

**ZA01**  
**Maryland Hospital Association**  
**Miscellaneous Grant Programs**

***Capital Budget Summary***

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**Grant and Loan *Capital Improvement Program***  
**(\$ in Millions)**

<b>Program</b>	<b>2015 Approp.</b>	<b>2016 Approp.</b>	<b>2017 Request</b>	<b>2018 Estimate</b>	<b>2019 Estimate</b>	<b>2020 Estimate</b>	<b>2021 Estimate</b>
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Private Hospital Grant Program	\$5.193	\$3.612	\$4.237	\$5.000	\$5.000	\$5.000	\$5.000
<b>Total</b>	<b>\$5.193</b>	<b>\$3.612</b>	<b>\$4.237</b>	<b>\$5.000</b>	<b>\$5.000</b>	<b>\$5.000</b>	<b>\$5.000</b>

<b>Fund Source</b>	<b>2015 Approp.</b>	<b>2016 Approp.</b>	<b>2017 Request</b>	<b>2018 Estimate</b>	<b>2019 Estimate</b>	<b>2020 Estimate</b>	<b>2021 Estimate</b>
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GO Bonds	\$5.193	\$3.612	\$4.237	\$5.000	\$5.000	\$5.000	\$5.000
<b>Total</b>	<b>\$5.193</b>	<b>\$3.612</b>	<b>\$4.237</b>	<b>\$5.000</b>	<b>\$5.000</b>	<b>\$5.000</b>	<b>\$5.000</b>

GO: general obligation

## ***Summary of Recommended Bond Actions***

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1. Maryland Hospital Association  
Adopt committee narrative requesting a report on the Maryland Hospital Association Grant Program encumbrances and expenditures.
2. Adventist Behavioral Health and Wellness  
Approve \$392,000 in general obligation bonds.
3. Anne Arundel Health System  
Approve \$500,000 in general obligation bonds.
4. Doctors Community Hospital  
Approve \$500,000 in general obligation bonds.
5. Edward W. McCready Hospital  
Approve \$239,000 in general obligation bonds.
6. Medstar Franklin Square Hospital  
Approve \$877,000 in general obligation bonds.
7. Medstar Montgomery Medical Center  
Approve \$300,000 in general obligation bonds.
8. Shady Grove Medical Center  
Approve \$279,000 in general obligation bonds.
9. University of Maryland Rehabilitation and Orthopedic Institute  
Approve \$150,000 in general obligation bonds.
10. University of Maryland, St. Joseph Medical Center  
Approve \$1,000,000 in general obligation bonds.

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11. SECTION 2 – Maryland Hospital Association – Union Center of Cecil County – Outpatient Center

Approve the de-authorization of \$110,000 in general obligation bonds.

12. SECTION 2 – Maryland Hospital Association – Meritus Medical Center

Approve the de-authorization of \$500,000 in general obligation bonds.

## ***Budget Overview***

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The Private Hospital Facilities Grant Program is designed to provide State support for the capital needs of Maryland’s independent hospitals. Established in 1994, the program provides grants to assist in new construction and major renovations to hospitals that promote State health objectives. The projects are selected annually for funding by a committee appointed by the Maryland Hospital Association (MHA). MHA represents 66 institutions. The 11-person selection committee consists of 7 hospital trustees and 4 hospital executives from throughout the State.

Each project had customarily been identified through an individual bond bill, although in time, the projects were ultimately folded into the capital bill. Beginning in fiscal 2010, the projects have been included in the capital bill as introduced.

The criteria used to rate applications for funding under this program are:

- how the project will improve patient care, particularly access to primary and preventive services;
- how the project improves the patient safety environment;
- how the project serves unmet community, health, and related social needs;
- whether project services are supplied by a sole provider;
- whether the project is in an underserved area;
- whether the project is of a regional or statewide significance;
- how the project encourages collaboration and the development of provider networks; and
- whether the community has demonstrated financial support for the project.

**Exhibit 1** details the nine projects proposed for funding in fiscal 2017.

**Exhibit 1**  
**Maryland Hospital Association**  
**Private Hospital Grant Program**

<u>Subdivision</u>	<u>Project Title and Purpose</u>	<u>Total Estimated Cost</u>	<u>Fiscal 2017 State Share Amount</u>	<u>State Share (%)</u>
Anne Arundel	<b>Anne Arundel Health System, Inc.:</b> Renovate the main waiting area and reconfigure space to accommodate group therapy and ambulatory detoxification programs for the Pathways program.	\$1,250,000	\$500,000	40.0%
Baltimore City	<b>University of Maryland Rehabilitation and Orthopedic Institute:</b> Renovate and enlarge patient waiting and registration areas.	300,000	150,000	50.0%
Baltimore County	<b>MedStar Franklin:</b> Relocate the inpatient cancer services unit from an undersized location to a renovated space.	1,752,800	877,000	50.0%
Baltimore County	<b>University of Maryland St. Joseph Medical Center, Inc.:</b> Renovate a floor dedicated to serving mothers and babies to support a minimum of five new suites.	2,000,000	1,000,000	50.0%
Montgomery	<b>Adventist Behavioral Health and Wellness:</b> Renovate space for the Behavioral Health Outpatient program.	800,000	392,000	49.0%
Montgomery	<b>Shady Grove Medical Center:</b> Renovate space to create a Neonatal Intensive Care Unit lounge and space for the Pediatric Outpatient Rehabilitation program.	570,000	279,000	48.9%
Montgomery	<b>MedStar Montgomery Medical Center:</b> Renovate the Maternal Newborn Center Special Care Nursery and Inpatient Unit.	1,020,100	300,000	29.4%
Prince George's	<b>Doctors Hospital, Inc.:</b> Renovate the primary care practice areas, patient exam rooms, and physician and laboratory office space in order to establish the Doctors Community Healthcare Center.	1,000,000	500,000	50.0%
Somerset	<b>Edward W. McCready Hospital:</b> Renovate a 19-bed inpatient unit to provide space for inpatient and outpatient behavioral health services.	606,000	239,000	39.4%
<b>Total</b>		<b>\$9,298,900</b>	<b>\$4,237,000</b>	

