

ZA01
Maryland Hospital Association – Capital
Miscellaneous Grant Programs

Capital Budget Summary

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

Program	2018 Approp.	2019 Approp.	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
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Private Hospital Grant Program	\$5.005	\$5.500	\$5.500	\$6.000	\$6.000	\$6.500	\$7.000
Total	\$5.005	\$5.500	\$5.500	\$6.000	\$6.000	\$6.500	\$7.000

Fund Source	2018 Approp.	2019 Approp.	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
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GO Bonds	\$5.005	\$5.500	\$5.500	\$6.000	\$6.000	\$6.500	\$7.000
Total	\$5.005	\$5.500	\$5.500	\$6.000	\$6.000	\$6.500	\$7.000

GO: general obligation

Key Observations

With two years of increased oversight by the Maryland Hospital Association (MHA), unencumbered balances in the Private Hospital Grant Program (PHGP) have fallen over previous years. Additional recommendations have been made to further improve oversight. Changes in the regulation of hospital capital projects may alter the nature of the PHGP.

Summary of Recommended Bond Actions

1. Anne Arundel Health System North Hospital Pavilion Renovations
Approve \$387,000 in general obligation bonds.
2. Carroll Hospital Center New Critical Care Unit
Approve \$800,000 in general obligation bonds.
3. Holy Cross Hospital Labor and Delivery Unit
Approve \$600,000 in general obligation bonds.
4. Howard County General Hospital Comprehensive Breast Center
Approve \$347,000 in general obligation bonds.
5. MedStar Southern Maryland
Approve \$500,000 in general obligation bonds.
6. MedStar Union Memorial Renovations
Approve \$425,000 in general obligation bonds.
7. Mercy Medical Center
Approve \$1,141,000 in general obligation bonds.
8. Peninsula Regional Medical Center East Tower Renovations
Approve \$800,000 in general obligation bonds.
9. University of Maryland St. Joseph Medical Center Weinberg Emergency Department
Approve \$500,000 in general obligation bonds.
10. SECTION 2 – Maryland Hospital Association – Adventist Behavioral Health
Approve changes to prior authorization.

11. SECTION 2 – Maryland Hospital Association – Adventist Behavioral Health II

Approve changes to prior authorization.

Program Description

Private Hospital Grant Program

The PHGP provides grants to assist private hospitals in the construction and renovation of facilities that improve patient care, particularly access to primary and preventive services and to focus on unmet community health needs. Projects in the budget have been selected by a committee of hospital trustees and executives from all regions of the State.

Budget Overview

PHGP selects projects with an 11-person selection committee consisting of 7 hospital trustees and 4 hospital executives from throughout the State. The committee selects projects based on the following criteria:

- how the project aligns with the goals of Maryland’s Total Cost of Care (TCOC) model;
- how the project improves patient care by enhancing access to primary and preventive services, focuses on unmet community health and related social needs, and improves patient safety environment;
- how the project encourages collaboration with other community partners, where appropriate;
- where appropriate, how the project seeks to reduce potentially avoidable hospital utilization, resulting in more efficient and effective services; and
- in addition, serious consideration should be given to the unique needs of hospitals that are sole community providers, are proposing projects located in underserved areas, are proposing projects of special regional or statewide significance, and are proposing projects not requiring multi-year State bond funding.

Exhibit 1 shows the nine projects selected based on these criteria for fiscal 2020 in eight jurisdictions.

Exhibit 1
Maryland Hospital Association Projects Selected
Fiscal 2020

<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Estimated Total Cost</u>	<u>Fiscal 2020 State Funding Requested</u>	<u>State Share</u>
Anne Arundel	Anne Arundel Health System Emergency Department Renovation: Renovate an area within the hospital to create a colocated suite of domestic violence and/or sexual assault and pediatric mental health patients. This project is expected to improve patient safety and privacy while improving resource utilization for two of the most vulnerable populations seen in the emergency department	\$968,000	\$387,000	40%
Carroll	Carroll Hospital Center Critical Care Unit Modernization and Expansion: Construct a 12-bed critical care unit that will increase room size and improve sight-lines for nurses. Larger rooms will provide the ability for more modern technology in patient care, and the improved sight-lines will make a more efficient workspace.	7,920,000	800,000	10%
Montgomery	Holy Cross Health Network Holy Cross Hospital Labor and Delivery Unit: Renovation of space in the labor and delivery unit to include triage and perinatal diagnostic center, the operating rooms, and post-anesthesia care unit. These renovations will help accommodate the increased volume of women seeking services.	4,500,000	600,000	13%
Howard	Howard County General Hospital Comprehensive Breast Center: Construction of a comprehensive breast center will allow for the colocation of imaging, radiation oncology, surgery, and therapeutic services. This construction will also allow for the addition of a patient navigator for enhanced care coordination.	1,386,000	347,000	25%
Prince George's	MedStar Southern Maryland Hospital Center Emergency Department Expansion and Renovation: Construction and renovation of the emergency department to improve patient experience and operational flow. The project will increase the number of beds from 28 to 36 as well as increasing the room sizes. The square footage will nearly double and include a flexible space for special populations (e.g., behavioral health and pediatric).	29,765,000	500,000	2%

