



July 29, 2025

Mari Shade
CEO/Administrator
SCA Health
904 Commerce Road
Annapolis, MD 21401

Re: Anne Arundel – SCA SurgiCenter, LLC, d/b/a AAMC Surgery Center - Annapolis
Establishment of Freestanding Ambulatory Surgical Facility
Matter No. 25-02-2473

Dear Ms. Shade:

Staff of the Maryland Health Care Commission (MHCC) has reviewed the Certificate of Need application of Anne Arundel–SCA SurgiCenter, LLC d/b/a AAMC Surgery Center – Annapolis (AAMC – Annapolis) for completeness, and we have a number of questions that need to be answered in order to find the application complete. Please provide responses for the following.

PART I: PROJECT IDENTIFICATION AND GENERAL INFORMATION

1. Please provide the legal name of SCA Health, a complete organizational chart for SCA Health, and identify any ownership relationship between SCA Health and AAMC–Annapolis.
2. **Exhibit 2.** Respond to the following:
 - a. Discuss whether there is any overlapping ownership between The Bernstein Companies with either Anne Arundel – SCA Holdings, LLC or with the individual physician owners.
 - b. Identify the relationship of The Bernstein Company with Annapolis Commerce Park Limited Partnership.

- c. Has the applicant exercised the lease renewal option outlined in section 25.1 of the lease agreement? If not, are the annual lease expenses in the Project Budget based on the current rental amount or estimated future rent?
 - d. Does the lease provided as Exhibit 2 include the adjacent space that will be added to AAMC – Annapolis? If not, please provide a copy of the lease or option to lease for the adjacent space and explain whether the lease costs in the Project Budget include the lease cost for the adjacent space.
 - e. Will the landlord incur any costs for preparing or in renovating this adjacent space. If yes, include these improvements to the property to the Project Budget to show the total project costs incurred by both the landlord and the applicant in renovating and completing the construction for AAMC – Annapolis.
3. Respond to the following regarding Cost:
 - a. Reconcile the “Costs” reported at the bottom of p. 13-14 (i.e., Construction/Contingency/Escalation; Architect/Engineering/Permits; and Additional Owner’s Work) with the costs reported in the Project Budget in Exhibit 4. The two project costs do not match.
 - b. Please explain what the “Additional Owner’s Work” at a cost of \$1,193,582 represents. Is it fixed equipment for the project, other renovation work that the owner will perform with the proposed project, or something else?.
4. **Exhibit 3.** Provide the dimensions and square footage for each of the three ORs and the one procedure room.
5. Provide a written summary of the type of renovations and work that the general contractor or builder will perform in the 1,993 SF addition.
6. Provide a written description of how AAMC - Annapolis will coordinate the renovations and construction work that will take place during the projected 72-week construction project. Explain the steps the applicant plans to take to minimize the impact of the construction project to staff and the surgical services currently offered to the patients and in the existing ambulatory surgery center (ASC), during the construction period of the proposed project.
7. Table B and C. Please respond to the following:
 - a. Submit the response to Table B, Departmental Gross Square Feet Affected by Proposed Project.



- b. Reconcile the total square footage reported in Table C of 3,379 SF reported in this table with the 1,993 SF reported on p. 14. If the latter is correct, then revise Table B and C to support the 1,993 SF estimate.
8. Table D. Revise Table D to indicate the onsite and offsite construction costs included and excluded in MVS analysis for the \$3,449,916 in renovation costs reported in Exhibit 4 (Project Budget).
9. Project Implementation Schedule.
 - a. Provide a timeline (e.g., Gantt chart) that shows when the applicant expects to: (1) sign the construction contract; (2) commence construction; (3) the projected date for the completion of the renovations; (4) the date when the applicant will start utilization of the third OR and the procedure room; and (5) the projected date when the ASC will meet full operation.
 - b. Depending on the beginning of the operations of the new OR during or after CY 2026, please update the Need projections on pp. 42 through 45 and Table 1 and 2 on pp. 58 - 59, and Financial Statements (Tables 3 and 4) on pp. 63 through 65 to reflect the Project Implementation Schedule for this CON application.

