IN THE MATTER OF	*	**BEFORE THE**
	*	
FOUNDATIONS INPATIENT, LLC	*	**MARYLAND HEALTH**
	*	
DOCKET NO. 24-03-2471	*	**CARE COMMISSION**

*** ***

STAFF REPORT AND RECOMMENDATION

REVISED*

June 12, 2025

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Table of Contents

I. INTRODUCTION

A. Background

Foundations Inpatient, LLC (Foundations) proposes to establish a Track One 40-bed, alcoholism and drug abuse intermediate care facility (ICF) at 7131 Rutherford Road, Windsor Mill, Baltimore County. The Maryland Health Care Commission (MHCC or the Commission) defines an ICF in COMAR 10.24.14.08(13), the State Health Plan (SHP) for Facilities and Services: Alcoholism and Drug Abuse Intermediate Care Facility Treatment Services as:

> A facility designed to facilitate the sub-acute detoxification and rehabilitation of alcohol and drug abusers by placing them in an organized therapeutic environment in which they receive medical services, diagnostic services, individual and group therapy and counseling, vocational rehabilitation, and work therapy while benefiting from the support that a residential setting can provide.

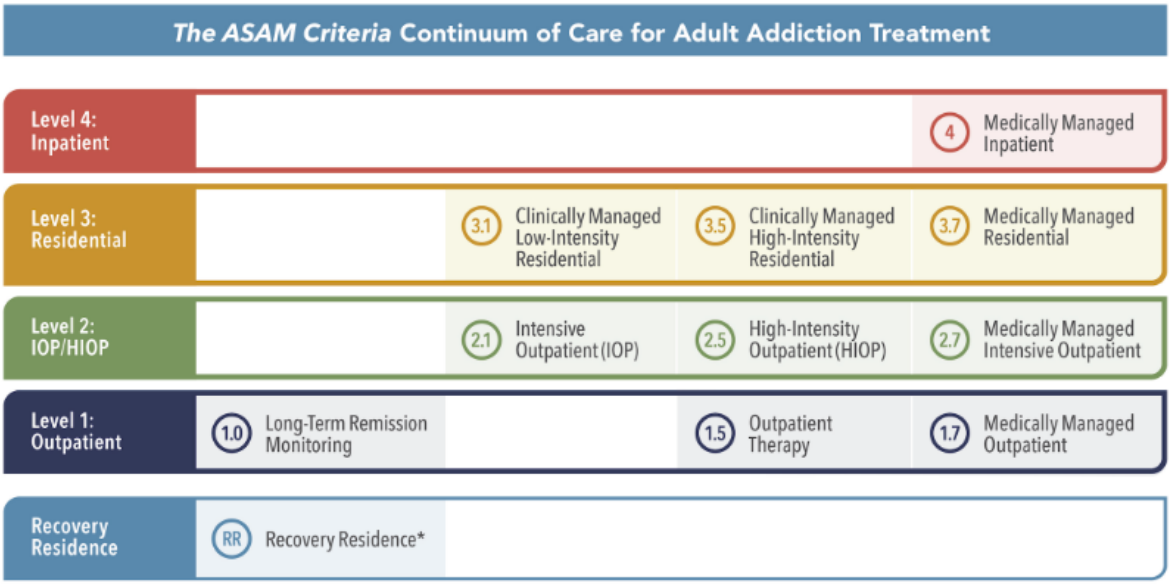
Maryland state agencies use the American Society of Addiction Medicine (ASAM) level of care taxonomy to classify facilities and programs providing substance use disorder (SUD) services, illustrated in Figure 1.[1] The definition above corresponds with one of the ASAM levels of treatment for SUD designated for health care facilities that provide "medically managed residential services." Specifically, medically managed residential service is categorized as Level 3.7 care in the ASAM taxonomy, the highest level of sub-acute (i.e., non-hospital services) for SUD. ASAM describes Level 3.7 and Level 3.7 Withdrawal Management (WM) as programs provided directly by an interdisciplinary staff of nurses, counselors, social workers, addiction specialists, or other health and technical personnel under the direction of a licensed physician. Medical management is provided through an appropriate mix of direct patient contact, review of records, team meetings, 24-hour nursing, and a quality assurance program. Additionally, Level 3.7WM care is:

- delivered in a freestanding withdrawal management center with inpatient beds;
- provided 24 hours daily with observation, monitoring and treatment; [and]
- …specialized clinical consultation; supervision for cognitive, biomedical, emotional, and behavioral problems; medical nursing care; and direct affiliation with other levels of care. [2]

[1] The ASAM criteria were updated in 2023, which include changes in nomenclature and definitions. The SHP predates the ASAM changes and still uses the nomenclature and definitions present in earlier version of the ASAM guidelines.

[2]Behavioral Health Administration Regulations COMAR 10.63.03.14

Figure 1



A Certificate of Need (CON) is required to establish or relocate an ICF (ASAM Level 3.7), or to establish, relocate, or add beds to a hospital-level alcoholism and drug abuse treatment service (ASAM Level 4). Md. Code Ann., Health-Gen. §19-120. Once licensed, an existing ICF may add beds without CON review and approval, pursuant to Md. Code Annotated, Health General Article §19-120(h)(2)(v). Prior to 2019, bed additions by existing ICFs required CON review and approval. A statutory change in 2019 eliminated the Commission's control of the inventory of ICF beds, and rendered the SHP bed need projection standard in COMAR 10.24.14.05B, obsolete.

There are two categories of ICF facilities under the SHP. Track One facilities contain "private beds" that are beds that derive no "significant funding by the state or local jurisdictions." COMAR 10.24.14.08B(20). The second category of ICFs are Track Two facilities that have "publicly funded beds…owned and wholly operated by the State or substantially funded by the budget process of the State; or in facilities substantially funded by one or more jurisdictional governments, which are established jointly by providers and the jurisdictions to meet the special needs of their residents and that reserve at least 50 percent of their proposed annual adolescent or adult bed capacity for indigent and gray area patients." COMAR 10.24.14.08B(21). Before the 2019 statutory change, the bed need projection standard only applied to Track One ICFs.

B. The Applicant

Foundations is owned by MBM Ventures, LLC (MBM Ventures) that is owned by Baruch Rabhan. MBM Ventures is the managing member and has partial ownership interest in 10 facilities providing WM and/or other SUD treatment services in four states. In Maryland, MBM Ventures has ownership interest in:

- TruHealing Baltimore, formerly Baltimore Detox Center (BDC), an ASAM Level 3.7 WM/3.7 facility located in Woodlawn, Baltimore County;
- Foundations Recovery Center, an ASAM Level 3.5 facility located in Windsor Mill, Baltimore County, the same location for the proposed ICF;
- TruHealing Outpatient, an outpatient center located in Hagerstown, Washington County; and
- TruHealing Hagerstown Inpatient, an ASAM Level 3.5 residential treatment program in Hagerstown, Washington County.

MBM Ventures also owns two ASAM Level 3.7 facilities and two outpatient centers in Ohio; an outpatient center in New Hampshire; and an outpatient center in Indiana. (DI #9, p.2. Exh. 5). MBM Ventures contracts with Amatus Health to provide business management and operational services for its SUD treatment programs. Foundations will enter into a management services agreement with Amatus Health, LLC to operate the ICF. (DI #9, p. 2).

The applicant submitted organizational charts that can be reviewed at Appendix 1.

C. The Project

Foundations is proposing to establish a 40-bed Track One ICF for adults aged 18 and older to be located 7131 Rutherford Rd, Windsor Mill, Baltimore County. (DI #13, pp.2-3). The ICF will be co-located at the applicant's current ASAM Level 3.5 facility, a 36,014 square foot (SF) building with 21 patient rooms that include the ten quad (four-person) patient rooms for the proposed 3.7 ICF, and 11 quad rooms designated for Level 3.5 patients. The ICF is divided into a male wing with six Level 3.7 rooms and a female wing with four Level 3.7 rooms. (DI #21, Exh. 1, Table A). There are five toilets, two urinals, and eight showers in the male wing and five toilets and eight showers in the female wing. The female wing will be separated from the male wing by a keyless entry fob system, with entry between areas limited to staff. (DI #9, pp.34-35). The facility will also have clinical, administrative, and lounge areas for patients, a large multi-purpose room, and a commercial kitchen to heat and serve meals to patients. (DI #13, Exhibit 6).

Foundations will lease the building from Lyon Group I Joint Venture, LLC (landlord) for a 10-year term. (DI #3, Exh. 1). There is no shared ownership between MBM Ventures and Lyon Group I Joint Venture, LLC. (DI #13, p.1).

The total estimated project cost is $753,348, which includes $150,000 in renovations, $20,000 in fixed equipment, $30,000 in marketing expenses, $60,000 in consulting/legal/licensing expenses, and $493,348 in start-up costs. (DI #13, Exh. 8). The applicant will fund the project with cash. (DI #3, p. 32). The applicant provided the following estimated budget for the Level 3.7 portion of the proposed project:

Table I-1: Project Budget Estimate - Foundations Inpatient, LLC

Project Element	**Cost**
Building Renovation	$150,000
Fixed Equipment (not included in construction)	$20,000
Subtotal	**$170,000**
Marketing Expenses	$30,000
Total Current Capital Costs	**$200,000**
CON Application Assistance	$40,000
Licensing and Payor Contracting Fees	$20,000
Working Capital Start-up costs	**$493,348**
Total Uses of Funds	**$753,348**
Sources of Funds	
Cash	$753,348
Total Sources of Funds	**$753,348**

It is projected that the applicant will complete renovations and obtain licensure and accreditation within 30 days of receiving CON approval. (DI #3, p. 8).

D. Summary of Staff Recommendation

Staff recommends project approval based on its conclusion that the proposed project complies with the applicable SHP standards. Staff also concludes that the applicant has demonstrated the need for the project, its cost effectiveness and viability. Further, the impact of the project is positive, because it will improve the availability and accessibility of ASAM Level 3.7 alcohol and drug abuse treatment services in Baltimore County and surrounding areas. Staff recommend that, if the Commission approves a CON for this project, the following conditions be included:

1. Foundations Inpatient LLC shall document the provision of a minimum of 15 percent of patient days to indigent and gray area patients, as defined at COMAR 10.24.14.08B(9) and (11), by submitting annual reports auditing its total days and the provision of days to indigent and gray area patients as a percentage of total days. Such audit reports shall be submitted to the Commission each July 1st following the

issuance of First Use Approval and continuing for five years thereafter [COMAR 10.24.14.05D(1)(c)];

2. Foundations Inpatient, LLC shall provide to the Commission a final document outlining the estimated costs for services and the range and types of services that will be posted at registration areas and available upon request to prospective patients prior to First Use Approval. [COMAR 10.24.14.05E];

3. Foundations Inpatient, LLC must receive preliminary accreditation for the Level 3.7 services it will provide by an accrediting body approved by the Maryland Department of Health prior to First Use Approval by the Commission. [COMAR 10.24.14.05H];

4. Foundations Inpatient, LLC shall notify the Commission and the Behavioral Health Administration, in writing, within 15 days after it receives notice that its accreditation has been revoked or suspended for reasons related to health or safety or should it lose its State license. If its accreditation has been revoked or suspended or it loses its State license, Foundations Inpatient, LLC shall cease operation until the Behavioral Health Administration notifies the Commission that the deficiencies have been corrected. [COMAR 10.24.14.05H];

5. Foundations Inpatient, LLC shall document referral agreements, prior to First Use Approval by the Commission, in the form of letters of agreement or acknowledgement from acute care hospitals, local community mental health centers, Baltimore County's mental health and alcohol and drug abuse authorities, Behavioral Health Administration, and Baltimore County agencies that provide prevention, education, driving-while-intoxicated programs, and family counseling. [COMAR 10.24.14.05J]. The referral agreements must indicate referral of indigent or gray area populations to Foundations Inpatient, LLC. [COMAR 10.24.14.05K];

6. If Foundations Inpatient, LLC seeks to add additional intermediate care beds to its facility, it shall provide the Commission with evidence that it has appropriate staffing levels and bed and bathroom configurations that afford patient privacy and safety; and

7. Foundations Inpatient, LLC shall provide an annual report that includes patient demographics for all patients, program completion rates, and the percentage of patients that: (1) were underhoused upon admission and connected to housing resources; (2) were underinsured upon admission and assisted with applying for insurance; and, (3) received a warm hand-off to lower levels of care. The reports shall be submitted to the Commission each July 1st following the issuance of First Use Approval and continuing for five years thereafter.

