

<b>IN THE MATTER OF THE</b>	*	<b>BEFORE THE</b>
	*	
<b>CONVERSION OF</b>	*	<b>MARYLAND</b>
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<b>EDWARD W. MCCREADY MEMORIAL</b>	*	<b>HEALTH CARE</b>
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<b>HOSPITAL TO A FREESTANDING</b>	*	<b>COMMISSION</b>
	*	
<b>MEDICAL FACILITY</b>	*	
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<b>Docket No. 19-19-EX010</b>	*	
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**STAFF REPORT**

**REQUEST FOR PROJECT CHANGE AFTER EXEMPTION FROM  
CERTIFICATE OF NEED APPROVAL**

**I. INTRODUCTION**

**Background**

In 2016, Maryland law was amended to permit an acute general hospital that is part of a multi-hospital system to transition from a general hospital to a freestanding medical facility (FMF) through an exemption from certificate of need (CON) review. There are currently eight FMFs in Maryland<sup>1</sup>.

In July 2019, Edward W. McCready Memorial Hospital (McCready Hospital) and Peninsula Regional Medical Center (PRMC) jointly filed an exemption from Certificate of Need to convert the McCready Hospital in Crisfield, Somerset County from an acute care hospital to an FMF.<sup>2</sup> The applicants proposed to eliminate inpatient services at McCready Hospital and establish an outpatient campus providing full-time hospital emergency department and observation services. The FMF (known as TidalHealth McCready Pavilion) would also offer outpatient primary care and behavioral health services, physical rehabilitation services and laboratory and imaging services. On January 16, 2020, the Maryland Health Care Commission (MHCC or Commission) approved the project and issued an exemption from Certificate of Need.

The project as approved was to be completed in two phases. The first phase was an operational conversion of McCready from an acute care hospital to an FMF to be located in the existing hospital building. Existing outpatient services would be consolidated on the first floor to facilitate efficient FMF operations. The emergency department and behavioral health clinic would remain in their original locations on the first floor. Other clinic services, including physical therapy, speech therapy, and primary care would also be consolidated on the first floor. The cost

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<sup>1</sup> In addition to the five FMF’s approved by the Commission (in Cambridge, Aberdeen, Laurel, Baltimore City, and Crisfield), Maryland FMF’s include facilities in Germantown and Queenstown that were authorized through pilot projects in 2006 and 2007, and the Bowie Health Center, which was issued an FMF license in 2007.

<sup>2</sup>Concurrent with the exemption approval, the new FMF affiliated with the Peninsula Regional Health System, and Peninsula Regional Medical Center, now TidalHealth Peninsula Regional Medical Center (PRMC)

of Phase 1 was estimated to be \$133,346 which would be used to create an airborne infection isolation room and modify toilet facilities to remove barriers and ensure compliance with ADA standards.

Phase 2 of the approved project involved the construction of a 23,990 square foot (SF) new FMF at 4660 Crisfield Highway, a site located three miles from the existing hospital. The FMF would contain seven emergency treatment spaces, a triage space, and two observation rooms. The building would also house non-emergent outpatient services including clinics for primary care, behavioral health services, rehabilitation medicine, diagnostic imaging, and laboratory services.

Phase 2 of the project was projected to take 33 months to complete at an estimated cost of \$25,589,294. The project would be funded by the sale of bonds by PRMC.

### **Requested Project Change Summary**

On March 1, 2020, PRMC converted McCready Hospital to an FMF in the hospital's existing facility. PRMC reports they completed Phase 1 and have been operating the FMF in the same location, providing the services approved through the exemption from CON review.

On March 29, 2024, PRMC notified the Commission that not only had Phase 2 of the approved project been delayed by the COVID-19 pandemic, but that the planned location for Phase 2 of the project at 4660 Crisfield Highway was deemed to be an unsuitable location for the new FMF building. According to PRMC, due to the flood plain, the site would require six feet of fill dirt to the entirety of the 10-acre parcel, rendering construction of the FMF at this location cost prohibitive. To date, PRMC has been unable to locate another suitable site to build the FMF.<sup>3</sup> As a result, PRMC was unable to meet the performance requirements for Phase 2 of the project.

PRMC requests a post-approval project change to the exemption from CON review to change the location of the FMF to continue to operate at the former site of McCready Hospital, instead of the previously approved proposed location on Crisfield Highway. PRMC recognizes that any future relocation of TidalHealth McCready Pavilion would require a Certificate of Need. Phase 1 of the project was completed at a cost of \$97,260 and PRMC will not spend the \$25,589,294 approved for Phase II of the project.

Table 1 shows the size and scope of the FMF after completion of Phase 1 and Phase 2 of the approved project. Operating the FMF at the current site will change both the size and scope of the final FMF that was approved by the Commission in 2019.