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<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Estimated Total Cost</u>	<u>Fiscal 2020 State Funding Requested</u>	<u>State Share</u>
Baltimore City	MedStar Union Memorial Hospital Primary Care Facility: Renovation of the hospital’s clinical space to a flex care and/or primary care practice that will accommodate multiple providers and increase access to primary and preventive care to the hospital’s surrounding community. This project will additionally allow the practice to provide care for low-acuity emergency department patients.	1,250,000	425,000	34%
Baltimore City	Mercy Medical Center Obstetrics and Population Health Mead Building Renovations: Renovation of the Mead Building will provide obstetrical physician services to the underserved surrounding community and increase the number of women receiving prenatal care by an estimated 5,000 additional patients annually. The renovation will also allow for the expansion of a population health program focused on complex and rising-risk patients in need of chronic case management.	4,857,000	1,141,000	23%
Wicomico	Peninsula Regional Medical Center Special Care Nursery and Fourth Floor Renovation: Redesign and renovation of the fourth floor of the Peninsula Regional Medical Center’s east tower will create a special care nursery with single family rooms from the current open bay unit. This renovation will improve neonatal outcomes and allow parents to be present 24 hours a day, seven days a week with their child. The renovation will additionally relocate an eight-bed pediatric unit from the first floor.	2,800,000	800,000	29%
Baltimore County	University of Maryland St. Joseph Medical Center Emergency Department Renovation – Behavioral Health: Renovation of the emergency department to create a 90-bed flex care area to serve behavioral health patients. The space will also include a day room, a seclusion room, a secure medication station, and a secure nutrition station. The flexible nature of the space will allow treatment of medical patients in any or all of the beds, if needed.	2,450,000	500,000	20%
Total		\$55,896,000	\$5,500,000	10%

Source: Governor’s *Capital Improvement Program*

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The projects selected this year are on balance larger than in previous years with the State's share then representing a smaller part of the total project expenditures. This is driven by the one particularly large renovation in Prince George's County. This year, the State is only contributing 10% to the total funding for the selected projects, while last year's State share was nearly 30%. This year, MHA also selected three more projects than in last year's *Capital Improvement Program* (CIP). The average State contribution across the projects selected is \$611,111.

It is also worth highlighting that while in the current year's proposal the amount of private hospital grants awarded is equal to the fiscal 2019 amount of \$5.5 million, the CIP schedules a \$0.5 million increase to \$6.0 million in fiscal 2021 and 2022 and further increases to \$6.5 million in fiscal 2023 and \$7.0 million for fiscal 2024.

Issues

1. Certificate of Need Threshold Changes

The Maryland Health Care Commission (MHCC) is the independent State regulatory commission responsible for the Certificate of Need (CON) process, which reviews and approves hospital and other health care facility expansion projects. These projects are evaluated on the need for expanded services and to determine that the projects are:

- the most cost-effective approach to meeting identified needs;
- of high quality;
- geographically and financially accessible;
- financially viable; and
- will not have a significant negative impact on the cost, quality, or viability of other health care facilities and services.

Currently, the dollar value threshold for a project to be over to require a CON is \$12.3 million for hospital projects and \$6.15 million for all nonhospital capital projects. Traditionally, projects funded by the PHGP fell under the CON requirements. However, as noted above, one project in the fiscal 2020 proposal is well above the \$12.3 million capital expenditure threshold for hospitals.

In the interim, MHCC reviewed the CON process and proposed several regulations to streamline and modernize the CON process. One recommendation is to increase the capital threshold for projects that require a CON to \$50 million.

MHCC noted that increasing the capital threshold does require legislation. The increase of the capital threshold would reduce the number of projects that would require a CON and could lead to growth in the number of hospital capital projects in Maryland going forward. As previously noted, the CIP schedules growth in the PHGP in the out-years. **MHA should comment on how the changes in the CON process will affect the PHGP, including total size of projects supported, number of projects supported and submitted annually, and continued increase in State funding for the PHGP.**

2. Oversight of Program by MHA

Committee narrative in the 2016 *Joint Chairmen's Report* (JCR) requested MHA to monitor the amount of encumbrances and expenditures to date of State funding for the PHGP. Previously, this information was not provided by the Department of Budget and Management (DBM) or MHA in their annual submissions related to the program. Since two years of reports have been submitted to the budget committees, MHA has identified a \$2,618,784 decrease in unencumbered balances between the reports. Both iterations of MHA's reports have shown an unencumbered amount in 2007, which is the Fort Washington Medical Center's Expansion and Renovation of Emergency Department. The most recent MHA report notes that this project is in the pre-construction phase and that a 2018 amendment extended this grant through fiscal 2020. However, the project still has no State expenditures or encumbrances and per the MHA report is expected to be completed by March 15, 2019. **MHA should comment on the status of the Fort Washington Medical Center project and if it will be able to expend State funds by the close of fiscal 2020.**

The JCR reports submitted by MDH reflect a point-in-time look at the balances of the PHGP, due to the submission deadline, balances are selected in late summer or early fall. Upon the request of the Department of Legislative Services, MHA and the Department of General Services (DGS) provided an updated schedule of authorized, encumbered, and unencumbered balances, shown in **Exhibit 2**. As highlighted in the exhibit, since the earlier 2018 report, the program has further encumbered more of the grant funds, particularly for projects selected in fiscal 2015.