II. PROCEDURAL HISTORY

A. Record of the Review

Please see Appendix 2, Record of the Review.

B. Interested Parties in the Review

There are no interested parties in this Review.

C. Local Government Review and Comment

No government review or comment was submitted.

D. Other Support and Opposition to the Project

Foundations submitted letters supporting the project from representatives of both substance abuse treatment programs and community programs, as follows: (DI #3, Exh.14).

- LaWanda Stone, Namastone Yoga
- Dawn James, Chief Operating Officer, A Helping Hand and Genesis Treatment Services.

III. REVIEW AND ANALYSIS

A. STATE HEALTH PLAN

COMAR 10.24.01.08G(3)(a) State Health Plan. An application for a Certificate of Need shall be evaluated according to all relevant State Health Plan standards, policies, and criteria.

The relevant SHP chapter is COMAR 10.24.14, Alcoholism and Drug Abuse Intermediate Care Facility Treatment Services (ICF Chapter). COMAR 10.24.14.05 outlines the CON approval rules and review standards for new substance abuse treatment facilities and for expansions of existing facilities:

.05A. Approval Rules Related to Facility Size. Unless the applicant demonstrates why a relevant standard should not apply, the following standards apply to applicants seeking to establish or to expand either a Track One or a Track Two intermediate care facility.

(1) The Commission will approve a Certificate of Need application for an intermediate care facility having less than 15 beds only if the applicant dedicates a special population as defined in Regulation .08.

(2) The Commission will approve a Certificate of Need application for a new intermediate care facility only if the facility will have no more than 40 adolescent or 50 adult intermediate care facility beds, or a total of 90 beds, if the applicant is applying to serve both age groups.

(3) The Commission will not approve a Certificate of Need application for expansion of an existing alcohol and drug abuse intermediate care facility if its approval would result in the facility exceeding a total of 40 adolescent or 100 adult intermediate care facility beds, or a total of 140 beds, if the applicant is applying to serve both age groups.

Foundations seeks to establish a new 40-bed Track One ICF facility for adults, which is consistent with subsection (2) of this standard. (DI #13, p. 3). Subsections (1) and (3) are not applicable.

Staff Analysis and Recommendation

Staff concludes that the proposed 40-bed adult facility complies with subsection 2 of this standard.

.05B. Identification of Intermediate Care Facility Alcohol and Drug Abuse Bed Need.

(1) An applicant seeking Certificate of Need approval to establish or expand an intermediate care facility for substance abuse treatment services must apply under one of the two categories of bed need under this Chapter:

(a) For Track One, the Commission projects maximum need for alcohol and drug abuse intermediate care beds in a region using the need projection methodology in Regulation .07 of this Chapter and updates published in the *Maryland Register*.

The bed need projection methodology for Track One facilities has been made obsolete by the previously discussed 2019 amendments to Maryland law changing the scope of CON regulation. Using the SHP methodology to avoid oversupplying the market with ICF beds cannot be equitably achieved through its use because MHCC no longer has regulatory oversight of ICF bed capacity for an established ICF. The practical effect is that MHCC no longer has regulatory control over the supply of ICF beds and its authority is limited to reviewing proposals to establish or relocate ICFs.

Staff Analysis and Recommendation

While the bed need methodology is no longer utilized for existing ICFs, the MHCC retains regulatory control of the establishment of a new ICF, including the number of proposed beds. The

applicant's request for 40 beds is within the permissible amount of beds for new ICFs and meets community need. Staff concludes that the applicant addresses ICF bed need in the need criterion at COMAR 10.24.01.08G(3)(b) and complies with this standard.

.05C. Sliding Fee Scale. An applicant must establish a sliding fee scale for gray area patients consistent with the client's ability to pay.

Foundations states that it will establish a sliding fee scale for gray area patients that is consistent with the patient's ability to pay based on 2024 Federal Poverty Guidelines. (DI #3, p. 18). Foundations states that it will utilize the proposed sliding fee schedule in Table III-1. Clients will document proof of need with tax forms, paycheck stubs, disability forms, unemployment documents, and/or past employment forms. (DI #3, p. 18).

Table III-1: Proposed Sliding Fee Schedule

Income level is	< 100% of Federal Poverty level (FPL)	75% discount
Income level is	< 150% but > 100% of FPL	50% discount
Income level is	< 200% but > 150% of FPL	25% discount

Source: (DI #3, p.19).

Staff Analysis and Recommendation

Staff concludes that the sliding fee scale proposed by the applicant complies with this standard.

.05D. Provision of Service to Indigent and Gray Area Patients.

(1) Unless an applicant demonstrates why one or more of the following standards should not apply or should be modified, an applicant seeking to establish or to expand a Track One intermediate care facility must:

(a) Establish a sliding fee scale for gray area patients consistent with a client's ability to pay.

The applicant documented that it would utilize a sliding fee scale, as discussed immediately above.

(b) Commit that it will provide 30 percent or more of its proposed annual adolescent intermediate care facility bed days to indigent and gray area patients; and

The applicant will not serve adolescents.

(c) Commit that it will provide 15 percent of more of its proposed annual adult intermediate care facility bed days to indigent or gray area patients.

Foundations commits to providing at least 15 percent of its proposed annual facility bed days to indigent or gray area patients. (DI #3, p. 19). Foundations states that it will document that it has provided at least 15 percent of its patient days to indigent and gray area patients by submitting annual reports to the Commission. (DI #6, p.19). The applicant will monitor this information quarterly. If, after the first six months of operation, the level of indigent or gray area care falls below 15 percent, the applicant states that it will reach out to its partners for referrals. (DI #21, p.2).

Staff Analysis and Recommendation

Foundations has agreed to commit a minimum of 15 percent of bed days to indigent and gray area patients as well as monitoring and documenting this level of provision. The applicant projects a payor mix of 90 percent Medicaid (and 10 percent commercial), which would include indigent and gray area patients. (DI #21, Exh. 1, Table F). The applicant has also provided a plan to increase the level of gray are and indigent patients should the level fall below 15 percent. Staff recommends that the Commission find the applicant complies with this standard and recommends that, if the Commission approves this application, it attach the following condition:

> Foundations Inpatient, LLC shall document the provision of a minimum of 15 percent of patient days to indigent and gray area patients, as defined at COMAR 10.24.14.08B(9) and (11), by submitting annual reports auditing its total days and the provision of days to indigent and gray area patients as a percentage of total days. Such audit reports shall be submitted to the Commission each July 1st following the issuance of First Use Approval and continuing for five years thereafter.

Subsections .05D (2), (3), and (4) of this standard are only applicable to existing Track One ICFs and are not applicable to this project.

.05E. Information Regarding Charges. An applicant must agree to post information concerning charges for services, and the range and types of services provided, in a conspicuous place, and must document that this information is available to the public upon request.

Foundations states that it will post information regarding the range and types of services provided and a statement of charges. The applicant also states that it will provide this information to the public upon request. (DI #3, p. 20). The applicant provided a draft document that will be used to inform potential patients of charges. (DI #13, Exh. B).

Staff Analysis and Recommendation

Staff reviewed the draft document the applicant provided, which is a form that will be used to calculate a patient's estimated costs based on their diagnosis. While the form includes an estimated daily rate for self-pay patients, the SHP standard requires a notice of estimated daily charges to be posted at registration areas and available upon request to prospective patients. The document provided by Foundations did not fully meet the standard and therefore, staff recommends that Foundations be required to submit a document with the required information, post it, and make it available to the public upon request. Staff recommends that the Commission find the applicant complies with this standard and recommends that an approval of the application includes the following condition:

> Foundations Inpatient, LLC shall provide to the Commission a final document outlining the estimated costs for services and the range and types of services that will be posted at registration areas and available upon request to prospective patients prior to First Use Approval.

.05F. Location. An applicant seeking to establish a new intermediate care facility must propose a location within a 30-minute one-way travel time by automobile to an acute care hospital.

The proposed facility will be located at 7131 Rutherford Road in Windsor Mill (Baltimore County) and is approximately a 9-minute drive to Northwest Hospital and approximately a 17-minute drive to Sinai Hospital, both within the SHP required 30-minute one-way travel time by automobile. (DI #3, Exh 3 and Exh 4).

Staff Analysis and Recommendation

Staff concludes that the facility location complies with this standard.

.05G. Age Groups.

(1) An applicant must identify the number of adolescent and adult beds for which it is applying, and document age-specific treatment protocols for adolescents ages 12-17 and adults ages 18 and older.

The applicant proposes 40 adult beds and submitted draft policies and procedures including treatment protocols for adult patients. (DI #3, Exh.5).

Staff Analysis and Recommendation

Staff reviewed the draft policies and procedures provided. The drafts include treatment protocols that are designed to meet the needs of adult patients, and the policy outlining program eligibility specifies that anyone below 18 years of age is ineligible for admission. (DI #9, Exh. 2). Staff concludes the applicant complies with this subpart.

(2) If the applicant is proposing both adolescent and adult beds, it must document that it will provide a separate physical, therapeutic, and educational environment consistent with the treatment needs of each age group including, for adolescents, providing for continuation of formal education.

The applicant will not serve adolescent patients. This standard is not applicable.

(3) A facility proposing to convert existing adolescent intermediate care substance abuse treatment beds to adult beds, or to convert existing adult beds to adolescent beds, must obtain a Certificate of Need.

Foundations proposes the establishment of a new ICF. This standard is not applicable.

.05H. Quality Assurance.

(1) An applicant must seek accreditation by an appropriate entity, either The Joint Commission (TJC) (formerly, the Joint Commission on the Accreditation of Healthcare Organizations), in accordance with CFR, Title 42, Part 440, Section 160, the [Commission on Accreditation of Rehabilitation], the Rehabilitation Accreditation Commission, or any other accrediting body approved by the Department of Health and Mental Hygiene. The appropriate accreditation must be obtained before a Certificate of Need-approved ICF begins operation and must be maintained as a condition of continuing authority to operate an ICF for substance abuse treatment in Maryland.

Foundations states that it has obtained provisional TJC accreditation based on the performance of existing MBM Ventures facilities. TJC will conduct a site survey and issue accreditation after the site is licensed and open. (DI #3, Exh. 6). If the accreditation is revoked, the applicant will notify BHA and MHCC as required in the standard. (DI #9, Exh. 6).

(2) A Certificate of Need-approved ICF must be certified by the Behavioral Health Administration (BHA) before it begins operation, and must maintain that certification as a condition of continuing authority to operate an ICF for substance abuse treatment in Maryland.

The applicant states that it has applied for certification by BHA and is awaiting CON approval before the site visit and approval can be obtained. (DI #3, p.22). The applicant states that it will maintain certification as required by the standard and will notify BHA and MHCC if certification is revoked. (DI #9, p.7).

Staff Analysis and Recommendation

While Foundation states it has received "provisional approval", TJC does not have such an accreditation decision. Rather, Foundations has informed the TJC of the expansion of its existing services (Level 3.5) to include inpatient Level 3.7 services, and pending the results of an onsite survey, the expectation is that TJC would extend the accreditation to Foundations. (DI #3, Exh. 6). If the applicant is not accredited by the TJC, the applicant must seek other accreditation. Staff recommends that Commission find the applicant complies with the standard with the following conditions:

> Foundations Inpatient, LLC shall receive preliminary accreditation for the Level 3.7 services it will provide by an accrediting body approved by the Maryland Department of Health prior to First Use Approval by the Commission.
>
> Foundations Inpatient, LLC shall notify the Commission and the Behavioral Health Administration, in writing, within 15 days after it receives notice that its accreditation has been revoked or suspended for reasons related to health or safety or should it lose its State license. If its accreditation has been revoked or suspended or it loses its State license, Foundations Inpatient, LLC shall cease operation until the Behavioral Health Administration notifies the Commission that the deficiencies have been corrected.

