



March 15, 2021

Ruby Potter  
Health Facilities Coordinator  
Maryland Health Care Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215

**Re: Hope Health Systems, Inc – Matter No. 20-03-2444**

Dear Ms. Potter,

On behalf of applicant Hope Health Systems, Inc., we are submitting the attached modification to the application.

On March 1, 2021 Sheppard Pratt filed an interest party comments that included discussions regarding the costs and reimbursement as cited within the proposed application Certificate of Need application. As previously stated, HHS is not privy to the same level of data information that Sheppard Pratt currently has access to and welcomed the additional information. In keeping with the Sheppard Pratt comments, discussions with MHCC staff, and internal review of operations, HHS has updated the application, specifically in Tables J, K, & L as a result HHS has also updated pages of the application impacted by the changes to the Tables.

As demonstrated, the proposed hospital remains financially viable, even after a decrease in potential revenue and increase in costs and staffing. HHS has made several modifications to the Tables J, K, and L, including:

- Reduced per diem reimbursement rate to \$1,585.
  - This was the calculated rate based on FY2021 unit rates approved by the HSCRC for Brook Lane and Sheppard Pratt.<sup>1</sup> HHS applied its assumptions to the approved rates, as outlined pursuant to the response filed by HHS on February 25<sup>th</sup>.
- Increased revenues at 2.3% increase per year in Table K.
  - A reduction from 2.77% and in keeping with Sheppard Pratt's recommendations.
- Increased contractual costs from a 20% increase of Sheppard Pratt's cost report amount to a 25% increase.
  - The contractual continue to reflect work for Laundry and Linen, Housekeeping, Dietary, Supplies, and Pharmacy Supplies
- Increased staffing costs:
  - Increased psychiatrist salaries to \$250,000 per year, in keeping with Sheppard Pratt's recommendations.
  - Added additional FTEs using the recommended salaries provided by Sheppard Pratt in Table 1 for the following roles:

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<sup>1</sup> [https://hscrc.maryland.gov/Pages/hsp\\_rates2.aspx](https://hscrc.maryland.gov/Pages/hsp_rates2.aspx)



- Infection Control Specialist, HIM/Medical Records; Patient Service/Accounts; Purchasing/Materials Management; and Physical Plant Management/Maintenance.

With the increased costs and decreased reimbursement rate, the proposed hospital remains financially viable. Hope Health will remain committed to ensuring a cost-effective business model and ensure current support team will be supported to complete all necessary tasks. HHS shall remain committed to providing a low cost, high quality level of care for its patient population and seeks to transform the traditional healthcare space dominated in the area by large providers. The changes demonstrate that HHS may utilize additional staff, if necessary, and remain viable.

Attached to this cover letter include the following updated tables and pages:

- AP 11 - Page 25
- 10.24.01.08G(3)(d). Viability of the Proposal – Pages 68-69
- Exhibit 1 - Tables J, K, & L

Please let us know if you have any questions.

Sincerely,

*Bryan Niehaus*

Bryan Niehaus, JD, CHC  
Vice President  
Advis

## Cost

**AP 10. Expansion of existing adult acute psychiatric bed capacity will not be approved in any hospital that has a psychiatric unit that does not meet the following occupancy standards for two consecutive years prior to formal submission of the application. psychiatric Bed Range (PBR): PBR<PBR 40 – 90%**

### Applicant Response

Inapplicable, as HHS does not seek to expand any existing adult psychiatric beds

**AP 11. Private psychiatric hospitals applying for a Certificate of Need for acute psychiatric beds must document that the age-adjusted average total cost for an acute (< 30 days) Psychiatric admission is no more than the age-adjusted average total cost per acute psychiatric admission in acute general psychiatric units in the local health planning area.**

### Applicant Response

The data provided by the HSCSC was utilized to identify the average total cost of acute psychiatric admission. As demonstrated in the table below, the average cost per case was \$16,483.99 for Children and \$16,719.50 for Adolescents. HHS projects an average total cost in of \$14,588.72.

