



MEMORANDUM

DATE: December 12, 2025

TO: Jon Kromm, Executive Director, HRCRC
Jerry Schmith, Principal Deputy Director, HRCRC
Bob Gallion, Associate Director, HRCRC

FROM: Wynee Hawk, Director
Center for Healthcare Facilities Planning and Development

RE: University of Maryland Shore Regional Health, Inc.
Construction of a Replacement Hospital in Easton
Docket No. 23-20-2463

The Shore Health System, Inc. (SHS) has submitted a Project Change after Certificate of Need (CON) approval for the relocation and replacement of the University of Maryland Shore Medical Center Easton. The project as approved was to construct a replacement hospital with 110 acute care beds at a total approved budget of \$539,558,871. The Commission approved SHS's request for two changes to the approved project in 2025. The first change request allowed SHS to purchase a prefabricated central utility plant instead of building one on site, and allowed SHS to incorporate a zero-carbon emission geothermal plant to eliminate reliance on fossil fuels. The second change reduced the number of cardiac catheterization labs and operating rooms at the new facility in an effort to control the project budget.

SHS is now requesting a modification of the project costs to increase its capital costs, including financing costs, by \$124,903,000, bringing the total project budget to \$664,461,871. The requested project budget increase represents a 23 percent increase over the current approved budget of \$539.6M. SHS states that the requested budget increase is due to recent market conditions that have "placed exceptional pressure, particularly in the Mid-Atlantic region, on construction pricing. Inflation and market prices have escalated faster and higher than national forecasts predicted." SHS attributes much of the increase to increased labor costs for the mechanical/electric/plumbing sectors and increased material costs.

The total cost of the project will now be approximately \$664 million. SHS plans to finance the project with \$38.6 million in cash; \$100 million in philanthropic gifts; \$402 million in authorized bonds; \$23.9 million on interest income from bond proceeds; and \$100 million in

state funds. This represents a \$50 million increase in philanthropy, a \$68.7 million increase in authorized bonds, and a \$6.2 million increase in interest from bond proceeds. MHCC staff notes that, to date, the state has authorized only \$50 million for the project. SHS states that the remaining \$50M disbursement from the State is expected to be received from FY2027 through FY 2029.

SHS also states that fundraising pledges are at \$65 million to date, and if the fundraising falls short of its goal of \$100 million in philanthropy, the University of Maryland Medical system will increase the debt financing or use cash to make up for the shortfall.

MHCC requests that HSCRC staff review the financial projections provided in the CON application and subsequent filings, and a) advise MHCC staff of any additional information you need to provide an opinion and b) advise whether the project is financially feasible. MHCC staff believe that the utilization projections presented in the application are reasonable and would advise HSCRC staff to assume that the new hospital will achieve its projected utilization volumes.

I am including an electronic copy of the application and tables in the email transmitting this memo. These materials, as well as any completeness questions, will be available on our website at:

https://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/hcfs_con_approved_projects_mod.aspx

If you would like hard copy of these materials, let me know, and if you should have any questions on this matter, please feel free to contact Moira Lawson via email at moira.lawson1@maryland.gov or (410) 764-3261.

Included via email:

- SHS Request for Change after CON approval

cc: Moira Lawson, Project Manager MHCC
Vishal Mundlye, Health Planning & Finance, MHCC
Alexa Bertinelli, Assistant Attorney General, MHCC
Caitlin Tepe, Assistant Attorney General, MHCC
Deanna Dunn, Health Facilities Coordinator, MHCC
Fahmi Fahmi, M.D., Health Officer, Talbot County
Thomas Dame, Esquire
Mallory Regenbogen, Esquire
Alison B. Lutich, Esquire