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<sup>3</sup> COMAR 10.24.19.04C requires that the site of the FMF be within a five-mile radius and in the primary service area of the converting hospital.

**Table 1. Comparison of the Services at the Existing Site vs. New Location**

	<b>McCready Health Pavilion operating in McCready Hospital</b>	<b>McCready Health Pavilion operating in new facility</b>
<b>Emergency Unit</b>	An emergency department with <b>six treatment spaces</b> including three treatment rooms, an airborne infection isolation room, resuscitation room, and a human decontamination room	An emergency department with <b>seven treatment spaces</b> including one triage room, three treatment rooms, one resuscitation room, two secure holding rooms, and a decontamination area
<b>Observation Unit</b>	Two observation beds adjacent to the emergency department	Two bed observation beds adjacent to the emergency department
<b>Diagnostic Imaging</b>	A diagnostic imaging suite with X-ray, CT, <b>ultrasound, and a PACS reading room</b>	A diagnostic imaging suite with x-ray and CT
<b>Behavioral Health Outpatient Services</b>	An outpatient behavioral health facility with one group therapy room and <b>three consultation rooms</b>	An outpatient behavioral health area with one group therapy room and <b>two consultation rooms</b>
<b>Outpatient Primary Care Clinic</b>	A clinic with <b>four exam rooms</b>	A clinic with <b>eight exam rooms</b>
<b>Laboratory/Pharmacy Services</b>	A laboratory with specimen collection areas for blood and urine as well as space for selected analyzers	A laboratory with specimen collection areas for blood and urine as well as space for selected analyzers and <b>automated medication dispensing system</b>
<b>Rehabilitation Medicine</b>	Outpatient Rehabilitation Medicine with gym space and two exam/private treatment rooms	Outpatient Rehabilitation Medicine with gym space and two exam/private treatment rooms
<b>Administrative and Staff Support</b>	Administrative staff and support spaces	Administrative staff and support spaces

## II. APPLICABLE REGULATIONS

If an applicant seeks to make a permissible change from a project that has received Commission approval, it requires approval from the Commission pursuant to COMAR 10.24.01.17. Any of the following changes would place a project at variance with its CON, and require Commission approval:

- (1) A significant change in physical plant design;
- (2) A capital cost increase that exceeds the approved capital cost inflated by an amount determined by applying the Hospital Capital Market Baskets published by IHS Markit in Health Care Cost Review or other guidance approved by the Commission and posted on the Commission website from the application submission date to the date of the filing of a request for a project change;
- (3) A change in the financing mechanisms of the project; or
- (4) A change in the location of the project.

COMAR 10.24.01.17B

This project requires Commission action because it seeks to make changes that would put the project at variance with its Commission approval. This project requires Commission action because the project seeks a permissible modification due to a change in location of the project.

Under COMAR 10.24.01.17D(3), the Commission may approve the requested change, approve the change in part or with conditions, not approve the change with explanation, or require a completely new review because of the scope of the requested change.

### III. FINANCIAL IMPACT

This project change reduces the total project cost from \$25.7 million to \$97,260 as Phase 2 of the project accounted for more than \$25.6 million of the total project cost. Phase 1 of the project was completed \$38,086 under the approved cost of \$133,346 as PRMC was able to manage the project in-house, without expected architectural, engineering or permit fees.

**Table 2. Approved Project Budget vs Actual Expenditures**

<b>Use of Funds</b>	<b>Phase One Approved</b>	<b>Phase One actual</b>
Renovation		
Building	\$113,346	\$97,261
Architect/Engineering	\$5,000	
Permits	\$15,000	
Subtotal	\$133,346	\$97,261
<b>Total Uses of Funds</b>	<b>\$133,346</b>	
<b>Variance</b>		<b>(\$38,086)</b>

The McCready Health Pavilion was not expected to have a net profit when approved in 2020. According to PRMC in its original application, the FMF was expected to have a net operating loss of \$3,403,036 after the third year of operation, monies that would be offset by PMRC’s net income of \$19 million. While the Commission usually looks for financial feasibility in projects under consideration, the location of the FMF in rural southern Somerset County, and the need for health care services for a vulnerable population were determining factors in the original approval. The current change request does not materially alter the expectation for a net operating loss which will be paid for by PRMC.

### IV. ANALYSIS AND RECOMMENDATION

Staff finds that this project continues to provide efficient and effective delivery of healthcare services. Keeping the FMF at McCready Hospital does not alter our original findings that health care delivery of hospital services and outpatient services will be offered in a less costly venue in an area that is devoid of other options for primary care and behavioral health outpatient services. The closest primary care providers are in Pocomoke City or Princess Anne, both approximately 20 miles from McCready. Public transportation between Crisfield and either Pocomoke City or Princess Anne is extremely limited. Staff find that the FMF is an important source of care for this community and continues to provide effective delivery of health care services.

