completed, attach the appropriate documentation.

The construction was halted in March 2020 due to the COVID-19 pandemic and the need to use the space for storage of equipment related to the hospital's response to the pandemic. Construction work began again in July 2020. The project renovations were substantially complete by May 5, 2021 and first use of the renovated unit occurred on June 30, 2021.

Table 1. Performance Requirements

Performance Requirements and Other Requirements	Performance Requirement Deadline	Current Estimate (Date)	Actual Date
Phase 1 Obligation of not less than 51 percent of the capital expenditure for Phase 1, as documented by a binding construction contract, within 12 months of this Certificate of Need	May 16, 2020	November 15, 2019	December 3, 2019
Initiation of construction within four months of the effective date of the binding construction contract	within four months of the effective date of the binding construction contract	November 15, 2019	December 3, 2019
Completion within 24 months after the effective date of the binding construction contract	within 24 months after the effective date of the binding construction contract	March, 2021	May, 2021
Estimated or Actual Project Cost (Commission Approved Project Cost \$9,580,000)		\$9,580,000	\$9,808,657*

*UMMC is awaiting Commission staff direction on whether a project change is needed, given that it has slightly exceeded its inflation allowance, as shown in Attachment 1.

2. As a result of the progress made on the implementation of the project, describe the effect on the dates specified in the performance requirements as shown in Table 1, and any changes that may be necessary to the dates in the performance requirements.

The construction contract is more than 51% of the total project cost, and the letter of intent was issued to the Construction Management firm on September 30, 2019 in the amount of \$7,238,429. The contract was finalized in December 2019.

3. Provide a brief description in the space below of the progress made toward obtaining the necessary zoning approvals, exceptions, building permits and environmental clearances required for this project. Include meetings with officials or approving authorities, legal actions commenced and/or appeals filed or court actions completed. Attach supplemental material as needed.

The building permit was issued on 11/13/19. No other permits or zoning approvals are required for this interior renovation project.

Provide completion dates in Table 2 in connection with this progress, adding items as necessary, and state the level of architectural plans as they become available:

Table 2. Zoning and Building Permits

<i>Description</i>	<i>Originally Projected Date of Completed</i>	<i>Revised Projected Date of Completion</i>	<i>Actual Date of Completion</i>
A. Zoning Process			
1. <i>Exceptions Filed</i>	N/A	N/A	N/A
2. <i>Appeals (explain above)</i>	N/A	N/A	N/A
3. <i>Approved</i>	N/A	N/A	N/A
4. <i>Denied (explain above)</i>	N/A	N/A	N/A
B. Permits and Other approvals			
1. <i>Building Permits issued</i>			
a. <i>Grading</i>	N/A	N/A	N/A
b. <i>Excavation</i>	N/A	N/A	N/A
c. <i>Construction</i>	8/30/19	11/13/19	11/13/19
d. <i>Other</i>	N/A	N/A	N/A
2. <i>Fire and Life Safety Code Approvals</i>	N/A	N/A	N/A
3. <i>Other:</i>	N/A	N/A	N/A
4. <i>Other:</i>	N/A	N/A	N/A
C. Architectural Plans Status:	7/8/19	7/8/19	7/8/19

4. Describe issues affecting the project budget, and complete Table 3. Do you anticipate the project staying within the total approved cost? If not, explain why not, and state which line items in the budget shown in Table 3 will be exceeded and by how much.

Please see **Attachment 1** for UMMC's calculation of the inflation allowance.

Table 3. Project Cost

Project Budget/Expenditures	CON Application	Current Estimated Total Cost	Binding Contract Obligations	Cumulative Expenditures	
1. Capital Costs					
New Construction					
Building			\$	\$	\$
Architect/engineering fees					
Permits (building, utilities, etc.)					
Subtotal- New Construction					
Renovation					
Building		\$7,422,000	\$7,422,000	7,808,723	7,808,723
Architect/engineering fees		600,000	600,000	834,025	834,025
Permits (Building, Utilities, etc.)		75,000	75,000	Incl. above	Incl. above
Subtotal – Renovations		\$8,097,000	\$8,097,000	8,642,748	8,642,748
Other Capital Costs					
Movable equipment		\$600,000	\$600,000	963,683	963,683
Contingencies		682,000	682,000	0	0
Other (Project Management Enabling Relocations)		0	0	202,226	202,226
Subtotal Other Capital Cost		\$1,282,000	\$1,282,000	1,165,909	1,165,909
TOTAL CURRENT CAPITAL COST		\$9,379,000	\$9,379,000	9,808,657	9,808,657
Other Non-Current Capital Costs					
Inflation allowance		146,000	146,000	0	0
TOTAL CAPITAL COSTS		\$9,525,000	\$9,525,000	9,808,657	9,808,657
2. Financing Costs and Other Cash Requirements					
CON Application Legal Fees		\$35,000	\$35,000	35,000	35,000
Non-CON Consulting Fees		20,000	20,000	20,000	20,000
Subtotal		\$75,000	\$75,000	55,000	55,000
Total Uses of Funds (1+2+3)		\$9,580,000	\$9,580,000	9,863,657	9,863,657
Project Square Footage					
New Construction	0	0			
Renovation	13,799	13,799		13,799	
Total Square Footage	13,799	13,799		13,799	

* Pursuant to COMAR 10.24.01.17 B(2), the project cannot incur capital cost increases that exceed the \$9,379,000 approved current capital cost, inflated by an amount determined by applying the applicable Building Cost Index published on a quarterly basis by IHS Economics in Healthcare 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:
<http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfscon/hcfscon.aspx>.