<b>Figure 2.1 - Average Total Cost of Acute Psychiatric Admission – Central Planning Area Children</b>					
Hospital	Inpatient Discharges	Total Cost Per Discharge (2019)	FY 2020 Rate Increase (2.64%)	FY2021 Rate Increase (2.77%)	FY 2022 Rate Increase (2.77%)
University of Maryland	440	\$16,524.25	\$16,960.49	\$17,430.30	\$17,778.90
Johns Hopkins	160	\$12,999.40	\$13,342.58	\$13,712.17	\$13,986.42
MedStar Franklin Square	43	\$11,643.04	\$11,950.42	\$12,281.44	\$12,527.07
<b>Total Cost Per Discharge</b>					<b>\$16,483.99</b>
HHS Cost Per Case <sup>2</sup>					\$14,588.72

<b>Figure 2.2 - Average Total Cost of Acute Psychiatric Admission – Central Planning Area Adolescents</b>					
Hospital	Inpatient Discharges	Total Cost Per Discharge (2019)	FY 2020 Rate Increase (2.64%)	FY2021 Rate Increase (2.77%)	FY 2022 Rate Increase (2.77%)
University of Maryland	11	\$18,171.52	\$18,651.25	\$19,167.89	\$19,551.25
Johns Hopkins	457	\$17,063.87	\$17,514.36	\$17,999.50	\$18,359.49
MedStar Franklin Square	297	\$11,926.32	\$12,241.17	\$12,580.26	\$12,831.86
Carroll Hospital Center	75	\$20,174.42	\$20,707.02	\$21,280.61	\$21,706.22
<b>Total Cost Per Discharge</b>					<b>\$16,719.50</b>
HHS Cost Per Case <sup>3</sup>					\$14,588.72

<sup>2</sup> Updated with new rate of \$1,585.73 at 9.2 ALOS.

<sup>3</sup> Id.

The project has two main objectives for HHS. The first is to provide acute psychiatric care for children and adolescents under 18 years of age. The second goal of HHS' project is to provide a comprehensive care through its step-down approach to help address the "revolving door" issue. Achieving these goals will allow HHS to provide quality, integrated and personalized care to the underserved population in the Baltimore area and help reduce ED Boarding, the 30-days readmission rates, and the length of stay in the hospital.

Given the stated goals of the project, the alternatives to consider were limited by nature (See (5) Cost Effectiveness section above). HHS has been a provider of outpatient mental health services and worked with inpatient facilities for many years in Maryland. Working heavily with the Medicaid patient population and the underserved, HHS has actively encountered the access barriers for inpatient care and disconnected inpatient to outpatient treatment.

HHS does not have a viable option to manage a child or adolescent in need of inpatient treatment through either outpatient or population health measures. Only being a provider of inpatient mental health services allows us to directly address access related challenges for those under the age of 18. We are seeking to use an existing building to provide these needed services in the most cost-effective manner possible.

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.***

**INSTRUCTIONS:** Please provide a complete description of the funding plan for the project, documenting the availability of equity, grant(s), or philanthropic sources of funds and demonstrating, to the extent possible, the ability of the applicant to obtain the debt financing proposed. Describe the alternative financing mechanisms considered in project planning and provide an explanation of why the proposed mix of funding sources was chosen.

- Complete applicable Revenues & Expenses (Tables G, H, J and K as applicable), and the Work Force information (Table L) worksheets in the CON Table Package, as required. Instructions are provided in the cover sheet of the CON package. Explain how these tables demonstrate that the proposed project is sustainable and provide a description of the sources and methods for recruitment of needed staff resources for the proposed project, if applicable.
- Describe and document relevant community support for the proposed project.
- Identify the performance requirements applicable to the proposed project and explain how the applicant will be able to implement the project in compliance with those performance requirements. Explain the process for completing the project design, contracting and obtaining and obligating the funds within the prescribed time frame. Describe the construction process or refer to a description elsewhere in the application that demonstrates that the project can be completed within the applicable time frame.
- Audited financial statements for the past two years should be provided by all applicant entities and parent companies.