PART II PROJECT BUDGET

10. Provide the assumption(s) and/or basis for the following:

Contingency -	\$292,591
Inflation Allowance -	\$57,278
Non-consulting Fees -	\$132,000
Project Administration -	\$251,100

PART IV – CONSISTENCY WITH GENERAL REVIEW CRITERIA at COMAR 10.24.01.08G(3)

11. The applicant has not labelled or numbered all of the tables or maps within its CON application, making it difficult for staff to cite or identify tables in the completeness questions. For future submitted documents, the applicant must label each table, chart, or map, as indicated in the CON application instructions. In addition, ensure that all charts, tables, and maps cite the source of the data or information referenced.



12. Charity Care and Financial Assistance Policy:

- a. The state health plan requires that an applicant commit to provide at least the average amount of charitable surgical services to indigent patients provided by ambulatory surgical facilities in the most recent year reported, if that data are available. The applicant can propose its level of charity care (e.g., 1 percent of operating expenses) based on a review of its service population, comparison of charity care for other ASFs in the service area, and other factors deemed relevant.
- b. The notice of financial assistance and charity care program includes the link, <https://www.luminishealth.org/en/financial-assistance>, which has a webpage that lists providers excluded from the Luminis Health Financial Assistance policy. Commission staff reviewed this list, and 25 of the 27 physician owners for AAMC – Annapolis (nearly 93%) are on this exclusion list. Clarify whether these physician owners will also provide surgical services in the proposed facility and will be exempt from AAMC – Annapolis’ charity care policy. If so, please describe how AAMC – Annapolis plans to achieve the level of charitable care to which it has committed.

13. Need – Minimum Utilization for Establishment of a New or Replacement Facility.

Please respond to the following:

- a. Provide in an Excel spreadsheet the assumptions and calculations used to determine the need for the third OR on pp. 42 through 45.
- b. Regarding the Need tables on p. 42 and p. 44, staff notes that the applicant assumes and uses an optimal capacity at 1,824 hours per year for a single OR, which differs from COMAR 10.24.11.06A(1)(b) of 1,632 hours per year for a dedicated outpatient general purpose OR. Provide the applicant’s assumptions and basis for using 1,824 hours per year.
- c. The Table on p. 42 indicates a projected decrease (of about 9.1%) in surgical case volumes between CY 2024 (2,137) and CY 2025 (1,943). Explain the decline in surgical case volume.
- d. Exhibit 17 provides historical and projected surgical volumes for 29 physicians and the tables on pp. 53-54 report projected surgical cases to be performed by 33 physicians. Provide documentation of the caseload for the 4 physicians missing from Exhibit 17. Identify which years are represented, by Year 1, Year 2, and Year 3.
- e. For the tables on pp. 42 through 45 and Exhibit 17, cite the source for the utilization data (i.e., surgical cases, surgical minutes, turn around time, etc.).



14. Impact. Cite the source for the AAMC – Annapolis referral data reported in the two tables on pp. 55-56.

15. Need. The applicant cited a 214.73% increase in total volume since 2021 and increase in surgical volume across all specialties. How is the facility currently managing this increase in volume?

16. Project Financial Feasibility and Facility or Program Viability:

- a. Based on Table 3 Revenues and Expenses, the totals published under Table 3 and 4 do not tally with the numbers therein; for e.g. under Table 3 for CY23 Net Operating Revenue which is Gross PSR - Bad Debt - Contra Allowance - Charity Care + Other Operating Revenue should add up to \$11,783,691 and not \$12,013,519. Same is the case with Operating Expenses, Income from Operations and Net Income in Table 3 and 4. Please reconcile and if possible share in a spreadsheet format.
- b. The number of surgical cases identified in line 1b. Outpatient Services for CY 2023 and CY 2024 do not match the numbers reported in the tables on p. 42 through p. 45. Please reconcile these tables.
- c. Table 3 and Table 4 report the same amounts for Interest on Current Debt, Current Depreciation, and Current Amortization. Please revise these figures to differentiate Entire Facility vs. Proposed Project or clarify why these amounts remain the same.
- d. The values on Table 3, line item 2b. Contractual Services show unusual variability from CY 2023 through CY 2029. Please explain the variability and various shifts down and up in Contractual Services during this time period.
- e. Based on Table 3 Revenues and Expenses Line Item 2d “Interest on Project Debt” and details of the term loan given on p61, staff constructed a proforma Amortization schedule for the \$2M loan at 6% interest rate for a term of 10 years with an assumed timeframe of Jan 01, 2026 to Dec 31, 2035. Staff proforma shows similar interest expenses as that of Line item 2d starting CY 28 as opposed to CY 26 stated by the applicant. Please confirm the assumed loan origination date and expected start of the new OR for the staff to approximate Interest Expenses for the project and update Table 3 and 4 as required.
- f. Table 3 (p. 63) Please submit Part 4B. Percent of Patient Days/Visits/Procedures, which is missing.



