



**MARYLAND**  
**Health Care**  
**Commission**

**DATE:** September 18, 2025

**TO:** Commissioners

**FROM:** Ewurama Shaw Taylor  
Chief, Certificate of Need  
Eileen Fleck  
Chief, Acute Care Policy and Planning

**SUBJECT:** In the Matter of University of Maryland Shore Health System, Inc.  
Request for Project Change after Project Approval  
Docket Nos. 23-20-2463 and 23-20-CC042

Enclosed is the staff report and recommendation for a Request for a Project Change after a project approval submitted by University of Maryland Shore Health System (SHS). On January 18, 2024, the Commission granted SHS a Certificate of Need to relocate and replace the University of Maryland Shore Medical Center at Easton (UM SMC) to 10000 Longwoods Road in Easton, Talbot County. Because the project also involved the relocation of primary and elective percutaneous coronary intervention (PCI) services, SHS also sought and obtained a Certificate of Conformance in accordance with COMAR 10.24.17.04C. The approved replacement hospital would have included 110 acute care beds, 12 special hospital rehabilitation beds, and 25 observation beds. The replacement hospital would also have contained 7 operating rooms, an emergency department (ED) with 27 treatment spaces, 3 behavioral health holding rooms, 2 cardiac catheterization rooms, a full-service laboratory, regulated outpatient clinics as well as space for administrative and education functions. The estimated project cost was \$539,558,871. SHS proposed to finance the project with approximately \$39 million in cash, \$50 million in philanthropy, \$333 million in proceeds from debt financing, \$100 million in state funding, and approximately \$18 million in interest income.

On August 8, 2025, SHS submitted a Request for a Project Change to make changes to the physical plant design and decreases to the operating room and cardiac services capacity of the approved project. SHS proposes reducing the number of operating rooms from seven to six and the number of cardiac catheterization labs from two to one. SHS states that the proposed reductions will decrease the budget by \$2.8 million, primarily in moveable equipment costs, by deferring this spending until such time as these rooms are needed. SHS anticipates finishing and equipping these rooms in the future, as volumes increase in the years following the opening of the new hospital. The resultant savings in equipment costs would be used to defray projected increases in construction costs.

Staff recommend that the Commission **APPROVE** the Request for a Project Change after the issuance of a Certificate of Need and other Commission approval based on staff's conclusion that the proposed project change is a permissible modification, and it does not materially change

the nature of the project, the location, or the core service capacities. The requested project change would not alter the findings made in 2024 concerning the need or positive impact of constructing a replacement hospital in Easton. Also, staff recommend that the approval reaffirm the conditions included in the original Certificate of Need and Certificate of Conformance.

<p><b>IN THE MATTER OF</b></p> <p><b>UNIVERSITY OF MARYLAND</b></p> <p><b>SHORE HEALTH SYSTEM, INC.</b></p> <p><b>DOCKET NOS. 23-20-2463</b>  <b>&amp; 23-20-CC042</b></p>	<p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p>	<p><b>BEFORE THE</b></p> <p><b>MARYLAND HEALTH</b></p> <p><b>CARE COMMISSION</b></p>
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**STAFF REPORT**  
**REQUEST FOR PROJECT CHANGE**  
**AFTER CERTIFICATE OF NEED AND CERTIFICATE OF CONFORMANCE**  
**APPROVAL**

**I. INTRODUCTION**

**Background**

The University of Maryland Shore Medical Center at Easton (UM SMC) is a general acute care hospital located in Easton, Talbot County. The hospital is licensed to operate 98 acute care beds, which include 72 acute care beds, 13 obstetric beds, 10 rehabilitation beds, and 3 pediatric beds. The hospital currently has 6 operating rooms (ORs), an emergency department (ED) with 32 treatment spaces and 2 cardiac catheterization labs.