### Applicant Response:

The proposed project is financially feasible. Tables J, K and L are attached as Exhibit 1. The facility reaches an operating margin of 3% by 2027 and a net income of \$207,327 which is sufficient to cover the annual debt service from the project.

HHS shall fund the project through a Small Business Administration (SBA) 504 loan. We are engaged with an experienced financial consultant with multiple lenders prepared to finance the project. Terms are currently set at 6.5% interest over 30 years. A pre-qualification letter from our financial consultant is attached as Exhibit 9. HHS will provide further evidence of lending commitments as requested and available.

The applicant has letters of support as demonstrated in Exhibit 5, including from the following:

- Mary Beth Haller, Esq. Deputy Commissioner of Health – Baltimore City Health Department
- Antionette McLeod, Executive Director for Operations, MD Department of Juvenile Services
- Dr. Gregory Branch, Health Officer, Department of Health, Baltimore County
- Charles E. Sydnor III, Esq, Senate of Maryland, Legislative District 44
- Andrea Brown, Executive Director, Black Mental Health Alliance,
- Dr. Ronald Means, Chief Medical Officer, Catholic Charities of Baltimore
- Dr. Jonathan Shepherd, President, Board of Directors, Black Mental Health Alliance
- James Omotosho, Program Director, Optimum Health Systems, Inc.
- Subramonianpillai Teal, Clinical Director/Co-Founder, Leading by Example Behavioral Health
- Deborah Okonofua, DNP, Agape Health Systems
- Tiffany Carroll, Executive Director, Empowering Minds Resource Center, LLP
- Stacey Bass, Executive Director, Healthy Minds Resource Center
- Nick Mosby, Legislative District 40, Baltimore City
- Dr. Annelle Primm, Former deputy Director, American Psychiatric Association
- Dr. Akin Akintola, Board Certified Child, Adolescent, and Adult Psychiatrist
- Dr. Ernest L. Carter, Health Officer, Prince George's County Health Department
- Dr. Kimberly Gordon-Achebe, MD, FAPA, Medical Director of Intensive Services, Hope Health Systems

Pursuant to COMAR § 10.24.01.12.C, Performance Requirements, if this application is approved, HHS will have 36 months to obligate not less than 51% of the approved capital expenditure. HHS shall have up to 36 months after the effective date of the binding construction contract to complete the project. The renovation is expected to take 16 weeks.

HHS anticipates meeting the performance requirements if the application is approved. HHS anticipates obligating not less than 51% of the approved capital within 4 months of approval, and thereafter initiating construction within one month and completing construction within 6 months.

Audited financial statements are attached as Exhibit 7.

# EXHIBIT 1

Tables J, K & L





**TABLE K. REVENUES & EXPENSES, INFLATED - NEW FACILITY OR SERVICE**

*INSTRUCTION* : After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table K should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table I. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

	Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.						
Indicate CY or FY	2022	2023	2024	2025	2026	2027	2028
<b>1. REVENUE</b>							
a. Inpatient Services	\$7,408,531.00	\$8,052,610.00	\$8,233,656.00	\$8,414,702.00	\$8,595,748.00	\$8,776,794.00	\$8,957,840.00
b. Outpatient Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Gross Patient Service Revenues</b>	<b>\$ 7,408,531</b>	<b>\$ 8,052,610</b>	<b>\$ 8,233,656</b>	<b>\$ 8,414,702</b>	<b>\$ 8,595,748</b>	<b>\$ 8,776,794</b>	<b>\$ 8,957,840</b>
c. Allowance For Bad Debt	\$ 814,938	\$ 885,787	\$ 905,702	\$ 925,617	\$ 945,532	\$ 965,447	\$ 985,362
d. Contractual Allowance	\$ 444,512	\$ 483,157	\$ 494,020	\$ 504,882	\$ 515,745	\$ 526,608	\$ 537,471
e. Charity Care	\$ 304,491	\$ 330,962	\$ 338,403	\$ 345,844	\$ 353,285	\$ 360,726	\$ 368,167
<b>Net Patient Services Revenue</b>	<b>\$ 5,844,590</b>	<b>\$ 6,352,704</b>	<b>\$ 6,495,531</b>	<b>\$ 6,638,359</b>	<b>\$ 6,781,186</b>	<b>\$ 6,924,013</b>	<b>\$ 7,066,840</b>
f. Other Operating Revenues (Specify/add rows of needed)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET OPERATING REVENUE</b>	<b>\$ 5,844,590</b>	<b>\$ 6,352,704</b>	<b>\$ 6,495,531</b>	<b>\$ 6,638,359</b>	<b>\$ 6,781,186</b>	<b>\$ 6,924,013</b>	<b>\$ 7,066,840</b>
<b>2. EXPENSES</b>							
a. Salaries & Wages (including benefits)	\$ 3,962,262	\$ 4,347,956	\$ 4,433,210	\$ 4,518,464	\$ 4,603,718	\$ 4,688,972	\$ 4,774,226
b. Contractual Services	\$ 634,135	\$ 687,243	\$ 700,719	\$ 714,194	\$ 727,669	\$ 741,145	\$ 754,620
c. Interest on Current Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e. Current Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
f. Project Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
g. Current Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
h. Project Amortization	\$ 341,317	\$ 341,317	\$ 341,317	\$ 341,317	\$ 341,317	\$ 341,317	\$ 341,317
i. Supplies	\$ 544,328	\$ 589,915	\$ 601,482	\$ 613,049	\$ 624,616	\$ 636,183	\$ 647,750
j. Other Expenses: Marketing, recruitment, training, miscellaneous	\$ 125,000	\$ 127,500	\$ 130,000	\$ 132,500	\$ 135,000	\$ 137,500	\$ 140,000
j. Other Expenses: Lease	\$ 180,000	\$ 183,600	\$ 187,200	\$ 190,800	\$ 194,400	\$ 198,000	\$ 201,600
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 5,787,042</b>	<b>\$ 6,277,531</b>	<b>\$ 6,393,928</b>	<b>\$ 6,510,324</b>	<b>\$ 6,626,720</b>	<b>\$ 6,743,117</b>	<b>\$ 6,859,513</b>
<b>3. INCOME</b>							
<b>a. Income From Operation</b>	<b>\$ 57,548</b>	<b>\$ 75,173</b>	<b>\$ 101,603</b>	<b>\$ 128,035</b>	<b>\$ 154,466</b>	<b>\$ 180,896</b>	<b>\$ 207,327</b>
b. Non-Operating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>SUBTOTAL</b>	<b>\$ 57,548</b>	<b>\$ 75,173</b>	<b>\$ 101,603</b>	<b>\$ 128,035</b>	<b>\$ 154,466</b>	<b>\$ 180,896</b>	<b>\$ 207,327</b>
c. Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET INCOME (LOSS)</b>	<b>\$ 57,548</b>	<b>\$ 75,173</b>	<b>\$ 101,603</b>	<b>\$ 128,035</b>	<b>\$ 154,466</b>	<b>\$ 180,896</b>	<b>\$ 207,327</b>



**TABLE L. WORKFORCE INFORMATION**

**INSTRUCTION:** List the facility's existing staffing and changes required by this project. Include all major job categories under each heading provided in the table. The number of Full Time Equivalents (FTEs) should be calculated on the basis of 2,080 paid hours per year equals one FTE. In an attachment to the application, explain any factor used in converting paid hours to worked hours. Please ensure that the projections in this table are consistent with expenses provided in uninflated projections in Tables F and G.