Source: Maryland Hospital Association; Department of Budget and Management

The total amount in the allowance is currently \$4.2 million, which is below the \$5.0 million that is traditionally included for this program in the *Capital Improvement Program*. MHA notes that due to concerns surrounding the new All-payer Model Contract, which replaced the State’s previous Medicare waiver and requires that hospitals be placed on global budgets to be regulated by the Health Services Cost Review Commission, hospitals around the State are still having to reevaluate how much they can spend under their global budgets for capital needs as well as what capital projects would best help hospitals meet the goals of the waiver.

## ***De-authorizations***

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The fiscal 2017 capital bill also includes two de-authorizations for prior year hospital projects, which are presented in **Exhibit 2**. The first is a de-authorization of \$110,000 in general obligation (GO) bonds for Union Hospital of Cecil County – Outpatient Center. The second is a de-authorization of \$500,000 in GO bonds for Meritus Medical Center. In both instances, the projects were initially requested before the new All-payer Model Contract was in effect, and the new payment model is shifting the goals and priorities of hospitals in regard to capital investment. For example, Meritus Medical Center had initially intended to use their funds to build out a wellness and rehabilitation center. However, with the new incentives under the All-payer Model Contract, Meritus now intends to reapply to create a primary care center in the future.

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### **Exhibit 2 De-authorizations**

<b><u>Project</u></b>	<b><u>De-authorized Amount</u></b>	<b><u>Reason</u></b>
Union Hospital of Cecil County – Outpatient Center	\$110,000	No longer moving forward due to the All-payer Model Contract.
Meritus Medical Center	500,000	No longer moving forward due to the All-payer Model Contract.

Source: Department of Budget and Management, 2016 *Capital Improvement Program*

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At this time, it should also be noted that it is unclear how many previously authorized projects are currently affected by the All-payer Model Contract and have the potential not to move forward. This is because the Department of Budget and Management (DBM) does not include in their capital worksheets the amount of funds encumbered and expended to date as they do with most other grant and loan programs included in the capital budget. **The Department of Legislative Services (DLS) recommends that DBM annually report encumbrances and expenditures for the Private Hospital**

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**Grant Program in the capital worksheets submitted in support of the Governor’s annual capital budget. Further, DLS recommends that MHA submit a report providing further detail on these projects.**

## ***GO Bond Recommended Actions***

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1. Adopt committee narrative requesting a report on the Maryland Hospital Association Grant Program encumbrances and expenditures.

**Maryland Hospital Association Grant Program Encumbrances and Expenditures:** The past couple years have included de-authorizations of entire projects contained within the Maryland Private Hospital Grant Program due to concerns surrounding the All-payer Model Contract and its effect on capital projects and priorities. Currently, the Department of Budget and Management does not include data on the amount of encumbrances and the amount expended to date for this grant and loan program in the capital worksheets, nor does the Maryland Hospital Association include this information in its annual submission requesting funds from the Governor. The budget committees request a report detailing the amounts encumbered, unencumbered, and expended to date of all Maryland Hospital Association Private Hospital Grant Program projects. Further, the budget committees request that this data be included in capital worksheets submitted in support of the Governor’s annual capital budget.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Encumbrances and expenditures of the Maryland Hospital Association Private Hospital Grant Program	Maryland Hospital Association	December 1, 2016

2. Approve \$392,000 in general obligation bonds for Adventist Behavioral Health and Wellness.
3. Approve \$500,000 in general obligation bonds for Anne Arundel Health System, Inc.
4. Approve \$500,000 in general obligation bonds for Doctors Hospital, Inc.
5. Approve \$239,000 in general obligation bonds for Edward W. McCready Hospital.
6. Approve \$877,000 in general obligation bonds for MedStar Franklin Square Hospital Center.
7. Approve \$300,000 in general obligation bonds for MedStar Montgomery Medical Center.
8. Approve \$279,000 in general obligation bonds for Shady Grove Medical Center.

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9. Approve \$150,000 in general obligation bonds for University of Maryland Rehabilitation and Orthopedic Institute.
10. Approve \$1,000,000 in general obligation bonds for University of Maryland St. Joseph Medical Center.
11. Approve the de-authorization of \$110,000 in general obligation bonds for Union Hospital of Cecil County – Outpatient Center.
12. Approve the de-authorization of \$500,000 in general obligation bonds for Meritus Medical Center.