.05I. Utilization Review and Control Programs.

(1) An applicant must document the commitment to participate in utilization review and control programs, and have treatment protocols, including written policies governing admission, length of stay, discharge planning, and referral.

The applicant states that it will participate in utilization review and control programs. (DI #3, p. 23). It also states that it will have treatment protocols including policies for admission, length of stay, discharge planning and referrals and has included these draft policies in its application. (DI #9, Exh 2).

(2) An applicant must document that each patient's treatment plan includes, or will include, at least one year of aftercare following discharge from the facility.

Foundations states that it will ensure that each patient's treatment plan includes one year of aftercare. (DI #9, Exh. 2). The applicant states that a case manager along with the primary therapist will be tasked with completing an aftercare plan and scheduling and pursuing annual check-ins with discharged patients. (DI #3, p.23).

Staff Analysis and Recommendation

The applicant has stated that it is committed to participating in utilization review and control programs. Staff has reviewed the submitted policies governing admission, length of stay, discharge planning, and referral and has determined that they are sufficient. Staff has reviewed the applicant's transfer policy which states that each aftercare plan will include a year of aftercare, Staff concludes that the applicant complies with the utilization review standard.

.05J. Transfer and Referral Agreements.

(1) An applicant must have written transfer and referral agreements with facilities capable of managing cases which exceed, extend, or complement its own capabilities, including facilities which provide inpatient, intensive and general outpatient programs, halfway house placement, long-term care, aftercare, and other types of appropriate follow-up treatment.

The applicant provided several transfer and referral agreements with other facilities that complement its own capabilities as shown below in Table III-2.

(2) The applicant must provide documentation of its transfer and referral agreements, in the form of letters of agreement or acknowledgement from the following types of facilities:

- **(a) Acute care hospitals;**
- **(b) Halfway houses, therapeutic communities, long-term care facilities, and local alcohol and drug abuse intensive and other outpatient programs;**
- **(c) Local community mental health center or center(s);**
- **(d) The jurisdiction's mental health and alcohol and drug abuse authorities;**
- **(e) The Alcohol and Drug Abuse Administration and the Mental Hygiene Administration[3];**
- **(f) The jurisdiction's agencies that provide prevention, education, driving-while-intoxicated programs, family counseling, and other services; and,**
- **(g) The Department of Juvenile Justice and local juvenile justice authorities, if applying for beds to serve adolescents.**

[3] These agencies were former components of the Maryland Department of Health and are now included within the Behavioral Health Administration.

Foundations included letters of agreement and the status of additional negotiations with other facilities to date, as shown in the following table.

Table III-2: Foundations Transfer and Referral Agreements

Provider Category	Agreement or contact with:
Acute care hospital	Applicant is working to establish a referral partner agreement with Geater Baltimore Medical Center
Halfway houses, Therapeutic communities, Long-term care facilities, Local alcohol and drug abuse	Anchor Recovery Housing – Halfway House BDC/TruHealing Baltimore –ASAM Level 3.7 WM services TruHealing Hagerstown Inpatient - ASAM Level 3.5 services TruHealing Hagerstown Outpatient –Partial Hospitalization and intensive outpatient services Pascal Crisis Stabilization Center –ASAM Level 3.7 WM services One Promise – Outpatient Treatment and recovery housing Addiction Medication Treatment – Outpatient services Achieve – Partial Hospitalization and outpatient services
Local community mental health center or center(s)	The applicant continues to work towards establishing transfer and referral agreements
The jurisdiction's mental health and alcohol and drug abuse authorities	The Applicant is working to establish a referral partner arrangement with the Baltimore County Department of Health.
BHA (formerly the Mental Hygiene Administration with its division of Alcohol and Drug Abuse)	BHA prefers to engage with applicants after CON approval - the applicant will seek out a referral agreement if CON is granted.
The jurisdiction's agencies that provide prevention, education, driving-while-intoxicated programs, family counseling, and other services	The applicant continues to work towards establishing transfer and referral agreements

Source: (DI #3, p. 24, Exh. 8, DI #21, p.2, DI #22).

Staff Analysis and Recommendation

Staff notes that of the six relevant service categories in the standard, the applicant has only been able to secure and provide documentation of transfer and referral agreements with halfway houses, therapeutic communities, and local alcohol and drug abuse intensive and other outpatient programs. Foundations does not have agreements with providers that can provide services that exceed or extend their own capabilities. Also, staff notes that three of the letters of agreement or acknowledgement are from providers that are within or affiliated with MBM Ventures system (i.e., BDC, TruHealing Hagerstown Inpatient, and TruHealing Hagerstown Outpatient). Considering that other providers may await CON approval before entering into an agreement with Foundations,

staff recommends that the Commission find the applicant complies with this standard with the following condition:

> Foundations Inpatient, LLC shall document referral agreements, prior to First Use Approval by the Commission, in the form of executed letters of agreement or acknowledgement from acute care hospitals, local community mental health centers, Baltimore County's mental health and alcohol and drug abuse authorities, BHA, and Baltimore County agencies that provide prevention, education, driving-while-intoxicated programs, and family counseling. The referral agreements must include referral of indigent or gray area populations to Foundations.

.05K. Sources of Referral.

(1) An applicant proposing to establish a new Track Two facility must document to demonstrate that 50 percent of the facility's annual patient days, consistent with Regulation .08 of this Chapter, will be generated by the indigent or gray area population, including days paid under a contract with the Alcohol and Drug Abuse Administration or a jurisdictional alcohol or drug abuse authority.

Foundations seeks to establish a Track One facility. This sub-part of the standard is not applicable.

(2) An applicant proposing to establish a new Track One facility must document referral agreements to demonstrate that 15 percent of the facility's annual patient days required by Regulation .08 of this Chapter will be incurred by the indigent or gray area populations, including days paid under a contract with the Alcohol or Drug Abuse Administration or a jurisdictional alcohol or drug abuse authority, or the Medical Assistance program.

Foundations has provided documentation from several outside agencies that establish referral agreements for gray area and indigent patients to the applicant's facility. (DI #3, Exh. 8, DI #9, Exh. 3; DI #22). The applicant states that the primary source of referrals to the new ICF will come directly from BDC, the existing ASAM 3.7-WM ICF operated by MBM Ventures, the owners of Foundations. That facility has a current patient mix of 85 percent Medicaid and 15 percent commercial payors. (DI #3, p. 24). Foundations states that it is working to establish a referral agreement with the Baltimore County Health Department. (DI #9, p.10).

Staff Analysis and Recommendation

Foundations has agreements from community providers for referral of indigent and gray area patients. Foundations has yet to establish agreements with the Behavioral Health

Administration, previously known as the Alcohol and Drug Abuse Administration for the State, and the Baltimore County Health Department, both of which will be required prior to First Use Approval. Staff therefore recommends that the Commission find the applicant complies with this standard with the condition that the agreements be in place before First Use Approval (see condition 5 above):

.05L. In-Service Education. An applicant must document that it will institute or, if an existing facility, maintain a standardized in-service orientation and continuing education program for all categories of direct service personnel, whether paid or volunteer.

The applicant provided a copy of its draft policies and procedures regarding staff training and development with its CON application. (DI #3, Exh.9). Foundations states that it will institute and maintain a standardized in-service orientation and continuing education program for all categories of direct service personnel. (DI #3, pp.24-25).

Staff Analysis and Recommendation

Staff has reviewed the policies and procedures and concludes that the applicant complies with this standard.

.05M. Sub-Acute Detoxification. An applicant must demonstrate its capacity to admit and treat alcohol or drug abusers requiring sub-acute detoxification by documenting appropriate admission standards, treatment protocols, staffing standards, and physical plant configuration.

Foundations provided policies and procedures for the admission and treatment of patients requiring withdrawal management services. The policy includes services that include withdrawal treatment assessment, withdrawal symptom medication management, medication assisted treatment, group therapy, case management, individual therapy and planning for aftercare services. (DI#3, Exh. 5). The staffing plan for the facility includes 24/7 availability of nurses and the physical plant configuration includes quad rooms with adequate bathroom and shower availability, to accommodate patients in active withdrawal . (DI#21, Table G, DI #9, Exh. 6). However, the applicant does not plan to provide withdrawal management services. Patients that require active withdrawal management will be referred to BDC, its sister facility, located 1.2 miles from Foundations. Foundations also has referral agreements with Pascal Crisis Stabilization that offers sub-acute withdrawal management services.

Staff Analysis and Recommendation

Staff has reviewed the withdrawal management policies and procedures and found them to be sufficient. Staff acknowledges that the facility does not plan to offer withdrawal management services on site but that it has demonstrated the capacity to provide these services as required. Staff concludes that the applicant therefore complies with this standard.

.05N. Voluntary Counseling, Testing, and Treatment Protocols for Human Immunodeficiency Virus (HIV). An applicant must demonstrate that it has procedures to train staff in appropriate methods of infection control and specialized counseling for HIV-positive persons and active AIDS patients.

Foundations states that staff will be trained in specialized counseling for HIV-positive persons and active AIDS patients and will be given a pre-employment course on Infection Control along with annual mandatory training. (DI #3, p. 25). Foundations submitted a copy of its HIV training program which will be provided by Relias, LLC. (DI #3, Exh. 10). The policy states that Foundations will provide both initial training and yearly follow-up training on infection control for staff. (DI #3, Exh. 9). The applicant provided a copy of its policies and procedures related to HIV testing and counseling which include:

- All Clients will receive Infection Control and HIV/AIDS information at the time of orientation

- Client will be screened for Social High-Risk Activities and will be provided the opportunity for HIV/AIDS and HEP C testing and counseling if requested.

- Additional education and testing for HIV and Hepatitis are part of the routine and scheduled monthly relationship with the local Health Department. They provide on-site testing, treatment, and outpatient follow up. (DI #24)

Staff Analysis and Recommendation

Staff has reviewed the Infection Control policy and finds that a HIV/AIDS policies are in place for patient testing, counseling and outpatient follow-up. While HIV testing and counseling will be provided by Foundations' staff, medical treatment including medication administration will be handled at the facility by the local health department personnel. Staff concludes that the applicant complies with this standard.

.05O. Outpatient Alcohol and Drug Abuse Programs.

(1) An applicant must develop and document an outpatient program to provide, at a minimum: individual needs assessment and evaluation; individual, family, and group counseling; aftercare; and information and referral for at least one year after each patient's discharge from the intermediate care facility.
(2) An applicant must document continuity of care and appropriate staffing at off-site outpatient programs.

(3) Outpatient programs must identify special populations as defined in Regulation .08, in their service areas and provide outreach and outpatient services to meet their needs.
(4) Outpatient programs must demonstrate the ability to provide services in the evening and on weekends.

(5) An applicant may demonstrate that outpatient programs are available to its patients, or proposed patient population, through written referral agreements that meet the requirements of (1) through (4) of this standard with existing outpatient programs.

The applicant will not provide outpatient services and will use referral agreements to work with other community providers who provide specialized services in accordance with subpart (5). Foundations currently has referral agreements with TruHealing Outpatient in Hagerstown, One Promise in Baltimore, and Addiction Medication Clinics in Laurel. (DI #3, Exh. 8; DI #9, Exh. 3; DI #22). Foundations also commits to the development of patient treatment plans that will include at least one year of aftercare following discharge from the facility. (DI #3, p.23).

Staff Analysis and Recommendation

Staff has reviewed the referral agreements and aftercare policy and finds that the applicant has arranged for outpatient programs for discharging patients. Foundations has referral agreements for outpatient services with a broad range of community providers including halfway houses and outpatient treatment facilities. The outpatient programs provide continuity of care, including 12 months of aftercare, with availability on weekends and evenings. Staff concludes that the applicant complies with this standard.

.05P. Program Reporting. Applicants must agree to report, on a monthly basis, utilization data and other required information to the Alcohol and Drug Abuse Administration's Substance Abuse Management Information System (SAMIS) program and participate in any comparable data collection program specified by the Department of Health and Mental Hygiene.