On January 18, 2024, the Maryland Health Care Commission (MHCC or Commission) awarded a Certificate of Need (CON) (Docket No. 23-20-2463) and Certificate of Conformance (Docket No. 23-20-CC-042)<sup>1</sup>, authorizing University of Maryland Shore Health System (SHS) to relocate and replace UM SMC to an undeveloped 200-acre site located at 10000 Longwoods Road in Easton, Talbot County, three miles from the existing campus. The approved replacement hospital would have included 110 acute care beds, 11 obstetric beds, 12 rehabilitation beds, 1 pediatric bed, and 25 observation beds. The approved hospital would also have contained 7 ORs, 3 behavioral health holding rooms, 2 cardiac catheterization rooms, a full-service laboratory, regulated outpatient clinics and an ED with 27 treatment spaces, as well as space for administrative and education functions. The estimated project cost was \$539,558,871. UM SRH proposed to finance the project with approximately \$39 million in cash, \$50 million in philanthropy, \$333 million in proceeds from debt financing, \$100 million in state funding, and approximately \$18 million in interest income.

**Summary of Requested Project Changes**

On August 8, 2025, SHS requested a project change to make significant changes to the

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<sup>1</sup> Because the project involved the relocation of a hospital, including the relocation of primary and elective percutaneous coronary intervention (PCI) services, SHS needed both a CON and a Certificate of Conformance for the relocation. COMAR 10.24.01.02A(2); 10.24.17.04C.

physical plant design of the approved project due to projected increases in construction costs. SHS proposes reducing the number of operating rooms from seven to six and the number of cardiac catheterization labs from two to one when the new hospital opens. SHS states that the proposed reductions will decrease the budget for moveable equipment by \$2.8 million and defer this spending until such time as these rooms are needed. The \$2.8 million decrease in budget line-item for moveable equipment will defray the projected increase in construction costs. SHS anticipates finishing and equipping the seventh OR and second cardiac catheterization lab in the future as volumes increase in the years following opening of the new hospital.

## **II. APPLICABLE REGULATIONS**

If an applicant desires to change a project that has received Certificate of Need or other Commission approval, it must seek approval from the Commission under COMAR 10.24.01.17. Any of the following changes would place a project at variance with its approval, and require advance Commission approval:

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

Certain changes, including changes to the fundamental nature of a facility, increases in operating room inventory, or changes in medical services, are considered impermissible changes and would require a new CON. COMAR 10.24.01.17C. This project change is a permissible change and requires Commission action because it results in significant changes to the physical plant design under COMAR 10.24.01.17B(1). Under COMAR 10.24.01.17D(3), the Commission may approve the requested change, approve the change in part or approve with conditions, or deny the change with explanation.

## **III. ANALYSIS**

Staff has reviewed the State Health Plan (SHP) chapters for Acute Care, Obstetrical Care, Acute Psychiatric Care, General Surgical Services, and Cardiac Surgery and Percutaneous Coronary Intervention Services, as well as the general CON review criteria, and has found that the project, with the proposed changes, continues to meet all relevant standards and criteria. The impacted standards and criteria are discussed below:

**COMAR 10.24.11.05B(2) – General Surgical Services Standards - Need.**

In its original CON application, SHS proposed seven ORs in the replacement hospital based on the usage of all six ORs in the current facility. SHS stated that there were six ORs in service Monday through Friday from 7:45 am through 3:30 pm. It stated that, when necessary, the hospital offered extended operating hours from 3:30 pm to 7:00 pm and performed surgery during the weekends when it was not able to schedule cases during normal hours. (Docket #23-20-2463, DI #11, pp. 42-43). The calculation provided by SHS in its original CON application showed the need for more than six ORs at the existing hospital to alleviate the need for operating in the evenings or on weekends.

SHS now states that, while the approved CON contains a plan to build seven ORs, the replacement hospital will be able to efficiently operate with six ORs, at least, within the initial phase-in period of the replacement hospital. SHS states that the hospital has implemented a number of efficiency measures to maximize OR utilization that include promotion of on-time starts, monitoring of block time, and more effective surgical scheduling. SHS clarifies that while the existing hospital has six ORs, it currently operates five ORs at any one time. Data provided by SHS show that in 2024, with only five ORs in use at any one time, UM SMC was able to perform a total of 5,461 OR cases for a total of 114,000 minutes per OR, with a utilization rate of 99 percent. (Table III-1). Additionally, the hospital continues to offer evening and weekend surgeries when necessary based on scheduling needs, patient preference, and emergent cases.

