

Draft Proposed Adverse Impact Standard

(4) Adverse Impact.

A capital project undertaken by a hospital shall not have an unwarranted adverse impact on hospital charges, availability of services, or access to services. The Commission will grant a Certificate of Need only if the hospital documents the following:

(a) A hospital that has a permanent revenue of \$300 million or greater seeking an adjustment in rates for capital projects that exceed a 25 percent threshold of its permanent revenue must document that its “Debt to Capitalization” ratio is below the average ratio of its peer group, as per the Health Services Cost Review Commission standards.

(b) A hospital with permanent revenue of less than \$300 million that exceeds a 50 percent threshold of its permanent revenue base must document that its “Debt to Capitalization” ratio is below the average ratio of its peer group, as per the Health Services Cost Review Commission standards.

(c) For a hospital project that involves the replacement of physical plant assets, the hospital must document that the average age of the plant assets to be replaced exceed the average age of plant assets for its peer group.

(d) If the project reduces the potential availability or accessibility of a facility or service by eliminating, downsizing, adding, or otherwise modifying a facility or service, the applicant shall document that each proposed change will not inappropriately diminish, for Maryland residents, the availability or accessibility to care, including access for the indigent or uninsured.

The Current Cost-Effectiveness Standard

(5) Cost-Effectiveness.

A proposed hospital capital project should represent the most cost effective approach to meeting the needs that the project seeks to address.

(a) An applicant shall identify each primary objective of its proposed project and shall identify at least two alternative approaches that it considered for achieving these primary objectives. For each approach, the hospital must:

(i) To the extent possible, quantify the level of effectiveness of each alternative in achieving each primary objective;

(ii) Detail the capital and operational cost estimates and projections developed by the hospital for each alternative; and

(iii) Explain the basis for choosing the proposed project and rejecting alternative approaches to achieving the project's objectives.

(b) An applicant proposing a project involving limited objectives, including, but not limited to, the introduction of a new single service, the expansion of capacity for a single service, or a project limited to renovation of an existing facility for purposes of modernization, may address the cost-effectiveness of the project without undertaking the analysis outlined in (a) above, by demonstrating that there is only one practical approach to achieving the project's objectives.

(c) An applicant proposing establishment of a new hospital or relocation of an existing hospital to a new site that is not within a Priority Funding Area as defined under Title 5, Subtitle 7B of the State Finance and Procurement Article of the Annotated Code of Maryland shall

demonstrate:

- (i) That it has considered, at a minimum, an alternative project site located within a Priority Funding Area that provides the most optimal geographic accessibility to the population in its likely service area, as defined in Project Review Standard (1);
- (ii) That it has quantified, to the extent possible, the level of effectiveness, in terms of achieving primary project objectives, of implementing the proposed project at each alternative project site and at the proposed project site;
- (iii) That it has detailed the capital and operational costs associated with implementing the project at each alternative project site and at the proposed project site, with a full accounting of the cost associated with transportation system and other public utility infrastructure costs; and
- (iv) That the proposed project site is superior, in terms of cost-effectiveness, to the alternative project site or sites located within a Priority Funding Area.