The Behavioral Health Administration no longer collects data from private-pay funded providers (Track One), thus, Foundations' proposed Track One facility would not be required to

report utilization data to the State. The applicant has agreed to participate in comparable data collection programs if one is created in the future. (DI #9, p.11).

Staff Analysis and Recommendation

Staff concludes that the applicant complies with this standard.

B. NEED

COMAR 10.24.01.08G(3)(b) Need. The Commission shall consider the applicable need analysis in the State Health Plan. If no State Health Plan need analysis is applicable, the Commission shall consider whether the applicant has demonstrated unmet needs of the population to be served and established that the proposed project meets those needs.

As discussed earlier in this report under the SHP Need standard at COMAR 10.24.14.05B (*supra*, p.7), the bed need projection methodology for Track One facilities has been made obsolete by the 2019 amendments to Maryland law changing the scope of CON regulation.

Foundations states that the primary service area for the proposed ICF will be Baltimore County, Baltimore City, and Washington County. (DI #9, p.12). Jurisdictions in the secondary service area include Allegany, Garrett, Frederick, Carrol, Harford, Howard and Anne Arundel. Within Baltimore County, there exists three Track One providers, Hygea Detox in Middle River (50 beds) that is located 25 miles from Foundations' proposed location; Hygea Healthcare Camp Meade in Linthicum Heights (16 beds) that is located 12.5 miles from the Foundations site; and BDC (24 beds) in Woodlawn, Baltimore County, located 1.2 miles from Foundations' site. (DI #9, p. 19). BDC provides both ASAM Level 3.7 and ASAM Level 3.7 WM services and will transition ASAM Level 3.7 services to Foundations upon opening. (DI #3, p. 29, DI #9, p.19, DI #13, p. 4).

The applicant provided Maryland Department of Health (MDH) data from September 2023 through August 2024, showing emergency department visits related to opioid overdose totaling 4,962 in Baltimore County and City combined, and opioid deaths totaling 1,085 in that same area. (DI #3, p.29). The applicant also cited a report that the death rate from opioid overdoses in Baltimore, from 2018 to 2022, was nearly double that of other large cities.[4] (DI #3, p. 29).

Foundations plans to provide Level 3.7 services to 880 patients per year (DI #21, Table E). Approximately 80 percent of patients will be Medicaid, with the remaining 20 percent private insurance. While this patient mix is more representative of a mix seen in Track Two ICFs, the

[4] Baltimore Became US Overdose Capital, The New York Times, May 23, 2024, updated August 8, 2024.

applicant has applied to establish a Track One facility to have the option of serving a higher number of Track One patients in the future. Foundations states that the current need for beds in the primary and secondary service areas are for Track Two beds, based on BDC's experience. The applicant references a 2022 study by the Hilltop Institute[5] showing that 70.4 percent of individuals in the service area who died from an overdose were enrolled in Medicaid in the year preceding their death. (DI #9, p. 5)

The applicant states that it is limited in the number of Level 3.7 WM patients that it can serve because patients completing withdrawal management often stay at BDC for Level 3.7 residential services due to a lack of space in Level 3.7 facilities. (DI #3, p. 29). Foundations states that upon the opening of its 40-bed facility, BDC will discontinue providing ASAM Level 3.7 residential services and will provide strictly 3.7 WM services, All patients will be transferred to Foundations or other Level 3.7 programs post-withdrawal management. Level 3.7 (DI #9, p. 6). According to Foundations, this would allow BDC to provide an estimated increase of 8.6 average daily patients with withdrawal management services. (DI #21, p. 2). The applicant also states that facilities in Baltimore City are unable to accommodate Level 3.7 patients in a timely manner, anecdotally, wait times of up to one week are common. (DI #21, p. 4).

Staff Analysis and Recommendation

Staff consulted the MDH's 2023 report entitled "Availability of Access to Medication Assisted Treatment"[6] that provided data on the estimated opioid treatment need in Maryland jurisdictions, including those in the applicant's primary and secondary service areas. According to the report, Baltimore County as well as Anne Arundel, Carroll, Frederick, Garrett, and Howard Counties all showed treatment need that was not being met with current bed capacity. The most recent Opioid Overdose data released by MDH reported that the number of opioid-related overdoses resulting in an emergency department visit was 4,325 in Baltimore City and County between May 2024 until April 2025.[7] This number of overdoses had remained virtually unchanged since 2018. The data suggests that the current number of Level 3.7 beds are not sufficient to meet the current need.

The applicant proposes to establish a 40-bed Level 3.7 facility, although the facility could physically accommodate 50 Level 3.7 beds. The applicant has the capacity to increase the number of patients served to meet additional need.

Staff concludes that the applicant has sufficiently demonstrated unmet need for medically managed, sub-acute SUD services in Baltimore City and Baltimore County. Staff recommends the Commission find that the applicant meets this criterion.

[5] The Hilltop Institute. (2022, June 7). Medicaid Data for DORM Report. Baltimore, MD: UMBC.
[6] https://dlslibrary.state.md.us/publications/JCR/2023/2023_112.pdf
[7] https://health.maryland.gov/dataoffice/Pages/mdh-dashboards.aspx

C. AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES

COMAR 10.24.01.08G(3)(c) Availability of More Cost-Effective Alternatives. The Commission shall compare the cost effectiveness of the proposed project with the cost effectiveness of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.

Foundations plans to spend $753,348 in renovation and start-up costs to add 40 Level 3.7 beds in Baltimore County. (DI #21, Table E). The money will be used primarily for small capital improvements and start-up costs. The major renovations to the facility were completed on the building before this application to establish a Level 3.5 residential treatment center. Foundations states that the proposed project is the most cost-effective and efficient means to make available additional Level 3.7 beds in the jurisdiction. (DI #9, p.22). The applicant considered both the expansion of existing MBM Ventures facilities and the construction of a new facility as alternatives to address unmet bed need. Constructing an entirely new facility would be more expensive and require significantly more time to implement. The other MBM Ventures facilities do not have the capacity to address the need for ICF beds.

Staff Analysis and Recommendation

Staff has reviewed the project costs for this ICF and has found that the costs are far lower than in other recent CON applications for Level 3.7 beds. Over the past 5 years, the per-bed cost of establishing an ICF ranges from $3,000 per bed for a facility simply converting existing lower level of care beds to Level 3.7 beds, to $241,000 per bed to renovate an entire building. This project is projected to have a per-bed cost of $18,000, which is on the lower end of the cost spectrum.

Therefore, staff recommends that the Commission find that the proposed project is cost-effective to provide additional ICF service capacity available in Central Maryland and recommends the Commission find that the applicant meets this criterion.

D. VIABILITY OF THE PROPOSAL

COMAR 10.24.01.08G(3)(d) Viability of the Proposal. The Commission shall consider the availability of financial and nonfinancial resources, including community support, necessary to implement the project within the time frames set forth in the Commission's performance requirements, as well as the availability of resources necessary to sustain the project.

Availability of Financial Resources

The total estimated cost of the proposed project is $753,348, with capital costs of $260,000 and working capital costs of $493,348. The capital costs include building renovation, fixed equipment, start-up marketing costs, CON Consulting fee, and non-CON licensing fee (DI #21, Exhibit A, Table B). The working capital costs will support initial operations ramp-up. (DI #13. b, Exhibit D).The applicant submitted a letter from an independent certified public accounting (CPA) firm confirming the total project cost of $753,348 and that MBM Ventures has adequate liquidity to fund the project independent of operational cash flow. The applicant will fund the project with cash and will not require debt financing, grants, or external fundraising.

Projected Financial Performance

Foundations' financial projections assume gross revenue of $1,300 per patient day for its 3.7 ICF services, yielding an average of $446 per patient-day after bad debt, contractual allowances, and charity care. The average length of stay is projected to be 14 days. Foundations expects to participate as a network provider with Medicaid that will account for 90 percent of its patient-days and commercial third-party payers for the remaining 10 percent. The facility is projected to achieve 84 percent occupancy by calendar year (CY) 2027 (DI #21, Exhibit A, Table C-F).

The applicant projects that it will generate positive income from the first full year of operations (CY 2026), as shown in the table below. The CPA letter also affirms that Foundations Inpatient LLC and MBM can generate sufficient free cash flow from ongoing operations to cover working capital.

Table III-3: CY 2025-2027 Foundations Inpatient Projections (Uninflated)

Calendar Year	CY 2025 (Current Year)	CY 2026 (Projected)	CY 2027 (Projected)
1. REVENUE			
a. Inpatient Services	$ 7,140,900	$ 16,014,700	$ 16,014,700
b. Outpatient Services			
Gross Patient Service Revenues	***$ 7,140,900***	***$ 16,014,700***	***$ 16,014,700***
c. Allowance for Bad Debt	$ 172,917	$ 317,572	$ 236,697
d. Contractual Allowance	$ 4,528,836	$ 10,156,695	$ 10,156,695
e. Charity Care	$ 21,423	$ 48,044	$ 48,044
Net Patient Services Revenue	***$ 2,417,725***	***$ 5,492,389***	***$ 5,573,263***
f. Other Operating Revenues (Specify)			
NET OPERATING REVENUE	***$ 2,417,725***	***$ 5,492,389***	***$ 5,573,263***
2. EXPENSES			
a. Salaries & Wages (including benefits)	$ 1,717,477	$ 3,256,456	$ 3,392,988

b. Client/Clinical Expenses	$ 202,532	$ 446,654	$ 460,054
c. Facility Expenses, rent, taxes, utilities	$ 227,804	$ 473,321	$ 494,576
d. Management Services	$ 307,581	$ 696,123	$ 706,371
e. Facility Operations and Support	$ 243,525	$ 293,970	$ 306,152
f. Start-up Costs	$ 90,000		
g. Depreciation Expense	$ 8,500	$ 17,000	$ 17,000
TOTAL OPERATING EXPENSES	**$ 2,797,419**	**$ 5,183,524**	**$ 5,377,140**
3. INCOME			
a. Income from Operation	**$ (379,695)**	**$ 308,865**	**$ 196,123**
b. Non-Operating Income			
SUBTOTAL	**$ (379,695)**	**$ 308,865**	**$ 196,123**
c. Income Taxes	$ (132,893)	$ (24,790)	$ 43,853
NET INCOME (LOSS)	**$ (246,801)**	**$ 333,655**	**$ 152,270**
4. PATIENT MIX:			
a. Percent of Total Revenue			
1) Medicaid	80.0%	80.0%	80.0%
2) Blue Cross	10.0%	10.0%	10.0%
3) Commercial Insurance	10.0%	10.0%	10.0%
Total	**100.0%**	**100.0%**	**100.0%**
b. Percent of Equivalent Inpatient Days			
1) Medicaid	90.0%	90.0%	90.0%
2) Blue Cross	5.0%	5.0%	5.0%
3) Commercial Insurance	5.0%	5.0%	5.0%
Total	**100.0%**	**100.0%**	**100.0%**

Source: (DI #21, Exhibit A, Table F)

Work Force Projections

Foundations projects employment of 40.5 full-time equivalents (FTEs), none of whom will be contractual, at a total cost of $3,392,988 in salaries and benefits. (DI #21, Table G Workforce Information). A profile of the staffing plan is shown below in Table III-4. The applicant anticipates that salaries and benefits will grow year-over-year at a rate of 4 to 4.2 percent.

Table III-4: Foundations Workforce Table

Job Category	FTEs	Total Cost
Regular Employees		
Total Administration	4	$332,140*
Total Direct Care	33.5	$2,938,030*
Total Support	3.0	$122,818*
Regular Employees – TOTAL	40.5	$3,392,988*

Source: (DI #21, Table G).
*Benefits (15%) and Payroll Taxes are included in wage calculations

The applicant does not anticipate any challenges in attracting and maintaining staff at the salary and hourly rates provided, as evidenced by the success in staffing at BDC that has similar salary levels for similar positions. (DI #21, p. 5). Additionally, Amatus Health, the business management and operator of Foundations, will engage a staffing agency to assist in obtaining qualified staff for the facility. (DI #9, p. 26).

Community Support

Foundations has support for the proposed project from a community SUD treatment program and a local wellness program, *infra*, p. 7. (DI #3, Exh.14).

