

MA01
Maryland Department of Health – Capital

Capital Budget Summary

State-owned Capital Improvement Program
(\$ in Millions)

Projects	Prior Auth.	2020 Request	2021 Est.	2022 Est.	2023 Est.	2024 Est.	Beyond CIP
Renovation of the North Wing of the Clifton T. Perkins Hospital Center	\$0.375	\$2.297	\$6.677	\$20.398	\$8.527	\$0.000	\$0
Total	\$0.375	\$2.297	\$6.677	\$20.398	\$8.527	\$0.000	\$0

Fund Source	Prior Auth.	2020 Request	2021 Est.	2022 Est.	2023 Est.	2024 Est.	Beyond CIP
GO Bonds	\$0.375	\$2.297	\$6.677	\$20.398	\$8.527	\$0.000	\$0
Total	\$0.375	\$2.297	\$6.677	\$20.398	\$8.527	\$0.000	\$0

CIP: *Capital Improvement Program*
GO: general obligation

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

Program	2018 Approp.	2019 Approp.	2020 Request	2021 Est.	2022 Est.	2023 Est.	2024 Est.
Community Health Facilities Grant Program	\$5.742	\$5.529	\$6.500	\$6.500	\$6.500	\$6.500	\$6.500
Federally Qualified Health Centers Grant Program	0.000	2.500	2.500	2.500	2.500	2.500	2.500
Total	\$5.742	\$8.029	\$9.000	\$9.000	\$9.000	\$9.000	\$9.000

Fund Source	2018 Approp.	2019 Approp.	2020 Request	2021 Est.	2022 Est.	2023 Est.	2024 Est.
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GO Bonds	\$5.742	\$8.029	\$9.000	\$9.000	\$9.000	\$9.000	\$9.000
Total	\$5.742	\$8.029	\$9.000	\$9.000	\$9.000	\$9.000	\$9.000

GO: general obligation

Key Observations

- Renovation of the Clifton T. Perkins Hospital Center (Perkins Hospital Center) North Wing refines its project estimates and stretches the project into fiscal 2023.
- The Community Health Facilities Grant Program adds additional funding targeted for this year, specifically at expanding capacity for alcohol and illicit-drug free recovery residences in response to the opioid crisis.

Summary of Recommended Bond Actions

1. Community Health Facilities Grant Program
Approve \$6,500,000 in general obligation bonds.
2. Federally Qualified Health Centers Grant Program
Approve \$2,500,000 in general obligation bonds.
3. Clifton T. Perkins Hospital Center
Approve \$2,297,000 in general obligation bonds.

Program Description

Community Health Facilities Grant Program (CHFGP): Provides capital grants for up to 75% of the acquisition, design, construction, renovation, and equipping capital expenses of facilities that provide mental health, developmental disabilities, and substance use treatment services. This program plays a key role in the deinstitutionalization of individuals with behavioral health diagnoses and builds residential capacity within the community. The fiscal 2020 recommendation reserves \$1 million for recovery residences that will be awarded at a later date based on applications received by the Maryland Department of Health (MDH).

Federally Qualified Health Centers (FQHC) Grant Program: Provides grants to private nonprofit organizations that have been designated by the federal government as FQHCs. FQHCs provide services to all persons regardless of their ability to pay, including primary, preventive, and specialty health care services in medically underserved areas throughout the State. MDH's grant program provides up to 75% of eligible capital costs for the acquisition, design, construction, renovation, and equipping of FQHC facilities. The FQHC grant enhances access to care by developing health care facilities that are operating in medically underserved areas.

Budget Overview

Clifton T. Perkins Hospital Center

Perkins Hospital Center is the State's only maximum-security forensic facility. Currently, the 80-bed North Wing of Perkins is comprised of four 20-bed medium/minimum-security units. The proposed renovations will transition this unit into additional maximum-security units, reducing the bed capacity from 80 to 68 beds. The renovations will also create a new admissions unit with a secured

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sally port for the maximum-security population. The renovation will also address infrastructure deficiencies, such as updating the kitchen and security system in the unit.