Job Category	CURRENT ENTIRE FACILITY			PROJECTED CHANGES AS A RESULT OF THE PROPOSED PROJECT THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			OTHER EXPECTED CHANGES IN OPERATIONS THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS) *	
	Current Year FTEs	Average Salary per FTE	Current Year Total Cost	FTEs	Average Salary per FTE	Total Cost (should be consistent with projections in Table G, if submitted).	FTEs	Average Salary per FTE	Total Cost	FTEs	Total Cost (should be consistent with projections in Table G)
<b>1. Regular Employees</b>											
Administration (List general categories, add rows if needed)											
Administrator			\$0	1.0	\$158,400	\$158,400			\$0	1.0	\$158,400
Clinical Director			\$0	1.0	\$109,300	\$109,300			\$0	1.0	\$109,300
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
<b>Total Administration</b>			\$0	2.0		\$267,700			\$0	2.0	\$267,700
Direct Care Staff (List general categories, add rows if needed)											
Recreation Therapist			\$0	1.0	\$46,410	\$46,410			\$0	1.0	\$46,410
Psychologist			\$0	2.0	\$70,600	\$141,200			\$0	2.0	\$141,200
Psychiatrist			\$0	4.0	\$250,000	\$1,000,000			\$0	4.0	\$1,000,000
Social Worker			\$0	3.0	\$52,710	\$158,130			\$0	3.0	\$158,130
RN			\$0	9.5	\$77,910	\$740,145			\$0	9.5	\$740,145
Occ. Therapist			\$0	1.0	\$87,610	\$87,610			\$0	1.0	\$87,610
Psych Tech			\$0	16.0	\$35,910	\$574,560			\$0	16.0	\$574,560
Nurse Manager			\$0	1.0	\$100,000	\$100,000			\$0	1.0	\$100,000
Infection Control / Health & Safety			\$0	0.5	\$60,000	\$30,000			\$0	0.5	\$30,000
<b>Total Direct Care</b>			\$0	38.0		\$2,878,055			\$0	38.0	\$2,878,055
Support Staff (List general categories, add rows if needed)											
Discharge Coordinator			\$0	1.5	\$60,700	\$91,050			\$0	1.5	\$91,050
Finance Staff			\$0	3.0	\$75,900	\$227,700			\$0	3.0	\$227,700
Food and Nutrition			\$0	2.5	\$41,925	\$104,813			\$0	2.5	\$104,813
Reception/Assistant			\$0	3.5	\$32,600	\$114,100			\$0	3.5	\$114,100

Security Officer			\$0	7.2	\$36,920	\$265,824			\$0	7.2	\$265,824
UR/Billing			\$0	2.5	\$53,000	\$132,500			\$0	2.5	\$132,500
HIM/Medical Records			\$0	1.0	\$45,760	\$45,760			\$0	1.0	\$45,760
Patient Services/Accounts			\$0	2.0	\$37,440	\$74,880			\$0	2.0	\$74,880
Purchasing /Materials Management			\$0	0.5	\$16,640	\$8,320			\$0	0.5	\$8,320
Physical Plant Management / Maintenance			\$0	1.4	\$37,143	\$52,000			\$0	1.4	\$52,000
<b>Total Support</b>			\$0	25.1		\$1,116,947			\$0	25.1	\$1,116,947
<b>REGULAR EMPLOYEES TOTAL</b>			\$0	65.1		\$4,262,702			\$0	65.1	\$4,262,702
<b>2. Contractual Employees</b>											
Administration ( <i>List general categories, add rows if needed</i> )											
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
<b>Total Administration</b>			\$0			\$0			\$0	0.0	\$0
Direct Care Staff ( <i>List general categories, add rows if needed</i> )											
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
<b>Total Direct Care Staff</b>			\$0			\$0			\$0	0.0	\$0
Support Staff ( <i>List general categories, add rows if needed</i> )											
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
<b>Total Support Staff</b>			\$0			\$0			\$0	0.0	\$0
<b>CONTRACTUAL EMPLOYEES TOTAL</b>			\$0			\$0			\$0	0.0	\$0
Benefits ( <i>State method of calculating benefits below</i> ):											
<b>TOTAL COST</b>	<b>0.0</b>		<b>\$0</b>	<b>65.1</b>		<b>\$4,262,702</b>	<b>0.0</b>		<b>\$0</b>		<b>\$4,262,702</b>