Staff Analysis and Recommendation

Staff reviewed the applicant's project budget, and considered the stated capital costs, working capital requirements, annual lease expense, depreciation and the CPA letter. Staff finds the outlay reasonable except for a missing contingency amount and suggest the applicant have sufficient contingency in the project budget to avoid accidental overrun.

Staff reviewed the applicant's Revenues and Expenses, considering the gross and net patient service revenues, contra revenue (that comprises of bad debt, contractual allowance and charity care), operating expenses and operating income (profitability), and concluded that the assumptions used could be substantiated. Staff is concerned that profitability decreased from year 2 to year 3 of operation, however this is due to increases in expenses while holding revenues at a constant. The assumptions did not include any rate increases by payers over the period, nor any change in the payor mix for the facility. The facility is still expected to be profitable by the end of year 3.

Staff would like to note that the applicant has an elevated Expense Ratio averaging 95 percent between CY 2026 and CY 2027, with a comparatively slower rate of growth in operating revenues (1.5%) and a slightly higher rate of growth in operating expenses (3.7%) during the same period. Staff believes that if the Level 3.7 services continue to draw similar volumes and depend only on yearly incremental increases in Medicaid reimbursements, it could create a challenge for sustained operations in the long term.

While the applicant has sufficient resources to implement the ICF, for the applicant to thrive in the long term, it is vital that it increases the volumes of Level 3.7 services, maintains sustained ALOS of 14 days, and maintains sustained volumes and revenues from the co-located Level 3.5 services. Appendix 4 provides more context for the staff analysis of the financial viability and projected financial performance.

The applicant has support from only two community organizations. Relationships with community organizations are important, not only in providing patient referrals, but also in providing services that support a patient's success in recovery post-discharge. While this criterion does not define a minimum level of community support necessary for CON approval, staff recommends that the facility continue to outreach to build relationships and garner additional support both prior to First Use Approval and beyond.

Staff recommends that the Commission find the proposed project viable based on resource availability and documentation of support, and recommends the Commission find that the applicant meets this criterion.

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E. COMPLIANCE WITH CONDITIONS OF PREVIOUS CERTIFICATES OF NEED

COMAR 10.24.01.08G(3)(e) Compliance with Conditions of Previous Certificates of Need. An applicant shall demonstrate compliance with all terms and conditions of each previous Certificate of Need granted to the applicant, and with all commitments made that earned preferences in obtaining each previous Certificate of Need or provide the Commission with a written notice and explanation as to why the conditions or commitments were not met.

The applicant acknowledges that there is common ownership and management with BDC and that the Commission will likely find the BDC CON informative to the Foundations CON application, however, the applicant states that it is not BDC. (DI #3, p.27). The applicant believes that the issues encountered with the BDC project should not serve as a basis for denial of this application. (DI #3, p.28).

The applicant states that even if an applicant has failed to comply with a prior CON, the Commission can still find and applicant meets this criterion if it is satisfied with the applicant's written notice and explanation as to why the conditions or commitments were not met.

BDC was awarded a CON to establish a new Track One ICF in Baltimore County on March 19, 2020. On July 27, 2022, BDC submitted a Project Change Request informing the Commission that BDC had exceeded the approved project budget by $683,574 (206%) and requested Commission approval of the budget increase. The Commission denied the request, instead deciding to handle the cost overrun at the time of First Use Approval. BDC requested first use approval on March 21, 2023. On May 19, 2023, BDC was granted First Use Approval and the Commission approved the new budget.

One July 25, 2023, BDC notified the Commission that it planned to increase its Level 3.7 beds by converting existing Level 3.5 beds housed in the same facility. At this time, the Commission became aware that the facility had not been constructed in accordance with the Commission-approved design; specifically, the project doubled in size, with an altered floor plan. On September 28, 2023, BDC came before the Commission to provide an explanation for non-compliance with the approved CON and the failure to timely notify the Commission. BDC explained that its non-compliance was due to changes in management and poor communication through the management transition. Baruch Rabhan stated that he only recently became involved in the oversight of the facility.

On October 20, 2023, the Commission revoked BDC's First Use Approval. The revocation was in effect until BDC submitted a comprehensive Project Change Request including all changes that occurred after receiving the CON. BDC submitted the required Project Change Request on November 3, 2023, and the Commission issued a new First Use Approval on November 17, 2023, with the following conditions:

> 1. Baltimore Detox Center shall document the provision a minimum of 15 percent patient days of care to indigent and gray area patients, as defined at COMAR10.24.14.08B(9) and (11), by submitting annual reports auditing its total days of care and the provision of days of care to indigent and gray area patients as a percentage of total days of care. Such audit reports shall be submitted to the Commission following each BDC fiscal year, from the project's inception and continuing for five years thereafter.
>
> 2. Baltimore Detox Center shall address its non-compliance with its March 2020 CON should Baltimore Detox Center or an affiliated entity seek approval from the Commission for a future project.
>
> 3. If Baltimore Detox Center seeks to add additional intermediate care beds to its facility, it shall provide the Commission with evidence that it has appropriate

staffing levels and bed and bathroom configurations that afford patient privacy and safety.

Staff Analysis and Recommendations

BDC is an affiliate of Foundations Inpatient, LLC and is also owned by Baruch Rabhan. BDC did not comply with the conditions of its CON (Docket #18-03-2419). After revocation of its First Use Approval and subsequent submission of a Request for Project Change, indicating all the changes in construction and bed capacity, the First Use Approval was re-issued and BDC was able to obtain a license. Currently, BDC is licensed as a 24-bed facility and provides Level 3.7 services in Baltimore County. BDC is in current compliance with all conditions.

Staff accepts the applicant's explanation for BDC's non-compliance with its 2020 CON. While there do not appear to be any issues at this time for Foundations, staff remain concerned about how forthcoming the applicant will be about future changes as the new facility progresses post CON approval. In the original CON application, Foundations applied for 75 beds at the new facility (DI #3, p. 15), and stated in the application:

> … the law does not require an intermediate care facility to obtain approval prior to increasing the bed capacity at such a facility after obtaining a CON. Md. Health Gen § 19-120(h)(2)(v). … Therefore, even if the Commission only approves 50 Level III.7 beds, Foundations could immediately increase to 75 beds after obtaining First Use Approval. This is mentioned respectfully to point out that approving a lesser number of beds during the CON process would merely be an administrative nuance and not one that would impact the number of Level III.7 beds that Foundations actually operates after First Use Approval. (DI #3, p.16).

In a subsequent submission, the applicant changed the number of beds being requested to 50 beds (DI #9, p. 5). Then in the last completeness submission, the applicant changed the number of requested beds a third time to 40 (DI #13, p. 3). Staff notes that the floor plans of the facility show a capacity for 98 beds (DI #3, Exh. 2). Staff conducted a site visit to the facility on November 26, 2024, to better understand the layout of the facility, and found that several of the rooms could accommodate five or six patients and some rooms were, in fact, equipped with five beds.

Given the fluidity of the applicant's bed numbers as the application progressed, staff is concerned that Foundations bed capacity will increase immediately after first-use approval, as was done at BDC. At BDC the expanded capacity was added without necessary or adequate increase in staffing levels, modifications to the facility to ensure privacy, safety, and therapeutic milieu. Staff recommend that the Commission accept these findings, find that applicant is in compliance with the conditions in the November 17, 2023 First Use Approval and meets the criterion with the following condition:

If Foundations Inpatient, LLC seeks to add additional intermediate care beds to its facility, it shall provide the Commission with evidence that it has appropriate staffing levels, bedrooms, and bed and bathroom configurations that afford patient privacy and safety.

F. IMPACT ON EXISTING PROVIDERS AND THE HEALTH CARE DELIVERY SYSTEM

COMAR 10.24.01.08G(3)(f) Impact on Existing Providers and the Health Care Delivery System. An applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the health planning region, including the impact on geographic and demographic access to services, on occupancy, on costs and charges of other providers, and on costs to the health care delivery system.

Foundations states that there should be no negative impact on the volumes of any other existing Maryland ICF providers of Level 3.7 services because its proposed project is designed to address unmet needs for services among Central Maryland residents, Level 3.7. (DI #3, p.36). The applicant has stated that while it is a Track One provider, it will be the only ICF accepting Medicaid patients in Baltimore County. (DI #13, p.8).

The applicant provided information on the geographic distribution of Track One ICFs in Maryland and their proximity to its proposed site. (Table III-5).) Foundations identified BDC as the nearest Track One (1.2 miles away), Hygea Detox (12.5 miles away), and Hygea at Camp Meade (23.5 miles away). (DI #9, p.25).

Table III-5 Maryland Track One ICFs

Provider	County	Region	Number of Beds	Driving Distance
Baltimore Detox Center/	Baltimore	Central	24	1.2
Hygea Middle River	Baltimore City	Central	50	23.5
Hygea Camp Meade	Baltimore	Central	16	12.5
Ashley Addiction Treatment	Harford	Central	121	50
Recovery Centers of America Waldorf	Charles	Southern	64	68
Avenues Recovery Center of Maryland	Calvert	Southern	20	63
Avenues Recovery Center of Chesapeake Bay	Dorchester	Eastern Shore	104	89.1
Recovery Centers of America, Cecil	Cecil	Eastern Shore	123	87
Hudson Health Services	Wicomico	Eastern Shore	51	121

Source: DI #9, p.21

While Foundations is requesting a CON as Track One facility, it anticipates a patient mix similar to a Track Two facility, with 80 percent Medicaid patients. Foundations states that it does not expect to have an adverse impact on Track Two providers in its primary and secondary service area as Baltimore County has no Track Two providers and patients from Baltimore City currently face wait times for beds. (DI #9, p. 8; DI #21, p. 4). The applicant states that while Western Maryland has numerous Track Two beds, Foundations believes that its potential patients from Western Maryland are looking to receive care at facilities other than the existing facilities in the region. Therefore, the treatment it provides to patients from Western Maryland jurisdictions will not have an impact on these providers. (DI #21, p. 4).

With respect to Foundation's staffing, the applicant does not believe that there would be an adverse impact to existing providers. The applicant states that its sister facility, BDC, has had no staffing challenges and does not expect challenges in the future. As previously mentioned (*supra*, p. 22) Amatus Health will engage a staffing agency to assist in obtaining qualified staff for Foundations. (DI #9, p. 26).

Foundations does not believe that it will have an adverse effect on the health care system in the State, as it will be providing much needed services in an area of need. Foundation's rates will be within those prescribed by public and private payors. The applicant notes that these rates are standardized across providers, and approval of this project will not have an impact on the costs or charges to the health care system (DI #13, p. 9).

Staff Analysis and Recommendations

Staff understand that the addition of ICF beds in Central Maryland has the potential to affect bed utilization and staff recruitment for existing providers. This may be felt most acutely by Track Two providers, if Foundations continues to serve mostly indigent and grey area patients. Staff is also concerned that the staffing required to adequately treat 40 Level 3.7 patients will affect the ability of other providers to retain staff. Yet, as the project will increase access to ICF services needed in Central Maryland, staff concludes that the overall impact of the project is acceptable and recommends the Commission find that applicant meets this criterion.

G. Health Equity.

COMAR 10.24.01.08G(3)(g) The Commission shall consider how a proposed project will address health care disparities in availability, accessibility, and quality of care among different populations within the service area. The Commission shall consider how social determinants of health within the service area of the proposed project create disparities in the delivery of health care.

Foundations states that it will serve a high-risk population including indigent, homeless, and underinsured/uninsured clients suffering from substance use disorder. (DI #3, p. 37). Many in this high-risk population are also historically disadvantaged populations of color and are less likely to receive treatment for SUD than other populations. Foundations also states that a large proportion of their patients will be Black and/or Hispanic, similar to that at BDC. Many of the patients that Foundations will serve will be referrals from BDC. The applicant provided racial/ethnic demographics of the primary and secondary service areas for Foundations as well as for BDC as shown in Table III-6.