The fiscal 2020 capital budget includes \$2.3 million for the renovation of the North Wing of the Perkins Hospital Center. The project is currently estimated to cost approximately \$38.3 million and be completed by 2023. The 80-bed North Wing, currently the only medium/minimum-security units in the facility, will be renovated to maximum-security level units. The project will also create a new food service center, a secured vehicular sally port, rework the existing storage area, and create a new intake unit at the current kitchen area. The funding for fiscal 2020 builds on \$375,000 in fiscal 2019 for the planning and design expenses. In total, \$3,464,000 will be committed to the design of the renovations. Construction is expected to begin in March 2021 and last for two years.

The renovation of the North Wing had been included in last year’s *Capital Improvement Program* (CIP), and while the overall project expenditures have decreased, spending in fiscal 2020 has increased, and the time horizon of the project has increased, as shown in **Exhibit 1**.

Exhibit 1
Change in Perkins Hospital Renovation Expenditures
Fiscal 2019-2023
(\$ in Millions)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
2019 Session CIP	\$0.375	\$2.297	\$6.677	\$20.398	\$8.527	\$38.274
2018 Session CIP	0.375	1.775	16.479	20.906	0.00	39.535
Change	\$0.00	\$0.522	-\$9.802	-\$0.508	\$8.527	-\$1.261

CIP: *Capital Improvement Program*

Source: 2019 *Capital Improvement Program*, 2018 *Capital Improvement Program*

Spreading the project into fiscal 2023 has also decreased the estimated State expenditures in fiscal 2021. The current estimates also project lower planning and construction expenditures than previously anticipated.

One important component of the renovation is that, in order to transition the North Wing into a maximum-security facility, the number of beds in the unit will be reduced from 80 to 68, reducing the overall capacity of the facility. MDH notes that the trends in its patient population suggest a growing need for maximum-security beds that if not addressed, will leave the State without enough capacity for patients requiring maximum-security units by 2023. MDH highlights that increasing the maximum-security beds will require the transfer of medium-security-need patients to other facilities.

However, the other State-run psychiatric facilities have been operating at or near capacity over the last several years, as shown in **Exhibit 2**.

Exhibit 2
Occupancy Rate in State-run Psychiatric Facilities
Fiscal 2014-2018

<u>Average Daily Occupancy Rate</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Clifton T. Perkins Hospital Center	98.0%	98.0%	100.4%	101.2%	93.4%
Other State-run Psychiatric Facilities for Adults (Excluding Perkins)	97.7%	101.3%	98.2%	96.5%	99.0%

Source: Governor’s Budget Books

The department should comment on how it will address the overall decrease in capacity as a result of this project and possible additions of medium-security beds throughout the State-run psychiatric hospital system.

Community Health Facilities Grant Program

The fiscal 2020 capital budget provides \$6.5 million for the Community Health Facilities Grant Program (CHFGP), which is a \$1 million increase over funding planned during the 2018 session CIP. The additional \$1 million is a one-year set aside for recovery residences, further discussed below. The CHFGP is funded at \$6.5 million through fiscal 2024, which is consistent with out-year spending in the 2018 CIP.

Proposed Fiscal 2020 Projects

For fiscal 2020, MDH has selected six projects in three jurisdictions, outlined in **Exhibit 3**. Five of the projects were selected by the Behavioral Health Administration (BHA), three will provide affordable housing for the mental health and/or substance use disorder populations, and the other two are construction and renovation projects that align with further behavioral health integration. The sixth project was selected by the Developmental Disabilities Administration.