**Table III-1. Historical and Projected Operating Room Need FY 2024 through FY 2032**

	Existing Hospital					Replacement Hospital			
	2024	2025	2026	2027	2028	2029	2030	2031	2032
ORs in operation*	5	5	5	5	5	6	6	6	6
OR cases	5,461	5,509	5,559	5,610	5,663	5,717	5,772	5,829	5,888
Total Surgery and TAT** minutes	708,259	714,538	720,991	727,621	734,436	741,442	748,645	756,051	663,668
Surgery and TAT** minutes per OR	141,652	142,908	144,198	145,524	146,887	123,574	124,774	126,009	127,278
Full capacity per OR	142,500	142,500	142,500	142,500	142,500	142,500	142,500	142,500	142,500
Utilization percentage	99	100	101	102	103	87	88	88	89

\*Current hospital has 6 ORs but only uses 5 at any one time

\*\*TAT - Turnaround time

Source: Correspondence with SHS August 26, 2025

For FY 2025 through FY 2032, SHS projects that the population growth of the area will be

approximately one percent per year, which it projects will lead to a one percent increase in OR utilization. SHS projects that usage at the current hospital, with only 5 ORs operating at a time, will reach 103 percent of full capacity in its final year of operation, in 2029. When the replacement hospital opens in 2029 with six ORs, usage for the surgical suite will be 87 percent, rising to 89 percent in 2032. SHS states that it will apply for a CON to add a seventh OR if it cannot serve the needs of the population with six ORs.

Staff find that SHS has demonstrated that the replacement hospital can meet the needs of the service population with six ORs, one less than was originally approved and concludes that the applicant complies with this standard.

### **COMAR 10.24.17.06 – Certificate of Conformance Criteria for Primary and Elective PCI Services**

As previously stated, SHS also proposes to reduce the number of cardiac catheterization labs from two in the original Certificate of Conformance to one. The SHP requires a hospital to “demonstrate that primary percutaneous coronary intervention (PCI) services will be available for all appropriate patients with acute myocardial infarction, 24 hours per day, seven days per week.” COMAR 10.24.17.06A(4)(a). However, SHS plans to use the electrophysiology lab planned for the replacement hospital as a secondary room for PCI cases. The electrophysiology lab will contain all the equipment necessary to accommodate patients requiring PCI services if the catheterization lab is not available.

At the current site, PCI services are primarily performed in one catheterization lab, with the second lab used when there are emergent cases. Therefore, SHS expects to be able to serve the same number of patients as it is serving now using one catheterization lab and one electrophysiology lab at the replacement hospital. SHS’s current volume exceeds the minimal volume requirements under the SHP<sup>2</sup>.

SHS has demonstrated that it will still meet the criteria for a Certificate of Conformance despite the reduction in the number of catheterization labs.

### **Financial Impact of the Request**

SHS states that there will be no net changes to capital costs in the proposed changes, as shown in Table III-2. The \$2.8 million reduction in costs for fixed equipment will be used to mitigate expected increases in construction costs due to inflation. Additionally, there will be no changes in financing costs or funding sources for the project. SHS expects that it will likely face costs overruns exceeding the amount currently budgeted for contingencies, and a second project change request will be submitted in the future. The current request was submitted at this time to allow SHS to enter into binding procurement contracts for the major equipment required for the operating rooms and cardiac catheterization lab.

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<sup>2</sup> COMAR 10.24.17.06A(2)(b) and B(2) (requiring at least 36 primary PCI and 200 elective PCI cases by the end of the second year of operation for rural areas).