Table III-6 Racial/Ethnic Demographics of Foundations' Primary and Secondary Service Area

County	Caucasian	Black	Hispanic/ Latino	Asian	American Indian/ Alaskan Native	Native Hawaiian/ Pacific Islander
Baltimore	51.6%	32.2%	8%	6.5%	0.6%	0.1%
Baltimore City	27.4%	60.0%	7.9%	2.5%	0.4%	0.0%
Anne Arundel	70.7%	20.2%	10.7%	4.7%	0.6%	0.1%
Harford	76.7%	16.3%	6.0%	3.3%	0.4%	0.1%
Howard	53.2%	21.7%	8.9%	20.5%	0.5%	0.1%
Washington	79.5%	14.1%	8.4%	2.2%	0.5%	0.1%
Allegany	88.0%	7.9%	2.1%	1.2%	0.3%	0.1%
Garrett	96.8%	1.2%	1.5%	0.5%	0.3%	0.0%
Frederick	76.6%	12.5%	13.2%	6.7%	0.6%	0.1%
Carroll	89.8%	4.6%	5.4%	2.7%	0.4%	0.1%
BDC*	**27%**	**17%**	**3%**	**1%**	**2%**	**0%**

Source: DI #9, pp. 27-30

*The race/ethnicity of 50 percent of BDC patient population is categorized as 'Unidentified'.

Foundations states that its admission policy does not discriminate based on race, culture, or gender and that it will employ the same admission policy as is used by BDC (DI #9, p.31) Foundations also expects the same patient mix as BDC, which is representative of the primary service area as a whole. While the racial/ethnic identification of a significant percentage of BCD's patients is reported as unknown, Foundations states that it will council admissions staff on the importance of obtaining this information upon intake to improve reporting. (DI #13, p. 9).

Foundations states that increasing culturally competent staff can assist with encouraging high-risk populations to seek and stay in treatment. Foundations states that it hires staff based on Equal Employment Opportunity guidelines and does not discriminate based on race or ethnicity. Many of the staff have lived experience with SUD, which may make them more effective when working with patients. (DI #9, p. 30).

The applicant states that Amatus has provided annual cultural competency and implicit bias training to staff at its other SUD treatment facilities and will do so at Foundations. (DI #3, p.38). Foundations will provide cultural competency training through Relias, a company and platform that specializes in workforce training for healthcare professionals. The Relias training has modules that include Cultural Awareness and Humility, Supporting the Behavioral Health Goals of

LGBTQ+ Clients, A Multicultural Approach to Recovery-Oriented Practice, and Discrimination in the Workplace for Supervisors. (DI #9, pp. 30-31). Foundations states that Amatus has worked with the community during the planning of this project. (DI #3 , p.38).

To increase access for Spanish-speaking patients who are historically underserved in SUD treatment, Foundations states that it plans to employ a Spanish speaking business development representative to engage the Hispanic population by conducting outreach to community groups serving the Hispanic community. Foundations also plans to employ a Spanish speaking staff member to assist Spanish speaking clients while in treatment. Foundations will produce all pamphlets and forms in both Spanish and English (DI #13, p. 9). Foundations will also provide staff and patients with language line services as needed. (DI #9, p.31).

Foundations states that it will also assist clients facing adverse social determinants of health after discharge. Services will include identifying clients in need of services and linking them to needed resources through the local health department such as health education, transportation assistance, assistance for domestic abuse victims, vaccinations, and food assistance. Foundations will also assist clients diagnosed with mental health disorders with referrals to rehabilitation programs and physician care, and assist patients with applying for supplemental food programs or housing assistance. (DI #13, p. 10). Foundation asserts that linkages to external providers are an essential competent of its quality efforts. Foundation also claims that warm handoffs for patients to external providers were not feasible, and transfers to lower levels of care were done via telephone calls between clinical staff. (DI #9, p. 11).[8]

Staff Analysis and Recommendation

The applicant's proximity to Baltimore City increases availability of SUD treatment to underserved populations in the greater Baltimore region. The applicant's projected patient population, of indigent, homeless, and underinsured/ uninsured clients, make up an increasing proportion of overdose deaths in Maryland.[9] The applicant has specific strategies for increasing utilization for Latino/Hispanic clients, in particular. Staff notes that BDC, from which Foundations expects to receive referrals, is only marginally successful in collecting data on race/ethnicity of its patients. Foundations would need to make a more concerted effort to collect complete demographic data to inform its strategy to provide equitable services.

[8] Warm handoffs are a process of transferring a patient's care between two members of the healthcare team face-to-face and in front the patient that can include transportation to the new program, and involvement of families or other supportive individuals.

[9] https://stopoverdose.maryland.gov/wp-content/uploads/sites/34/2024/10/2023-DORM-Report.pdf

Foundations has a general plan to increase accessibility by providing transportation to and from (after discharge) the facility but does not target this plan to populations or subpopulations of SUD patients that face barriers in access.

Foundations' effort to provide quality care include providing culturally competent care, assisting patients in securing entitlements (e.g., patients in enrolling in Medicaid), and linking patients to supportive services. Foundations plans to work with community partners including the local health department to link patients with needed resources and programs, recognizing that sustained improvement in SUD treatment is affected by housing, employment, food security, transportation (to needed services), and access to regular medical care. Much of the applicant's measure of quality is related to external, community linkages and some internal, staff training but no direct outcomes for clients. Staff recommends that Foundations include warm hand-offs to lower levels of care, which include the participation of patients, families and providers as part of their quality initiatives.

Staff recommends that the Commission find the applicant complies with this criterion and recommends that an approval of the application includes the following condition:

> Foundations Inpatient, LLC shall provide an annual report that includes patient demographics for all patients, program completion rates, and the percentage of patients that: (1) were underhoused upon admission and connected to housing resources; (2) were underinsured upon admission and assisted with applying for insurance; and, (3) received a warm hand-off to lower levels of care. The reports shall be submitted to the Commission each July 1st following the issuance of First Use Approval and continuing for five years thereafter.

H. CHARACTER AND COMPETENCE

COMAR 10.24.01.08G(3)(h) The Commission shall assess the character and competence of an applicant based upon experience and past performance, including any records of violation in operating a health care service or facility.

Names and Address of Owners and Individuals responsible for Project Implementation

The applicant refers back to Exhibit 1 that shows no other party in the investor group owns more than 5 percent other than the primary owners, for which names and addresses were provided. (DI #5, p.53). Amatus Health is the operator of a series of treatment centers owned by MBM Ventures. (DI #9, p. 2).

Involvement in Other Facilities

MBM Ventures is the managing member and has an ownership interest in 10 centers providing WM and/or other SUD treatment services in four states. In Maryland, this includes

TruHealing Baltimore Detox/BDC, Foundations Recovery Center, TruHealing Outpatient, and TruHealing Hagerstown Inpatient. MBM Ventures has ownership interest in two ASAM Level 3.7 facilities and two outpatient centers in Ohio, an outpatient center in New Hampshire, and an outpatient center in Indiana. (DI #9, p.2. Exh. 5). Amatus Health is the operator of a series of treatment centers owned by MBM Ventures.

Suspended or Revoked Licenses, or Disciplinary Action

The applicant states that neither Baruch Rabhan nor his facilities have had any licenses suspended, revoked, or been subject to disciplinary action in the last five years. (DI #6, p. 39).

Guilty Pleas or Convictions

The applicant states that no owners or individuals responsible for the project identified above have ever pled guilty to or been convicted of a criminal offense in any way connected with the ownership, development, or management of the applicant facility or any of the health care facilities. (DI #6, pp. 39-40).

Regulatory Inquiries

Foundations states that there have not been any inquiries in the last 10 years from any federal or state authority or other regulatory body regarding possible non-compliance with any state or federal requirement for the provision of, the quality of, or the payment for healthcare services that have resulted in actions leading to the possibility of penalties, admission bans, probationary status, or other sanctions. (DI #6, p.39).

Staff Analysis and Recommendation

Staff reviewed the applicant's assessment of character and competence. The applicant did not reference the 2023 revocation of BDC's First Use Approval, which resulted in the required submission of a project change application and an appearance in front of the Commission. While the revocation was put on hold pending the outcome of the project change request, this action could be considered non-compliance of a Maryland State regulatory condition. This non-compliance could have led to potential penalties, probation, or the loss of its license to operate. Staff is concerned that there was no mention of this past event as a problem.

Notwithstanding staff concern that the 2023 revocation was not disclosed under this criterion, it was discussed under Compliance with Conditions of Previous Certificates of Need[10] and the Commission accepted BDC's explanation for the non-compliance (staff turnover and poor communication), and issued a new First Use Approval for the facility in November 2023. Since then, the facility has been in compliance and has been licensed and operating. Staff believes the

[10] *Infra*., p 24

applicant's representation that the problems at BDC have been addressed. Therefore, staff concludes that the applicant has sufficiently documented compliance and recommends the Commission find the applicant in compliance with this criterion.

IV. STAFF RECOMMENDATION

Based on review and analysis of the Certificate of Need application, staff recommends that the Commission find that Foundations' proposed project is consistent with the applicable State Health Plan standards and that need for the Track One ICF project has been demonstrated. The project is a cost-effective alternative for providing Track One ICF services, is viable and the overall impact of the project will be positive. The applicant has committed to serve indigent and gray area patients at the minimum level required by the SHP rule for Track One ICFs.

Accordingly, Staff recommends that the Commission **APPROVE** the application of Foundations Inpatient, LLC. for a Certificate of Need to establish the proposed ICF with the following conditions:

1. Foundations Inpatient LLC shall document the provision of a minimum of 15 percent of patient days to indigent and gray area patients, as defined at COMAR 10.24.14.08B(9) and (11), by submitting annual reports auditing its total days and the provision of days to indigent and gray area patients as a percentage of total days. Such audit reports shall be submitted to the Commission each July 1st following the issuance of First Use Approval and continuing for five years thereafter. [COMAR 10.24.14. 05D(1)(c)];

2. Foundations Inpatient, LLC shall provide to the Commission a final document outlining the estimated costs for services and the range and types of services that will be posted at registration areas and available upon request to prospective patients prior to First Use Approval. [COMAR 10.24.14.05E];

3. Foundations Inpatient, LLC must receive preliminary accreditation for the Level 3.7 services it will provide by an accrediting body approved by the Maryland Department of Health prior to First Use Approval by the Commission. [COMAR 10.24.14.05H];

4. Foundations Inpatient, LLC shall notify the Commission and the Behavioral Health Administration, in writing, within 15 days after it receives notice that its accreditation has been revoked or suspended for reasons related to health or safety or should it lose its State license. If its accreditation has been revoked or suspended or it loses its State license, Foundations Inpatient, LLC shall cease operation until the Behavioral Health Administration notifies the Commission that the deficiencies have been corrected. [COMAR 10.24.14.05H];

5. Foundations Inpatient, LLC shall document referral agreements, prior to First Use Approval by the Commission, in the form of letters of agreement or acknowledgement from acute care hospitals, local community mental health centers, Baltimore County's mental health and alcohol and drug abuse authorities, Behavioral Health Administration, and Baltimore County agencies that provide prevention, education, driving-while-intoxicated programs, and family counseling. [COMAR 10.24.14.05J]. The referral agreements must indicate referral of indigent or gray area populations to Foundations Inpatient, LLC. [COMAR 10.24.14.05K];

6. If Foundations Inpatient, LLC seeks to add additional intermediate care beds to its facility, it shall provide the Commission with evidence that it has appropriate staffing levels and bed and bathroom configurations that afford patient privacy and safety; and

7. Foundations Inpatient, LLC shall provide an annual report that includes patient demographics for all patients, program completion rates, and the percentage of patients that: (1) were underhoused upon admission and connected to housing resources; (2) were underinsured upon admission and assisted with applying for insurance; and, (3) received a warm hand-off to lower levels of care. The reports shall be submitted to the Commission each July 1st following the issuance of First Use Approval and continuing for five years thereafter.

