

# MARYLAND HEALTH CARE COMMISSION

## Corrected Second Modified Certificate of Need

TO: Mohan Suntha, M.D., President/CEO  
University of Maryland Medical System  
22 S. Greene Street  
Baltimore, MD 21201

July 18, 2024  
Date

RE: University of Maryland Medical Center  
Construction of nine-story addition to  
Consolidate oncology services within the  
Greenebaum Comprehensive Cancer Center

19-24-2438  
Docket No.

### PROJECT DESCRIPTION

This Modified Certificate of Need increases the approved total project cost for University of Maryland Medical Center (UMMC) to construct a nine-story addition on the east side of the North Hospital building at the corner of Greene and Baltimore streets in Baltimore City to \$288,092,970, an increase of \$18,902,790 or approximately 7%, and allows changes to the physical plant design.

The Maryland Health Care Commission (MHCC or Commission) awarded a certificate of need (CON) on August 20, 2020, authorizing UMMC to construct a nine-story addition on the east side of the North Hospital building at the corner of Greene and Baltimore streets in Baltimore City to house the Greenbaum Comprehensive Cancer Center (Cancer Center or GCCC). The approved project included the addition of 62 beds to the hospital's existing physical bed capacity, approximately 155,000 square feet (SF) of new construction, and approximately 73,000 SF in renovations to contiguous existing space within the North Hospital building. The Commission approved \$194,368,000 in total use of funds for the project, including \$184,493,169 in current capital expenditures and a budgeted inflation allowance of \$9,374,831, for total capital costs of \$193,868,000, and \$500,000 in financing costs and other cash requirements. The project would be paid for with State grants (\$96 million), authorized bonds (\$78 million), and philanthropy (\$20 million).

On October 19, 2023, the Commission approved a project change after CON approval to UMMC to increase the cost of the project to \$269,190,180 and to make changes in the physical plant design. The cost increase was attributed to delays in construction due to the COVID-19 pandemic, inflation and design changes to increase the efficiency of the new facility. The \$74 million in increased costs would be paid for with an increase in state grants (\$29.2 million), authorized bonds (\$21.7 million), philanthropy (\$20 million), and \$3.9 million in interest from authorized bonds.

With regard to this project change, the total costs associated with the project have increased to \$288,092,970, a change of 18,902,790. The cost increases are due to unplanned renovation

costs for the relocation of key departments due to the planned construction (\$12,976,970), more extensive renovations needed for the South Entrance of the existing hospital (\$4,005,000), and miscellaneous enabling costs due to the renovations (\$1,000,000). Additionally, gross interest during construction will increase by \$844,270, and loan placement fees will increase by \$76,550. The cost increases will be paid for with \$10 million in cash, \$8.7 million in authorized bonds, and \$133,315 in interest income from authorized bonds.

Design changes are due to the planned construction of 4 additional floors to the Cancer Center building to house the University of Maryland Rehabilitation and Orthopedic Institute, which is seeking approval in a separate application for an exemption for Certificate of Need, (Docket No. 23-24-EX017). The construction of the additional floors requires that the planned mechanical penthouse be moved from the tenth floor of the building to the fourteenth floor (see Appendix 4). Additionally, on the ninth floor, approximately 12,000 SF of the available 22,000 SF originally slated to be used by the Cancer Center will be occupied by UMROI.

## **ORDER**

The Maryland Health Care Commission reviewed the Staff Report and Recommendation and, based on that analysis and the record of the review, ordered on October 19, 2023, that a Modified Certificate of Need be issued for the project. The original CON contained four conditions, with conditions one and four remaining unchanged, conditions two and three modified to reflect the proposed changes, and a fifth condition added as shown below:

1. Prior to its request for first use approval, UMMC will submit an assessment of the need for surge bed capacity at UMMC and its plan to maintain and deploy adequate surge bed capacity when needed.
2. Any future change to the financing of this project involving adjustments in revenue must exclude \$10,470,000 in shell space-related costs, which includes the estimated new construction costs of the proposed shell space and portions of the contingency allowance, inflation allowance, and capitalized construction interest expenditure related to the estimated cost of the shell space.
3. UMMC will not finish the shell space on either the second or third floor without giving notice to the Commission and obtaining all required Commission approvals. UMMC will not request any adjustment in budgeted revenue by the Health Services Cost Review Commission (HSCRC) that includes depreciation or interest costs associated with construction of the proposed shell space unless UMMC has obtained either CON approval for finishing the shell space or a determination of coverage from the Maryland Health Care Commission that CON approval is not required.