Exhibit 3
Fiscal 2020 Community Health Facilities Grant Program
Proposed Projects

<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Total Estimated Cost</u>	<u>Prior Authorization</u>	<u>2020 Requests</u>	<u>Total State Share</u>
Baltimore City	Project PLASE, Inc.: Renovation of a property to create 56 permanent housing apartments and 40 transitional studio apartments as well as space for new support services offices, a new communal gathering and dining area, and an expanded commercial-grade kitchen. This project will provide homeless adults suffering from mental illness and/or co-occurring substance abuse disorders with access to affordable housing.	\$5,655,892	\$658,269	\$2,000,000	47%
Baltimore County	Key Point Health Services, Inc.: Acquisition of a three-bedroom house in Catonsville that will provide safe and affordable housing for three individuals with serious mental illnesses.	350,000	0	262,500	75%
Baltimore City	People Encouraging People, Inc.: Renovation of a home in Baltimore that will create 9 one-bedroom units for nonelderly adults with serious and/or persistent mental illnesses and/or co-occurring substance use disorder.	1,526,869	527,307	617,845	75%
Baltimore County	Prologue, Inc.: Construction of a 2,480 net square foot building in Towson that will provide a safe place for homeless people to receive services and connect with outreach workers.	829,114	0	621,836	75%
Montgomery County	Cornerstone Montgomery, Inc.: Renovate a facility in Rockville that houses treatment services for individuals suffering from serious and persistent mental illness. The renovation is anticipated to increase the capacity for the treatment of 200 additional clients per year.	2,000,000	0	1,500,000	75%

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<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Total Estimated Cost</u>	<u>Prior Authorization</u>	<u>2020 Requests</u>	<u>Total State Share</u>
Montgomery County	<i>Main Street Connect, Inc.:</i> Construct a 70-unit mixed-use housing building in Rockville. 18 of the 70 units will be allocated for individuals with developmental disabilities: 6 one-bedroom units, 10 two-bedroom units, and 2 three-bedroom units. These units will provide affordable, accessible, and integrated living and enhanced community engagements for adults with developmental disabilities.	4,423,000	884,600	884,600	40%
Statewide	<i>Recovery Residences:</i> Construct or renovate certified Recovery Residences as defined by the Maryland Department of Health – Behavioral Health Administration.	1,000,000		1,000,000	100%
Available Funds Adjustment		-\$386,781		-\$386,781	
Total		\$15,398,094	\$2,070,176	\$6,500,000	56%

Source: Department of Budget and Management, 2020 *Capital Improvement Program*

Of the projects selected, three have received prior funding from the State, totaling over \$2 million of prior authorizations.

Recovery Residences

Additionally, this year’s CIP includes an additional \$1 million for recovery residences in the CHFPG. This funding is scheduled to reflect a one-time set aside for recovery residences, and the projects will be selected based on a similar application process for the current grant programs.

Recovery residences also received an additional \$1 million in the Department of Housing and Community Development’s Shelter and Transitional Housing Grant Program. Recovery residences provide alcohol-free and illicit drug-free housing to individuals with substance-related disorders, addictive disorders, or co-occurring mental health and substance-related disorders. Recovery residences also have formal and informal peer support services for their residents.

The selection process for the facilities to be awarded the grants will be under an accelerated timeline. MDH is requesting all applications for recovery residence funding to be completed and submitted by May 8, 2019. The applications will then be reviewed, and projects will be selected by

June 20, 2019. Funding will become available on July 1, 2019. **The department should comment on the accelerated timeline for awarding the recovery residence grants and its confidence in selecting grantees who will be able to meet matching fund requirements of the program.**

MDH identified that the set-aside for recovery residences in fiscal 2020 is due to a desire to increase the capacity of these types of homes in the State where there is a general shortage due to need resulting from the opioid crisis. Although the \$1 million is only scheduled to be reserved for recovery residences in fiscal 2020, these types of facilities have always been and will continue to be eligible to receive support through the CHFPG.

Fiscal 2020 Financial Analysis and Overall Program Activity

While the total fiscal 2020 State support for the six projects selected is \$5,886,781, the funding request for fiscal 2020 CHFPG is based on the cash flow analysis provided in **Exhibit 4**. As shown, carryover from prior year commitments will exceed the funds needed to fund prior year commitments, allowing \$386,781 to be used to fund fiscal 2020 projects.