IN THE MATTER OF	*	**BEFORE THE**
	*	
FOUNDATIONS INPATIENT, LLC	*	**MARYLAND HEALTH**
	*	
DOCKET NO. 24-03-2471	*	**CARE COMMISSION**

* *

FINAL ORDER

Based on Commission Staff's analysis and conclusions, it is this 12th day of June 2025, **ORDERED** that the application for a Certificate of Need submitted by Foundations Inpatient, LLC. to establish a 40-bed Track One Intermediate Care Facility for adults at 7131 Rutherford Road, Windsor, Baltimore County, at an estimated cost of $753,348, be **APPROVED** subject to the following conditions:

1. Foundations Inpatient, LLC shall document the provision of a minimum of 15 percent of patient days to indigent and gray area patients, as defined at COMAR 10.24.14.08B(9) and (11), by submitting annual reports auditing its total days and the provision of days to indigent and gray area patients as a percentage of total days. Such audit reports shall be submitted to the Commission each July first following the issuance of First Use Approval and continuing for five years thereafter. [COMAR 10.24.14. 05D(1)(c)];

2. Foundations Inpatient, LLC shall provide to the Commission a final document outlining the estimated costs for services and the range and types of services that will be posted at registration areas and available upon request to prospective patients prior to First Use Approval [COMAR 10.24.14.05E];

3. Foundations Inpatient, LLC must receive preliminary accreditation for the Level 3.7 services it will provide by an accrediting body approved by the Maryland Department of Health prior to First Use Approval by the Commission. [COMAR 10.24.14.05H];

4. Foundations Inpatient, LLC shall notify the Commission and the Behavioral Health Administration, in writing, within 15 days after it receives notice that its accreditation has been revoked or suspended for reasons related to health or safety or should it lose its State license. If its accreditation has been revoked or suspended or it loses its State license, Foundations Inpatient, LLC shall cease operation until the Behavioral Health Administration notifies the Commission that the deficiencies have been corrected. [COMAR 10.24.14.05H];

5. Foundations Inpatient, LLC shall document referral agreements, prior to First Use Approval by the Commission, in the form of letters of agreement or acknowledgement from acute care hospitals, local community mental health centers, Baltimore County's mental health and alcohol and drug abuse authorities, Behavioral Health Administration, and Baltimore County agencies that provide prevention, education, driving-while-intoxicated programs, and family counseling. [COMAR 10.24.14.05J]. The referral agreements must indicate referral of indigent or gray area populations to Foundations Inpatient, LLC. [COMAR 10.24.14.05K];

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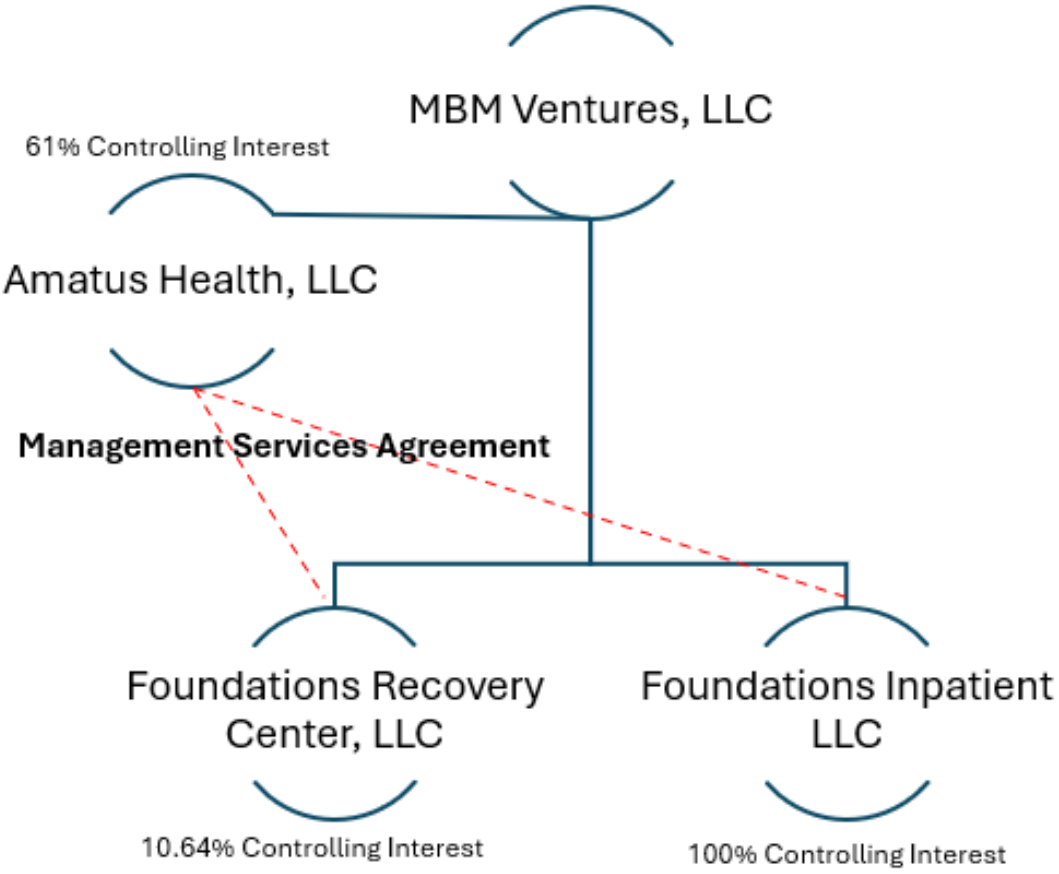
MARYLAND HEALTH CARE COMMISSION

APPENDIX 1

ORGANIZATIONAL CHART


MBM Ventures, LLC
61% Controlling Interest
Amatus Health, LLC
Management Services Agreement
Foundations Recovery Center, LLC
Foundations Inpatient LLC
10.64% Controlling Interest
100% Controlling Interest

APPENDIX 2:

RECORD OF THE REVIEW

Record of the Review

Foundations Inpatient, LLC – Docket #24-03-2471

Item #	Description	Date
1	Applicant to MHCC - Letter of Intent	5/17/24
2	MHCC Pre-Application Conference Agenda	7/19/24
3	Certificate of Need Application	11/1/24
4	MHCC to Applicant – Acknowledgment of receipt of application	11/1/24
5	Request to publish notice of receipt of application in Maryland Register	11/1/24
6	Request to publish notice of receipt of application in Baltimore Sun	11/1/24
7	MHCC to Applicant – Request for completeness information	12/3/24
8	Applicant to MHCC - Request for extension to submit completeness	12/20/24
9	Applicant to MHCC – Completeness Responses	1/10/25
10	MHCC to Applicant – Request for completeness information	1/29/25
11	Applicant to MHCC – Request to meeting regarding ICF Bed Inventory	1/31/25
12	Applicant to MHCC – Request for extension to submit completeness	2/10/25
13	Applicant to MHCC – Completeness Responses	2/19/25
14	MHCC to Applicant – Request for Completeness Information	3/11/25
15	Request to publish notice of formal start of review in Baltimore Sun	3/12/25
16	Form - Request Local Health Comments	3/13/25
17	MHCC to Applicant - Docketing Letter	3/12/25
18	Request to publish notice of formal start of review in Maryland Register	3/13/25
19	Request to publish notice of formal start of review in Baltimore Sun	3/13/25
20	Applicant to MHCC – Request for extension to provide completeness	3/20/25
21	Applicant to MHCC – Completeness Responses	3/26/25
22	Applicant to MHCC – Additional Transfer/Referral Agreements	3/29/25
23	MHCC to Applicant – Request for Infection Control Policy	4/23/25
24	Applicant to MHCC- Infection Control Policy	4/24/25

APPENDIX 3:

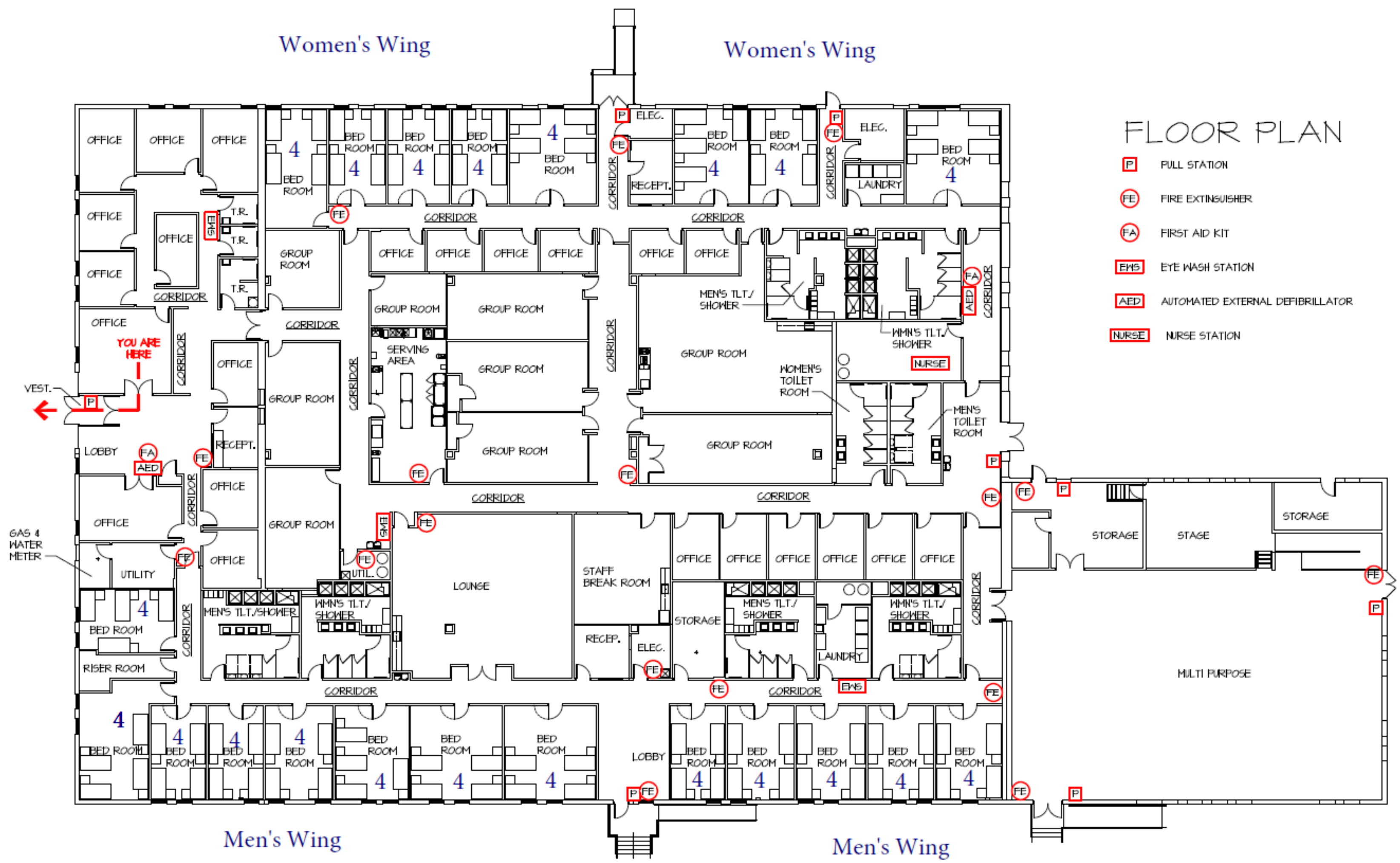
PROJECT BUDGET

Project Element	Total
Building*	$150,000
Fixed Equipment (not included in construction)	$20,000
Subtotal	**$170,000**
Start-up Marketing Expenses	$30,000
Total Current Capital Costs	**$200,000**
CON Application Assistance	$40,000
Licensing and Payor Contracting	$20,000
Working Capital Start-up Costs	$493,348
Total Uses of Funds	**$753,348**
Sources of Funds	
Cash	$**753,348**
Total Sources of Funds	**$753,348**

*Including cabling, network, window tinting and leasehold improvements

APPENDIX 4:

FLOOR PLAN


FLOOR PLAN
P PULL STATION
FE FIRE EXTINGUISHER
FA FIRST AID KIT
EWS EYE WASH STATION
AED AUTOMATED EXTERNAL DEFIBRILLATOR
NURSE NURSE STATION
Women's Wing
Women's Wing
Men's Wing
Men's Wing
YOU ARE HERE
VEST.
LOBBY
GAS & WATER METER
OFFICE
CORRIDOR
BED ROOM
GROUP ROOM
T.R.
RECEPT.
UTILITY
RISER ROOM
SERVING AREA
LOUNGE
STAFF BREAK ROOM
RECEP.
ELEC.
STORAGE
LAUNDRY
MEN'S TLT./SHOWER
WMN'S TLT./SHOWER
WOMEN'S TOILET ROOM
MEN'S TOILET ROOM
UTIL.
STAGE
MULTI PURPOSE

APPENDIX 5:

VIABILITY - DETAILED STAFF ANALYSIS

Staff reviewed the project budget and observed that the applicant does not have any contingencies accounted for in the project budget and states that 'the budget is contingent on Foundations receiving approvals for Level III.5 and Level III.7 licensing, and CON First Use Approval for III.7 beds' (DI #9, p4). Staff observe that contingencies can vary from facility to facility as well as project to project and by and large it could range from 5-10% of the capital costs. In a comparative review of previous 'track one' (majority private-pay patients) and 'track two' (majority public-pay patients) CON applications, staff observed that Baltimore Detox Center (BDC) (Docket# 18-03-2419) and Hygea Middle River (Docket# 21-03-2450), both track one, had a contingency amount of around 10 percent whereas Hygea at Camp Meade (Docket# 23-02-2468) and Gaudenzia Inc. (docket # 18-24-2320), both track two, had none. Staff would like to mention a unique precedent in the case of BDC where a 206 percent increase in capital costs was already incurred (post-CON approval) and later presented to the commission as a project change request in an untimely manner. Staff would make the applicant aware of COMAR 10.24.01.17B(2) relevant to 'Project Change Request' in the event the situation arises.