Exhibit 2
Updated Unencumbered Balance Report
Fiscal 2014-2018

	<u>Amount Authorized</u>	<u>Amount Encumbered</u>	<u>Unencumbered Balances</u>	<u>Change Since 2018 Report</u>
2014	\$4,693,000	\$3,194,176	\$1,498,824	-\$23,801
2015	3,364,000	2,615,024	748,976	-1,898,018
2016	4,237,000	1,500,000	2,737,000	-608,948
2017	5,005,000	1,763,565	3,241,435	-766,565
Subtotal	\$17,299,000	\$9,072,764	\$8,226,236	-\$3,297,332
2018	\$5,500,000	\$0	\$5,500,000	\$0
Total	\$22,799,000	\$9,072,764	\$13,726,236	-\$3,297,332

Source: Maryland Hospital Association; Department of General Services

Further, in the fiscal 2019 capital budget bill, the budget committees included committee narrative requesting a report on the oversight of the PHGB from MHA, DBM, and DGS. This report made 12 recommendations regarding the oversight of the PHGP, outlined in **Exhibit 3**.

Exhibit 3
Recommendations to Improve Oversight of PHGP

Recommendation

1. Submit the project funding status report by October 1 of each year.
2. Include match certification termination date in the report for each authorization.
3. The status report should be sent to all relevant agencies (*e.g.*, DBM, DLS, DGS, and the Comptroller’s Office).
4. DGS and the Comptrollers’ office should streamline data provided to MHA.
5. Include any potential issues with previously funded projects in the report submission letter, including projects that may require match certification extension, GO bond funding extension, deauthorization, or a capital budget bill amendment.
6. DGS will keep MHA and DBM aware of critical dates, such as match certification deadlines and fund expiration dates. Additionally, these dates will be included in the annual report.
7. The State agencies should communicate with MHA about any policy updates or changes that affect grant recipients.
8. DGS will send notifications to grantees, both electronically and by US mail, warning of match certification deadlines.
9. DGS will copy MHA on correspondence, namely warning letters sent to MHA members in advance of certification and encumbrance deadlines.
10. MHA should meet with DLS annually to review the Hospital Bond Program Review Committee’s recommendations after they are submitted to DBM and the Governor.
11. DGS will host an annual workshop specifically designed for hospital grantees.
12. MHA should make relevant documents available from each State agency to grantees on its website.

DBM: Department of Budget and management

DGS: Department of General Services

DLS: Department of Legislative Services

GO: general obligation

MHA: Maryland Hospital Association

PHGP: Private Hospital Grant Program

Source: Maryland Hospital Association; Department of General Services; and Department of Budget and Management

MHA, DGS, and DBM should comment on the implementation status of the proposed recommendations to improve oversight of the PHGP.

Prior Authorizations

The 2019 capital budget bill includes amendments to two prior authorized PHGP grants. Both pertain to Adventist Healthcare Hospital Shady Grove Medical Center, which was renamed from both the Adventist Behavioral Health in the 2015 authorization and the Adventist Behavioral Health and Wellness in the 2016 authorization. The funding amount has not changed in either instance. The 2015 authorized amount was amended in the 2018 session to extend the matching fund requirement to June 1, 2020.

GO Bond Recommended Actions

1. Approve \$387,000 in general obligation bonds for Anne Arundel Health System, Inc.
2. Approve \$800,000 in general obligation bonds for Carroll Hospital Center.
3. Approve \$600,000 in general obligation bonds for Holy Cross Health, Inc.
4. Approve \$347,000 in general obligation bonds for Howard County General Hospital, Inc.
5. Approve \$500,000 in general obligation bonds for MedStar Southern Maryland.
6. Approve \$425,000 in general obligation bonds for MedStar Union Memorial Hospital.
7. Approve \$1,141,000 in general obligation bonds for Mercy Medical Center.
8. Approve \$800,000 in general obligation bonds for Peninsula Regional Medical Center.
9. Approve \$500,000 in general obligation bonds for the University of Maryland, St. Joseph Medical Center.
10. Approve changes to the prior authorization for Adventist Healthcare Hospital Shady Grove Medical Center.
11. Approve changes to the prior authorization for Adventist Healthcare Hospital Shady Grove Medical Center.