Exhibit 4 CHFPG Cash Flow Analysis Fiscal 2020 (\$ in Millions)

Projected Fiscal 2020 CHFPG Expenditures

State Share of Proposed Fiscal 2020 Projects	\$5.887
Funds Needed for Prior Commitments in Fiscal 2020	5.667
Additional Funding for Recovery Residences	1.000
<i>Subtotal of Expenditures</i>	<i>\$12.554</i>
Less Funds Available at the End of Fiscal 2019	-\$6.054
Total Fiscal 2020 Request	\$6.500

CHFPG: Community Health Facilities Grant Program

Source: Department of Budget and Management, 2020 *Capital Improvement Program*

Exhibit 5 illustrates the encumbrances and expenditures within the CHFPG with funding in fiscal 2018 and 2019 yet to be expended or encumbered; however, in all years prior to that, only \$186,674 has yet to be encumbered.

Exhibit 5
CHFGP Encumbrances and Expenditures
Fiscal 2015-2019
(\$ in Millions)

	<u>Amount Authorized</u>	<u>Amount Encumbered</u>	<u>Amount Expended</u>	<u>To Be Encumbered</u>	<u>To Be Expended</u>
Prior Years	\$174.870	\$174.870	\$174.361	\$0.000	\$0.510
2015	5.183	5.183	5.183	0	0
2016	5.263	5.263	4.466	0	0.797
2017	4.758	4.571	2.363	0.187	2.395
Subtotal	\$190.074	\$189.888	\$186.373	\$0.187	\$3.702
2018	\$5.742	\$0	\$0	\$5.742	\$5.742
2019	5.529	0	0	5.529	5.529
Total	\$201.345	\$189.888	\$186.373	\$11.458	\$14.973

CHFGP: Community Health Facilities Grant Program

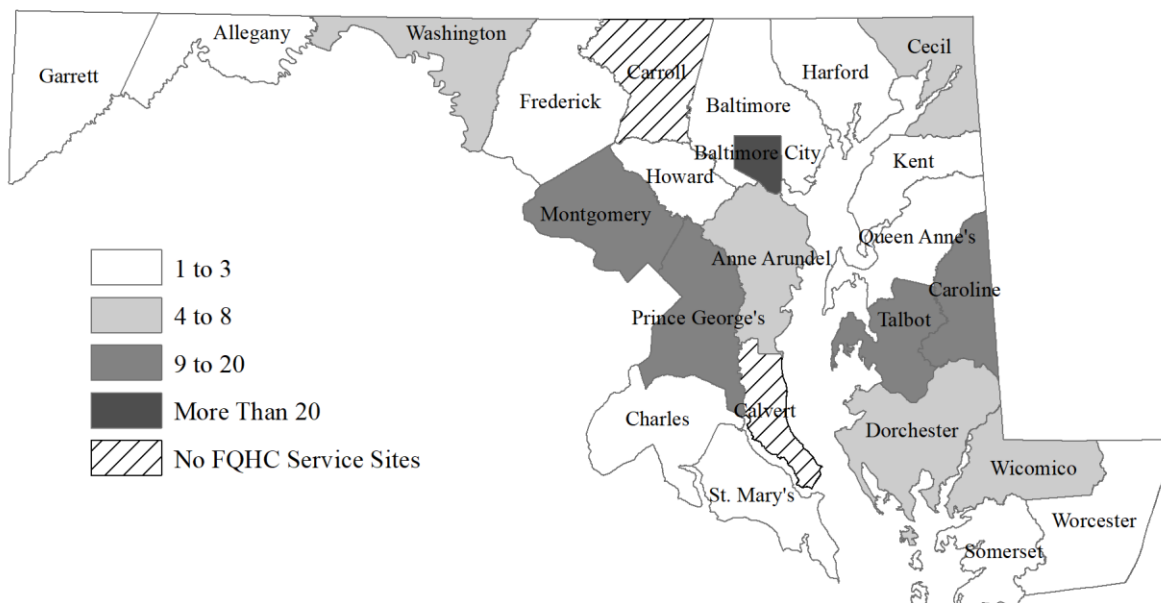
Note: Amounts current as of January, 2019.