In addition to capital cost and working capital, the applicant has indicated an annual lease cost of $752,130 ($62,678 per month) escalating at 3 percent year-over-year. The current year share of the lease cost, $173,426 for the 3.7 facility as well respective amounts for CY 26 and CY 27 ($348,612 and $361,165) are captured as expected under Facility Expenses, rent, taxes, utilities expenses (DI #21, Exhibit B, p21).

Considering the above analysis staff find the project budget outlay reasonable except for a contingency amount and recommend the applicant to have sufficient contingency to the project budget to avoid accidental overrun.

Staff reviewed the applicant' revenues and expenses and found that the Contra revenue (comprised up Bad debt, contractual allowance and charity care) and Net Patient Service Revenue are in line with facilities of similar patient mix. The Net Operating Revenue exhibits a modest 1.5 percent year-over-year growth between CY 26 and CY 27. To verify the potential for better revenue growth, staff analyzed the trends in Medicaid Substance Use Disorder (SUD) Fee Schedule[11] for ASAM 3.5 and 3.7 levels of care published by Carelon, the new Maryland Medicaid Behavioral Health Administrator as well as Optum, the previous administrator (Appendix 5). Staff observed a 6 percent Compound Annual Growth Rate (CAGR) 5-year period between CY 20-CY 25 in the per diem rates for Procedure Codes W7350 (ASAM Level 3.5) and W7370 (ASAM Level 3.7) combined with Room & Board rates. Staff constructed an estimation chart for the current and subsequent two years using Medicaid patient-days from Foundations' 3.5 and 3.7 facilities (Appendix 6) multiplied by the Carelon rates. The estimation model (Appendix 7) yielded an NPSR of $2.284 M (3.7 facility only) compared to $2.417 M in CY 25 which is off by a smaller margin of 5.5 percent. Similarly, a combined NPSR of $5.658 M (3.5 included, DI #21, Exhibit

[11] Carelon: https://s18637.pcdn.co/wp-content/uploads/sites/75/FY2025-PBHS-Fee-Schedule-SUD-1.1.2025.pdf?_gl=1*cm34ub*_ga*NTc2NTE2NjIuMTc0MDQyMzQ2MA..*_ga_DVJWV4YXE8*MTc0MDQyMzQ2MC4xLjAuMTc0MDQyMzQ2MC4wLjAuMA.

A, Table D) compared to $6.032 M in CY 25 was off by yet another smaller margin of 6.2 percent. Similar smaller variances observed across CY 26 and CY 27 substantiate the assumptions used by the applicant to a good extent in their projections.

While better Operating Revenues play a key role in overall profitability, sustained profitability requires keeping Operating Expenses under check. Expense Ratio, (Operating Expenses over Operating Revenues), is a crucial balance between revenue generation and cost control and a precursor of profitability. In the first year of operations, this ratio can be understandably higher and is usually expected to drop as the organization matures over time. In the case of the applicant, Expense Ratio in CY 25 (3.7 facility only) stands at -115.7 percent which means the expenses exceed the revenues. It drops as expected in the subsequent two years but not by a large margin and stands at 94 and 97 percent. On the other hand, for the entire facility (3.5 included, DI #21, Exhibit A, Table D), the Expense Ratio averages at a reasonable 84 percent from CY 25 through CY 27 improving overall profitability. Staff is aware that expenses and their composition vary by organization and type of healthcare facility. Prior track one applicants such as BDC and Hygea both followed a similar trend but with better expense ratios ensuring higher projected profitability. Gaudenzia (track two applicant) for that matter had an expense ratio of 90 percent in the first year and was projected to lower it, although drastically to 46 percent in the subsequent two full years of operations which promised better profitability.

Salaries and benefits make up the bulk of operating expenses for Foundations averaging around 62 percent followed by Management Services at 13%, Facility Expenses at 8.8 percent and Facility Operations and Support at 7 percent (Table III.3). Overall, the operating expenses are expected to grow at a year-over-year rate of 3.6 percent between CY 26 and CY 27. Salaries, Facility Expenses and Facility Operations are observed to growth at a year-over-year rate of 4.2 percent , 4.5 percent and 4.1 percent each respectively over the same period. Salaries including benefits for the 3.7 facility, considering the full year of operation (CY 27) stand at $3,392,988 and tie with relevant workforce projections. Similarly, salaries for the final year of projection for the entire facility (3.5 included, DI #21, Exhibit A, Table D) stand at $ 4,542,276 and tie with relevant workforce projections.

A higher growth in expenses combined with a higher expense ratio could diminish the Operating Income. This appears to be the case for the 3.7 facility where operating income (difference between operating revenues and operating expenses) stands at -$379,695, $308,865 and $196,123 for the period between CY 25 and CY 27. This brings the Operating Margin (operating income over operating revenues) to -15.7 percent for the current partial year of operations (CY 25) followed by a modest 5.6 percent and 3.5 percent through CY 26 and CY 27 respectively for the 3.7 facility. Further, the applicant has also accounted for a general 35 percent income tax on operating income which effectively yields a Net Income Margin of -10.2 percent , 6.1 percent and 2.7 percent from CY 25 through CY 27. The slight improvement in the margin in CY 26 and CY 27 is through the tax carryforward in those years.

Staff calculated the Cash-basis Operating Income, a metric of actual cash inflow and outflow from core patient service operations that excludes one-time project costs, depreciation and taxes from the operating income which yielded -$414,088, $301,075 and $256,976 from CY 25 through CY 27 for the 3.7 facility. In contrast, the cash-basis operating income for the entire facility (3.5 included, DI #21, Exhibit A, Table D) yielded robust numbers $699,400, $2.089 M and $1.948 M for the same period. The cash-basis operating margin (cash basis income over revenues) yielded -17.1 percent, 5.5 percent and 4.6 percent for the 3.7 facility and 11.6 percent, 20.5 percent and 18.8 percent for the entire facility (3.5 included) for the same period.

The analysis suggests that while the 3.7 facility is financially viable in the near term, it may struggle with long-term profitability if volumes remain flat and it relies solely on modest Medicaid reimbursement increases. Sensitivity analysis shows that with 1.5 percent annual revenue growth, steady expenses, and constant volumes, the 3.7 facility could face negative operating income by CY 2029. Sustained operations depend on three factors: 3.7 facility volumes, an average length of stay (ALOS) of 14 days, and contributions from the 3.5 facility. When both 3.5 and 3.7 facilities are considered together under the same growth assumptions, the average cash-based operating margin improves to 15 percent through CY 2029. The 3.7 facility's performance also relies on Carelon maintaining or increasing ALOS for ASAM 3.7 care.

While COMAR 10.24.14 does not require post-implementation profitability for an ICF, staff find the project's current and projected finances acceptable for near-term viability. However, long-term sustainability of the 3.7 facility will depend on improved volumes, stable ALOS maintained by Carelon, and continued support from 3.5 facility volumes and revenues.

APPENDIX 5:

MEDICAID SUBSTANCE USE DISORDER FEE SCHEDULES by CARELON AND OPTUM

Levels of Care	Procedure Code	2020[12]	2021[11]	2022[11]	2023[11]	2024[11]	2025[10]	CAGR (CY 20-CY 25)
Level 3.5 (Residential):	W7350	$ 196.07	$ 203.91	$ 211.05	$ 226.35	$ 233.14	$ 259.34	**5.8%**
Level 3.7:	W7370	$ 301.86	$ 313.93	$ 324.92	$ 348.48	$ 358.93	$ 399.27	**5.8%**
Level 3.7 WM	W7375	$ 367.08	$ 381.76	$ 395.12	$ 423.77	$ 436.48	$ 485.54	**5.8%**
Room and Board Rates	RESRB	$ 47.44	$ 49.34	$ 51.07	$ 54.77	$ 56.41	$ 62.75	**5.8%**

[12] SUD Fee Schedule: https://maryland.optum.com/content/ops-maryland/maryland/en/bh-providers/info.html

APPENDIX 6:

FOUNDATIONS, LLC VOLUME AND PATIENT MIX

Patient Days	**CY 25**	**CY 26**	**CY 27**
III.5 (Residential) (z)	11,640	15,056	15,056
III.7 and III.7D (y)	5,493	12,319	12,319
Percent of Equivalent Medicaid Inpatient Days (x)	90%		

APPENDIX 7:

STAFF ESTIMATION OF CARELON MEDICAID RATES WITH REVENUE PROJECTIONS

Levels of Care	CY 25 Rates (1)	Projected CY 26 Rates (6% YOY) (2)	Projected CY 27 Rates (6% YOY) (3)	Revenues: CY 25 (1)	Revenues: CY 26 (2)	Revenues: CY 27 (3)	Notes: Revenues
Level 3.5 (Residential) (w)	$259.34	$274.90	$291.39	$2,716,845.84	$3,725,010.38	$3,948,511.00	s[1,2,3] = z[1,2,3] * x * w[1,2,3]
Level 3.7 (v)	$399.27	$423.23	$448.62	$1,973,871.10	$4,692,351.20	$4,973,892.27	r[1,2,3] = y[1,2,3] * x * v[1,2,3]
Room and Board Rates (3.5) (u)	$62.75	$66.52	$70.51	$657,369.00	$901,304.86	$955,383.15	q[1,2,3] = z[1,2,3] * x * u[1,2,3]
Room and Board Rates (3.7) (t)	$62.75	$66.52	$70.51	$310,217.18	$737,458.46	$781,705.96	p[1,2,3] = y[1,2,3] * x * t[1,2,3]
Calculated Revenues: 3.5+3.7 (a=p+q+r+s) [1,2,3]				$5,658,303.11	$10,056,124.89	$10,659,492.39	
NPSR from Table D (b)				$6,032,247	$10,207,567	$10,356,193	
Variance with NPSR from Table D (c=a/b-1) %				**-6.2%**	**-1.5%**	**2.9%**	Variance appears reasonable with respect to NPSR from Table D; per diem rates for BlueCross and Commercial Insurance not available

Calculated Revenues: 3.7 (d)	$2,284,088.27	$5,429,809.66	$5,755,598.24	
NPSR from Table F (e)	$2,417,725	$5,492,389	$5,573,263	
Variance with NPSR from Table F (f=d/e-1) %	**-5.5%**	**-1.1%**	**3.3%**	Variance appears reasonable with respect to NPSR from Table F; per diem rates for BlueCross and Commercial Insurance not available