4. In calculating any future adjustment to budgeted revenues related to the costs of this project, HSCRC shall exclude the capital costs associated with the shell space until the space is finished and put to use in a regulated activity. In calculating any revenue adjustment that includes an accounting for capital costs associated with the shell space, the rate shall only account for depreciation and interest expenses going forward through the remaining useful life of the space.

5. Any future change to the financing of this project involving adjustments in rates set by the Health Services Cost Review Commission must exclude \$18,035,730, which 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.

## **PERFORMANCE REQUIREMENTS**

In accordance with COMAR 10.24.01.12C(3)(b), the project is subject to the following performance requirements:

1. Obligation of not less than 51 percent of the approved capital expenditure for Phase 1, as documented by a binding construction contract, within twenty four (24) months of the date of this Certificate of Need;
2. Initiation of construction no later than four months after the effective date of the binding construction contract; and
3. Documentation that Phase 1 of the approved project has been completed, has been licensed, and has met all legal requirements and is providing the approved services no later than twenty four (24) months after the effective date of the binding construction contract.
4. Initiation of construction of Phase 2 of the project no later than twelve (12) months after the effective date of the binding construction contract;
5. Documentation that Phase 2 of the approved project has been completed, has been licensed, and has met all legal requirements and is providing the approved services no later than twenty four (24) months after initiation of Phase 2 construction.

Failure to meet these performance requirements will render this Certificate of Need void, subject to the requirements of COMAR 10.24.01.12 F.

## **PROPOSED CHANGES TO THE APPROVED PROJECT**

Before making any changes to the facts in the Certificate of Need application and other information provided to the Commission, UMMC 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 Certificate of Need, 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 the Healthcare Cost Review unless CSI obtains a modification of this Certificate of Need from the Commission. Instructions for determining the threshold that necessitates Commission review and approval of changes to the capital cost approved in this Certificate of Need are located on the Commission's website at:

[http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs\\_con/hcfs\\_con.aspx](http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/hcfs_con.aspx)

### **DESIGN APPROVAL AND FACILITIES LICENSURE BY DHMH**

This Certificate of Need 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 construct and operate new space within an existing facility. UMMC must provide MDH with all information it requires for plan approval, facility licensure, and putting into operation renovated space within its existing facility, including information pertaining to project design and specifications.

### **SEMI-ANNUAL STATUS REPORTS**

In accordance with COMAR 10.24.01.12 UMMC shall submit semi-annual status reports to the Commission, beginning January 18, 2025, six months from the date of this Certificate of Need, and continuing at six-month intervals, until the completion of the project.

### **REQUEST FOR FIRST USE REVIEW**

UMMC must request in writing, not less than 60 days but not more than 120 days before the first use of the approved cancer center, a first use review from the Commission, specifying the anticipated date of first use and documenting that the project has been substantially completed and will be completed, within 120 days or less, in a manner and at a cost consistent with this Certificate of Need. 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 conforms with the Certificate of Need. 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 health care facility. Therefore, UMMC 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. If first use of the new cancer center facility does not occur within 90 days of approval, UMMC shall reapply for first use approval.

### **ACKNOWLEDGEMENT OF RECEIPT OF CERTIFICATE OF NEED**

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

**MARYLAND HEALTH CARE COMMISSION**

A handwritten signature in black ink that reads "Ben Steffen". The signature is written in a cursive, slightly slanted style.

Ben Steffen  
Executive Director

cc: Heather Reed, MD, Office of Health Care Quality  
Jon Kromm, Executive Director, HSCRC  
Ihuoma Emenuga, M.D., Health Commissioner, Baltimore City Health Department