Source: Department of Budget and Management, 2020 *Capital Improvement Program*

Federally Qualified Health Centers

There are 21 FQHCs in Maryland, including 1 urban Native American clinic in Baltimore City and 3 in the Washington, DC Metropolitan Area. Throughout these 21 FQHCs, there are 144 service sites, only 8 of which are purely administrative. Distribution of service sites by jurisdiction are shown in **Exhibit 6**.

Exhibit 6 FQHC Locations



FQHC: federally qualified health center

Source: Department of Budget and Management

To qualify for designation as an FQHC, an area must first be designated by the federal government as a medically underserved area or serve a medically underserved population, based on criteria established by the U.S. Department of Health and Human Services. Maryland currently has 56 of these designated areas.

MDH may recommend grants for up to 75% of the eligible costs to counties, municipal corporations, and nonprofit organizations for the following activities related to establishing and maintaining FQHCs: conversion of public buildings; acquisition of existing buildings; renovation of existing space; purchase of capital equipment; or planning, design, and construction of new facilities.

As shown in **Exhibit 7**, the fiscal 2020 request for the FQHC grant program has four projects selected in four jurisdictions. The Maryland Consolidated Capital Bond Loan of 2019 includes \$2.5 million in general obligation bonds for this program.

Exhibit 7
Fiscal 2020 Federally Qualified Health Centers Grant Program
Proposed Projects

<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Total Estimated Cost</u>	<u>Prior Authorization</u>	<u>2020 Requests</u>	<u>Future Requests</u>	<u>Total State Share</u>
Baltimore City	<i>Baltimore Medical System, Inc.:</i> Design and construction of a dental clinic for Baltimore Medical System (BMS), adjacent to the existing BMS-owned Belair-Edison Center. The dental clinic will have the capacity to serve 4,054 patients and complete 5,031 dental visits by the third year of operation.	\$1,438,217	\$0	\$65,077	\$1,013,586	75%
Caroline County	<i>Choptank Community Health System, Inc.:</i> Construct a 17,938 net square foot building in Denton that will provide comprehensive primary care, behavioral health, oral health, and women’s health services.	7,697,941	441,019	1,252,528	0	22%
Prince George’s County	<i>Greater Baden Medical Services, Inc.:</i> Acquisition of a 40,000 gross square feet outpatient facility that will allow Greater Baden Medical Services to provide primary and preventative health care, including oral and pediatric care, to urban Prince George’s county residents.	3,500,626	1,254,403	1,000,000	0	64%
Wicomico County	<i>Three Lower Counties Community Services, Inc.:</i> Renovate a two-story office building to create a Child and Family Mental Health Center from space previously used to provide pediatric, adult and obstetrics and gynecology medical services. The renovation will create spaces more suitable for providing mental and behavioral health services. Once renovations are completed, the building will accommodate 38 treatment rooms and 3 group therapy or conference rooms.	2,000,600	422,460	1,077,990	0	75%
Available Funds Adjustment		-895,595		-895,595		100%
Total		\$13,741,789	\$2,117,882	\$2,500,000	\$1,013,586	41%

Source: Department of Budget and Management, 2020 *Capital Improvement Program*

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The funding for the fiscal 2020 FQHC grant program is based on the cash flow analysis provided in **Exhibit 8**. As shown, carryover from prior year commitments will exceed the funds needed to fund prior year commitments, allowing \$895,595 to be used to fund fiscal 2020 projects, which total to \$3,395,595 for fiscal 2020.