**Table III-2. Projected Changes in Project Budget**

<b>Uses of Funds</b>			
	<b>Approved Budget January 2024</b>	<b>Requested Budget August 2025</b>	<b>Change</b>
<b>Land Purchase</b>	\$2,464,658		\$0
<b>New Construction</b>			
Building (including fixed equipment)	\$216,638,6020	\$219,438,6020	\$2,800,000
Site and Infrastructure	\$44,409,9600	\$44,409,9600	\$0
Architect/Engineering Fees	\$11,000,0000	\$11,000,0000	\$0
Permits (Building, Utilities, Etc.)	\$6,135,0000	\$6,135,0000	\$0
<b>Subtotal</b>	<b>\$278,183,562</b>	<b>\$280,183,562</b>	<b>\$2,800,000</b>
Movable Equipment	\$125,060,730	\$122,260,730	(\$2,800,000)
Contingency Allowance	\$19,452,735	\$19,452,735	\$0
Gross interest during construction period	\$49,999,000	\$49,999,000	\$0
Fees and Insurance	\$11,000,000	\$11,000,000	\$0
HOSPITAL MOVE	\$2,000,000	\$2,000,000	\$0
UMMS/OVHO	\$1,500,000	\$1,500,000	\$0
Previous Expenditures (Design/Planning/etc.)	\$10,078,129	\$10,078,129	\$0
<b>TOTAL CURRENT CAPITAL COSTS</b>	<b>\$499,738,814</b>	<b>\$499,738,814</b>	<b>\$0</b>
<b>Inflation Allowance</b>	<b>\$28,740,058</b>	<b>\$28,740,058</b>	<b>\$0</b>
<b>TOTAL CAPITAL COSTS</b>	<b>\$528,478,871</b>	<b>\$528,478,871</b>	<b>\$0</b>
<b>Financing Cost and Other Cash Requirements</b>	<b>\$11,080,000</b>	<b>\$11,080,000</b>	<b>\$0</b>
<b>Total Uses of Funds</b>	<b>\$539,558,871</b>	<b>\$539,558,871</b>	<b>\$0</b>
<b>Sources of Funds</b>			
<b>Cash</b>	<b>\$38,588,871</b>	<b>\$38,588,871</b>	<b>\$0</b>
<b>Philanthropy (to date and expected)</b>	<b>\$50,000,000</b>	<b>\$50,000,000</b>	<b>\$0</b>
<b>Authorized Bonds</b>	<b>\$333,324,000</b>	<b>\$333,324,000</b>	<b>\$0</b>
<b>Interest Income from bond proceeds</b>	<b>\$17,646,000</b>	<b>\$17,646,000</b>	<b>\$0</b>
<b>State Grant</b>	<b>\$100,000,000</b>	<b>\$100,000,000</b>	<b>\$0</b>
<b>TOTAL USES OF FUNDS</b>	<b>\$539,558,871</b>	<b>\$539,558,871</b>	<b>\$0</b>

Source: Docket #23-20-2463, Appendix 2; Project Change request August 8, 2025.

#### **IV. CONCLUSION**

Staff conclude that the project change request is a permissible change under COMAR 10.24.01.17B. There are no material changes to the nature of the project, its location, or the core service capacities. The requested change would not alter the findings made by the Commission in January 2024 concerning the need for and positive long-term impact of the project.

## **PROPOSED ORDER**

Based on the Commission staff's analysis of this Request for a Project Change after Certificate of Need or other Commission approval, it this 18<sup>th</sup> day of September 2025, hereby:

**ORDERED** that the Project Change Request by the University of Maryland Shore Health System to its January 18, 2024, Certificate of Need and Certificate of Conformance for the construction of a general acute care hospital to change the physical plant design is **APPROVED**; and it is further

**ORDERED** that the modified CON will contain the following conditions on the original CON:

1. The University of Maryland Shore Medical Center at Easton shall provide to the patient, upon inquiry or as required by applicable regulations or law, information concerning an estimate of out-of-pocket charges prior to arrival for surgery.
2. University of Maryland Shore Health System shall provide, in its quarterly project reports, detailed updates on its progress towards obtaining the anticipated State funding, including how much has been obtained and efforts made to secure the remaining funds.
3. If University of Maryland Shore Health System fails to secure the projected State source of funds by July 2027, University of Maryland Shore Health System shall request a project change to amend the project source of funds;

and it is further;

**ORDERED** that the modified Certificate of Conformance shall contain the following conditions on the original certificate:

1. UM SMC Easton shall apply for a Certificate of Ongoing Performance within three years of establishing primary and elective PCI services at the replacement hospital, in accordance with the review schedule(s) published in the Maryland Register.
2. UM SMC Easton continues to comply with the requirements for a Certificate of Ongoing Performance at the hospital's current location.