MHCC found that the original project was in the public interest as the McCready Hospital’s

inpatient volumes were declining and the cost of maintaining the hospital's infrastructure resulted in unsustainable financial losses. In PRMC's original application, they outlined concerns about locating the FMF in the existing hospital facility long term. These concerns included the condition of the hospital building, the cost of modernization renovations, and the tendency for the site to flood during heavy rainfalls. While the FMF building itself has not experienced flooding, the access road to the facility and the parking lot have experienced flooding during periods of high tides and wind. PRMC is working with the Federal Emergency Management Agency, and the Maryland Department of the Environment, to implement a flood risk mitigation for the existing site of TidalHealth McCready Health Pavilion as part of an overall plan for the City of Crisfield. McCready continues to work with community leadership in Crisfield to find an appropriate site for the facility which meets the statutory requirements of an FMF. Staff believe the location is suboptimal as the final site of the FMF and have been in discussions with PRMC about future steps. Nonetheless, keeping the FMF at the current site is in the public interest as it continues to provide essential services to an underserved rural community, PRMC is taking steps to mitigate any flood risks and PRMC will continue to work towards a more permanent solution.

This location change will not affect the services being provided to the community. Staff finds that the FMF continues to provide appropriate delivery of emergency care within the statewide emergency medical services system. PRMC will continue to provide emergency services as well as primary care, physical, occupational, and speech therapy, and behavioral health care at the current site, as the search for a new site continues. There are changes to the size and scope of services offered, some services provided in the existing site are not in the Phase 2 facility, such as ultrasound, a PACS reading room, and an additional behavioral health consultation room. Also, the existing emergency room and primary care clinic will not be expanded. Staff finds these changes to be minor.

Staff recommend a condition related to public information hearings. In August 2019, PRMC held a public information hearing with the Crisfield community to explain the necessity of ending inpatient services at the hospital and converting the facility to an FMF. At that time, the community was informed that the FMF would relocate to a new building to be built within 5 miles of the existing site. This proposed project change means that the new building will not be built in the foreseeable future. PRMC has held three one-hour community meetings in October of 2022 to discuss the health care needs of the community and is in regular communication with the Mayor of Crisfield, members of the City Council and community leader to chart a way forward with a relocation of health care services in Crisfield. Due to this change in what was originally communicated to the community, Staff is recommending a condition which requires PRMC to hold a public informational hearing 90 days prior to changing the services currently being offered at TidalHealth McCready Pavilion.

Finally, staff concludes that this project request is a permissible modification as it does not include material changes to the nature of the project, the immediate capacity, and that this requested change would not alter the findings that the Commission made in 2020 concerning the effective delivery of health care services, public interest, and appropriate delivery of emergency care within the statewide emergency medical services system.

For these reasons, staff recommends that the Commission **APPROVE** the requested change to the project with the following two conditions:

1. TidalHealth Peninsula Regional Medical Center will submit a new application for a Certificate of Need prior to finalizing any plans to relocate the FMF from its current location at 201 Hall Highway, Crisfield.
2. TidalHealth Peninsula Regional Medical Center will inform the Commission and hold a public informational hearing at least 90 days prior to making any changes to the services currently being offered at the TidalHealth McCready Pavilion. In addition to satisfying all other requirements at COMAR 10.24.01.04D, the public informational hearing shall address the plan for transitioning any health care services to be discontinued or relocated from the current site.

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**Docket No. 19-19-EX010**

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**FINAL ORDER**

Based on Commission staff’s analysis of this request for a project change after issuance of an exemption from Certificate of Need, it is this 16<sup>th</sup> day of May, 2024, **ORDERED** that:

The request by TidalHealth Peninsula Regional Medical Center (PRMC) for a location change to its January 16, 2020 Exemption from Certificate of Need to convert Edward W. McCready Memorial Hospital to an FMF at a total project cost of **\$97,260** is **APPROVED** with the following conditions:

1. TidalHealth Peninsula Regional Medical Center will submit a new application for a Certificate of Need prior to finalizing any plans to relocate the facility from its current location at 201 Hall Highway, Crisfield.
  
2. TidalHealth Peninsula Regional Medical Center will inform the Commission and hold a public informational hearing at least 90 days prior to making any changes to the services currently being offered at the TidalHealth McCready Pavilion. In addition to satisfying all other requirements at COMAR 10.24.01.04D, the public informational hearing shall address the plan for transitioning any health care services to be discontinued or relocated from the current site.