Exhibit 8
FQHC Grant Program Cash Flow Analysis
Fiscal 2020
(\$ in Millions)

Projected Fiscal 2020 FCHQ Grant Program Expenditures

State Share of Proposed Fiscal 2020 Projects	\$3.396
Funds Needed For Prior Commitments in Fiscal 2020	0.958
<i>Subtotal of Expenditures</i>	<i>\$4.354</i>
Less Funds Available at the End of Fiscal 2019	-\$1.854
Total Fiscal 2020 Request	\$2.500

FQHC: federally qualified health center

Source: Department of Budget and Management, 2020 *Capital Improvement Program*

Exhibit 9 looks at the encumbrances and expenditures within the FCHQ grant program with funding in fiscal 2019 yet to be expended or encumbered; however, in all years prior to that, only \$636,966 has yet to be encumbered. This is in part due to fiscal 2018 projects being funded entirely with the existing balance of the FQHC grant program. Further, the current unencumbered balance is a significant decrease from the \$5,566,000 unencumbered during the 2019 session over the same period. The amount of funding yet to be expended has decreased by \$3,442,956 over the past year as well as from \$5,818,000 during the 2019 session.

Exhibit 9
FCHQ Grant Program Encumbrances and Expenditures
 (\$ in Millions)

<u>Fiscal Year</u>	<u>Amount Authorized</u>	<u>Amount Encumbered</u>	<u>Amount Expended</u>	<u>To Be Encumbered</u>	<u>To Be Expended</u>
Prior Years	\$20.34	\$20.34	\$20.34	\$0.00	\$0.00
2015	2.28	2.28	1.34	0.00	0.93
2016	0.37	0.37	0.37	0.00	0.00
2017	2.50	1.86	1.06	0.64	1.44
2018	0.00	0.00	0.00	0.00	0.00
Subtotal	\$25.48	\$24.85	\$23.11	\$0.64	\$2.38
2019	\$2.50	\$0.00	\$0.00	\$2.50	\$2.50
Total	\$27.98	\$24.85	\$23.11	\$3.14	\$4.88

FQHC: federally qualified health center

Note: Amounts current as of January 2019.

Source: Department of Budget and Management, 2020 *Capital Improvement Program*

Issues

1. Facilities Master Plan

In response to a report requested by the budget committees last year, MDH submitted a conceptual Facilities Master Plan on October 20, 2017. The plan included various early action items that the department is currently pursuing, most of which have been previously discussed in prior operating and capital analyses, and include the following:

- transforming BHA into an integrated division with shared services and a systemwide facilities model and an integrated approach at increasing bed capacity;
- performing upgrades to the roofs and launching the Holly Center Reimagined initiative;
- completing the work of the workgroup to discuss public-private partnerships at Western Maryland Hospital Center;
- exploring potential future uses of the Crownsville Hospital Center;

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- surplus and disposing of the Rosewood Center; and
- renovating the North Wing at Perkins Hospital Center, discussed in this analysis.

Beyond the early action items, the report contained very little further information, other than reiterating that the department is currently procuring the services of an outside consultant, in coordination with the Department of General Services (DGS), to complete the full Facilities Master Plan, which as requested by committee narrative in the fiscal 2019 capital budget, will build upon the conceptual Facilities Master Plan.

The full Facilities Master Plan was initially scheduled to be submitted by October, 2018, but MDH requested a one-year extension to complete the full Facilities Master Plan. The reasoning behind the extension was the size and scope of the Facilities Master Plan, and the department coordinating with DGS to contract out the consulting services needed to complete the full Facilities Master Plan. This extension was granted by the budget committees, and the February 2019 Board of Public Works meeting approved a \$1,279,761 contract for a Baltimore-based firm to conduct the full Facility Master Plan, including patient population forecasts and modernization of facilities. **The department should comment on the progress of the full Facility Master Plan and the ability to meet the October 1, 2019 deadline.**

GO Bond Recommended Actions

1. Approve \$6,500,000 in general obligation bonds for the Community Health Facilities Grant Program.
2. Approve \$2,500,000 in general obligation bonds for the Federally Qualified Health Centers Grant Program.
3. Approve \$2,297,000 in general obligation bonds for the Clifton T. Perkins Hospital Center North Wing Renovation.