5. The conditions and performance requirements placed on this CON are listed below.

Any rate increase proposed by the hospital related to the capital cost of the project shall not include the amount of the projected construction costs for the space that exceeds the per bed square footage limitation in COMAR 10.24.10.048(9) or those portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure that are based on the excess space.

In the space below, describe the specific progress made in the last 90-day period in implementing these conditions. Provide supplemental material to document compliance as necessary.

N/A. No rate increase was sought related to this project.

6. This project was approved for:

It authorizes the University of Maryland Medical Center ("UMMC") to add a new service, acute inpatient psychiatric services for adolescents (ages 13-18), as part of a project that also relocates its inpatient child psychiatry beds to new, renovated quarters in the hospital. The proposed unit will have 8 beds each for both children and adolescents, and will manage them as separate populations.

Describe any changes in the expected capacity of the services over that approved.

No changes to the expected patient capacity currently planned

7. Describe any changes to the physical plant design of the project since the CON was approved.

No further floor plan changes been made since the last issuance

8. Describe any differences in the financing mechanisms for the project from those stated in the CON application as approved by the Commission on October 16, 2018.

No financing changes made. This project was paid for using cash reserves of UMMC.

9. Describe the progress made in obtaining financing during the last 90-day period. (For example, indicate when the financing commitment is anticipated to be in hand, and other specific dates, meetings with officers of financial institutions, bond authorities and/or any other financing authorities.)

N/A

10. For approved new services, describe any projected differences in revenues or expenses over those stated in the CON application, and the reasons for those differences

No new services approved since CON approval

11. Based upon the progress shown above, do you anticipate the need to file a request for Commission review of modifications to the project as approved?

No

If yes, please specify the anticipated changes, and the anticipated schedule for filing the modification request.

I, Linda Whitmore, as a duly authorized representative of the University of Maryland Medical Center, hereby declare and affirm, under the penalties of perjury, that the facts stated in this report and its attachments are true and correct to the best of my knowledge, information and belief.

Date:

6/10/2024

Signature

DocuSigned by:

Linda Whitmore

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Attachment 1**UMMC Child and Adolescent Psychiatric Unit CON (Docket No. 18-24-2429)
Inflation Calculation**

The Commission issued a CON on May 16, 2019, authorizing UMMC to establish a new unit for inpatient psychiatry services for adolescent patients.

The Commission approved \$9,580,000 in total use of funds for the project, including \$9,379,000 in total capital expenditures, not including inflation, and \$130,000 in other cash requirements. UMMC incurred capital costs of \$9,808,657. Other cash requirements decreased to \$110,000, bringing the total project cost to \$9,863,657. The net increase in both capital costs and total use of funds, excluding inflation, is \$429,657.

The increase in capital costs described above exceeds the currently allowable capital costs as inflated by applying the inflation index set forth in the Commission's regulations. See COMAR § 10.24.01.17B(2). This computation is based on the process outlined in the document on the Commission's website: "Determining the Threshold for Required Approval of Changes in Certificate of Need Approved Capital Cost."

UMMC submitted its Application on August 3, 2018, and the Commission approved the issuance of a CON on May 16, 2019. The approved capital costs for the project were \$9,379,000, excluding inflation. Applying the inflation index, which the Commission requires applicants to use once an application is approved in accordance with COMAR § 10.24.01.17B(2), permits 3.54% inflation as calculated below.

The calculation involves three full years of inflation allowance, from the CON application filing in the third quarter of 2018 through completion of the project and first use of the project at the end of the second quarter of 2021. The inflation index percentages for each of the years are multiplied to determine the inflation percentage allowance:

$$1.013 \text{ (year 1)} \times 1.012 \text{ (year 2)} \times 1.010 \text{ (year 3)}$$

The product of the three inflation values is 1.0354, or 3.54% inflation for the applicable period. Applying this rate to the \$9,379,000 in approved Total Current Capital Costs amounts to:

Total Approved Current Capital Costs	\$9,379,000
(less inflation)	
Allowable Inflation at 3.54%	\$332,088
Total Allowable Capital Costs	<u>\$9,711,088</u>

The project's total current projected capital costs of \$9,808,657 exceeds the total allowable capital costs by \$97,569.