17. Exhibit 22 Table L: Workforce Information. Respond to the following:

- a. Current Year Total Cost of Entire Facility (CY 25 in case of AAMC) reported in Exhibit 22 (Table L) of \$1,711,818 does not match with Table 3, Line Item 2a. – Salaries, Wages, and Professional Fees (including fringe benefits) which reports \$1,830,161 for CY 2025. Please reconcile these two numbers.
- b. Total projected cost as result of the proposed project through last year of projection (middle columns in Table L) is expected to tally with last year of projection line item 2a. Salaries & Wages including benefits under Table 4 (CY 29 in case of AAMC); at present it reports \$0 for 7.6 FTEs whereas Table 4 reports \$717,744 for CY 29.
- c. Total cost projected through the final year of projections for the entire facility is expected to tally with last year of projection line item 2a. Salaries & Wages including benefits under Table 3 (CY 29 in case of AAMC); at present it reports \$1,711,818 for 28.4 FTEs where Table 3 reports \$2,547,906.
- d. Clarify whether the Total Costs in all three above a, b and c includes the amount for fringe benefits and if not, provide the percentage of benefits over and above the staffing costs. Please revise Table L to reconcile a, b, and c and preferably submit in a spreadsheet attachment along with assumptions for calculations.

18. Exhibit 23.

- a. To comply with COMAR 10.24.01.08G(3)(d), the signed letter by the independent certified public accountant (CPA) must conclude in writing that the applicant has adequate funds available for the project. Otherwise, the applicant must provide audited financial statements for the past two years for entities and parent companies to demonstrate the financial condition of the entities involved and the availability of the equity contribution.
- b. The financial statements are for Anne Arundel – SCA SurgiCenter, LLC, which operates two ambulatory surgery centers, one located in Annapolis and the other in Pasadena. With regard to the equity portion for this project, show whether the applicant has identified as restricted funds or set aside in a specific account the \$2 million in cash for this project. If not, will the applicant finance the cash portion of this project from the cash and revenue generated from the surgical services provided at the two ASCs.
- c. On the Balance Sheet on p. 5, discuss the basis or cause for:
 1. The increase in Cash and Cash Equivalents from \$8.2M in 2023 to \$23.8M in 2024, a 290% increase
 2. The decrease in property and equipment, net, from \$7.2M to \$5.7M, a decrease of over 20.1%



3. An increase under Current Liabilities due to Related Party from \$6.0M to \$21.4M, an increase of 357%

19. Health Equity. What are the racial/ethnic demographics or distribution of the applicant's patient population? How does it compare to the racial and ethnic diversity of the two counties where patients predominantly reside?

20. Provide details on the specific steps and actions that AAMC - Annapolis will make to demonstrate its commitment to increasing accessibility to care as well as improving the availability and quality of care for underserved communities, such as those identified in the application (e.g., Lothian, Brooklyn Park).

Please submit four copies of the responses to this request for additional information within fifteen working days of receipt. Also submit the response electronically, in both Word and PDF format, to Deanna Dunn and MHCC to the following email addresses deanna.dunn4@maryland.gov and mhcc.confilings@maryland.gov. If additional time is needed to prepare a response, please let me know at your earliest convenience.

As with the request itself, all information supplementing the request must be signed by person(s) available for cross-examination on the facts set forth in the supplementary information, who shall sign a statement as follows: "I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief."

Should you have any questions regarding this matter, feel free to contact me either at bill.chan@maryland.gov or (410) 764-3374.

Sincerely,



William D. Chan
Program Manager, Certificate of Need

cc: Tonii Gedin, M.D., Anne Arundel County Health Officer
Howard L. Sollins, Esq., Senior Counsel, Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC



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