

MARYLAND HEALTH CARE COMMISSION

Modified Exemption from Certificate of Need

TO: Steven Leonard, President and Chief Executive Officer
Peninsula Regional Health System.
100 East Carroll St.
Salisbury, MD 21801

May 16, 2024
Date
19-19EX010
Docket No.

RE: Request for Exemption from Certificate of Need Review – Conversion of Edward W. McCready Memorial Hospital to a Freestanding Medical Facility

PROJECT DESCRIPTION

On January 16, 2020, the Maryland Health Care Commission (MHCC) approved an Exemption from Certificate of Need to Peninsula Regional Medical Center (PRMC) and Edward W. McCready Memorial Hospital (McCready Hospital) to convert McCready Hospital to a freestanding medical facility (FMF). The FMF (known as TidalHealth McCready Pavilion) would initially be housed in the existing hospital building (Phase 1) while a new building would be constructed at 4660 Crisfield Highway in Crisfield (Phase 2). When the new building was complete, the FMF would be relocated there.

In Phase 1, FMF operations would be implemented within the existing space that operated as a general hospital. The applicant projected spending \$133,346 to modify the facility space that would be used as an FMF. Phase 2 would involve construction of a new 23,990 sq. ft. FMF building that will house a new emergency department and outpatient clinic facility. The total project budget estimate is \$25.6 million. PRMC will issue bonds to fund the project.

With regards to the project change, PRMC now plans to keep the FMF at the existing site and is no longer planning to implement Phase 2 to build and relocate the FMF to a new facility. The total cost of renovations to the existing site was \$97,260 which was paid for with cash.

ORDER

MHCC reviewed and considered the information provided by the Applicants and concludes that this project request is a permissible change as it does not include material changes to the nature of the project, the immediate capacity, and that this requested change would not alter the findings that the Commission made in 2020 concerning the effective delivery of health care services, public interest, and appropriate delivery of emergency care within the statewide emergency medical services system. Based on this analysis and the record in this case, the Maryland Health Care Commission, on May 16, 2024, ordered that a modified exemption from Certificate of Need be issued to the applicant to locate the TidalHealth McCready Pavilion at the site of the former McCready Hospital with conditions.

From the original exemption from Certificate of Need:

1. Within 120 days of approval of the request for exemption from Certificate of Need filed by Edward W. McCready Memorial Hospital and Peninsula Regional Medical Center for the conversion of Edward W. McCready Memorial Hospital to a freestanding medical facility, Peninsula Regional Health System, Inc. shall become the sole member of the McCready Foundation, Inc.; and
2. Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude \$1,374,274. This figure includes the estimated new construction costs that exceed the Marshall Valuation Service guideline cost and portions of the contingency allowance and inflation allowance that are based on the excess construction cost.

From the modified exemption from Certificate of Need:

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

PROPOSED CHANGES TO THE APPROVED PROJECT

Before making any changes to the facts in the modified exemption from Certificate of Need and other information provided to the Commission, PRMC must notify the Commission in writing and receive Commission approval of each proposed change, including the obligation of any funds above those approved by the Commission in this exemption from Certificate of Need review, in accordance with COMAR 10.24.01.17. Pursuant to COMAR 10.24.01.17B(2), the project cannot incur capital cost increases that exceed the approved capital cost inflated by an amount determined by applying the Building Cost Index published on a quarterly basis by IHS Economics in *Healthcare Cost Review* unless PRMC obtains a modification of this exemption from Certificate of Need review from the Commission. Instructions for determining the threshold that necessitates Commission review and approval of changes to the capital cost approved in this exemption from Certificate of Need review are located on the Commission's website at:

http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/hcfs_con.aspx

DESIGN APPROVAL AND FACILITIES LICENSURE BY OHCQ

This exemption from Certificate of Need review does not constitute a license or replace any approvals required by the Office of Health Care Quality or others within the Maryland Department

of Health (“MDH”) to renovate and operate altered space within an existing facility. PRMC must provide MDH with all information it requires for plan approval and putting into operation renovated space within its existing facility, including information pertaining to project design and specifications.

REQUEST FOR FIRST USE REVIEW

PRMC must also document compliance with the conditions attached to the exemption from CON review at the time of the first use request. Commission staff will review the request in consultation, as necessary, with OHCQ, and in accordance with COMAR 10.24.01.18 to determine whether the project is in conformance with the exemption from CON review. First use approval does not constitute a license or replace any approvals required by OHCQ or others within MDH to operate new space within an existing center or facility. Therefore, PRMC should assure that OHCQ is notified of the imminent completion of the project and should arrange for completion of any inspections and or approvals required by OHCQ in a timely manner. First use approval remains in effect for 90 days.

ACKNOWLEDGEMENT OF RECEIPT OF EXEMPTION FROM CERTIFICATE OF NEED REVIEW

Acknowledgement of your receipt of this Modified Exemption from Certificate of Need review, stating acceptance of its terms and conditions, is required within thirty (30) days.

MARYLAND HEALTH CARE COMMISSION



Ben Steffen
Executive Director

cc: Kathleen Harrison, CEO of McCready Foundation, Inc
Patricia T. Nay, M.D., Executive Director, Office of Health Care Quality
Danialle Weber, Health Officer, Somerset County
James Buck, Esq. Gallagher, Evelius and Jones
Theodore Delbridge, M.D., Executive Director, Maryland Institute for Emergency
Medical Services Systems
Wynee Hawk, Director, Center for Health Care Facilities Planning & Development
Jeanne Marie Gawel, Chief, Certificate of Need Program
Alexa Bertinelli, Esquire, Assistant Attorney General
Caitlin E. Tepe, Esquire, Assistant Attorney General