



DATE: April 20, 2023

TO: Commissioners

FROM: Wynee Hawk
Chief, Certificate of Need

SUBJECT: Conversion of University of Maryland Laurel Regional Hospital to a
Freestanding Medical Center
Second Request for Post Approval Project Change
Docket No. 18-16-EX002

Enclosed is the staff report and recommendation for a Second Request for a Project Change after Project Approval for an Exemption from Certificate of Need (CON) filed by the University of Maryland Capital Region Health (UM-CRH) to convert University of Maryland Laurel Regional Hospital to a Freestanding Medical Facility (FMF).

The project approved by the Commission in September of 2018 permitted UM-CRH to convert University of Maryland Laurel Regional Hospital to an FMF operating as the University of Maryland Laurel Medical Center (UM-LMC). The total estimated budget approved by the Commission in September of 2018 was \$53,225,855. In July 2022, the Commission approved a \$18,354,366 increase in total project costs. UM-CRH now requests an additional \$6,780,493 increase in total project costs attributed to the addition of a pedestrian connector bridge, delay in delivery of materials, design errors and inflationary increases in the cost of materials and products from the original construction estimates. The total cost of the project, if the Commission approves the second modification, will be \$78,360,714. The applicant will finance the cost of this project with bonds, interest from the bonds, cash, and grants.

The HSCRC reviewed the updated financial tables submitted in this Second Request for Post Approval Project Change and opined that while the projected operating results may be optimistic, because of the willingness of UMMS to absorb any resulting losses incurred by UM-CRH, the \$6.8M increased cost of bringing UM-LMC to a close may not materially impact UM-CRH's ability to manage the FMF.

Staff recommends that the Commission **APPROVE** this second request for project change based on staff's conclusion that the proposed project is a permissible modification as it does not include material changes to the nature of the project, the location, or the immediate capacity, and that this requested change would not alter the findings that the Commission made in 2018 and in 2022 concerning the need and the positive impact of converting the hospital to an FMF.

