

ZA01
Maryland Hospital Association
Miscellaneous Grant Programs

Capital Budget Summary

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

| Program | 2017 Approp. | 2018 Approp. | 2019 Request | 2020 Estimate | 2021 Estimate | 2022 Estimate | 2023 Estimate |
|----------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|----------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

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|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Private Hospital Grant Program | \$4.237 | \$5.005 | \$5.500 | \$5.000 | \$6.000 | \$6.000 | \$6.500 |
| Total | \$4.237 | \$5.005 | \$5.500 | \$5.000 | \$6.000 | \$6.000 | \$6.500 |

| Fund Source | 2017 Approp. | 2018 Approp. | 2019 Request | 2020 Estimate | 2021 Estimate | 2022 Estimate | 2023 Estimate |
|--------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|--------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|

| | | | | | | | |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| GO Bonds | \$4.237 | \$5.005 | \$5.500 | \$5.000 | \$6.000 | \$6.000 | \$6.500 |
| Total | \$4.237 | \$5.005 | \$5.500 | \$5.000 | \$6.000 | \$6.000 | \$6.500 |

GO: general obligation

Summary of Issues

Oversight of the Private Hospital Grant Program Needs to Improve: During the interim, a project previously authorized under the Private Hospital Grant Program (PHGP) was almost canceled by the Board of Public Works (BPW) for failing to meet the matching fund certification deadline. While the budget committees intervened and requested that the project remain administratively open to provide an opportunity to amend the grant in the 2018 session, this is not the first incidence of a PHGP project not being properly monitored by the Maryland Hospital Association (MHA). **The Department of Legislative Services (DLS) recommends the adoption of committee narrative requiring a report from the Department of Budget and Management (DBM) and MHA that provides recommendations for improving the oversight of PHGP projects.**

Summary of Recommended Bond Actions

1. Maryland Hospital Association
Adopt committee narrative requesting a report on improving the oversight of the Private Hospital Grant Program.
2. Atlantic General Hospital Corporation
Approve \$1,303,000 in general obligation bonds.
3. Calvert Health System
Approve \$1,727,000 in general obligation bonds.
4. Holy Cross Health, Inc.
Approve \$500,000 in general obligation bonds.
5. Howard County General Hospital, Inc.
Approve \$220,000 in general obligation bonds.
6. MedStar Good Samaritan Hospital
Approve \$1,000,000 in general obligation bonds.
7. Mt. Washington Pediatric Hospital, Inc.
Approve \$750,000 in general obligation bonds.
8. SECTION 2 – Maryland Hospital Association – Fort Washington Medical Center
Approve changes to the prior authorization.
9. SECTION 2 Adventist Behavioral Health
Amend prior authorization to extend the date of matching fund certification.
10. SECTION 2 – Maryland Hospital Association – Edward W. McCready Memorial Hospital
Approve changes to the prior authorization.

Budget Overview

PHGP 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 MHA. MHA represents 64 institutions. The 11-person selection committee consists of 7 hospital trustees and 4 hospital executives from throughout the State.

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

- how the project will align with the goals of Maryland’s All-payer Model Contract and meet the goals of the triple aim to reduce cost, enhance quality and patient experience, and improve population health;
- 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 the 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, which 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.

As shown in **Exhibit 1**, the fiscal 2019 capital budget provides \$5.5 million to support six PHGP projects.

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 2019 State Share Amount</u> | <u>State Share (%)</u> |
|--------------------|---|-----------------------------|---------------------------------------|------------------------|
| Baltimore City | MedStar Good Samaritan Hospital Chronic Disease Management Center Renovation: Construct an integrated outpatient disease management center on the second floor of the hospital that will drive increased value for the patient community, significantly increasing the quality of care for citizens with chronic diseases while reducing overall health costs. | \$3,500,000 | \$1,000,000 | 28.6% |
| Baltimore City | Mt. Washington Pediatric Hospital Rosenberg Outpatient Building Expansion: Renovate and expand the outpatient building from 14,000 to 20,600 square feet to increase the delivery of services addressing the medical, behavioral, and rehabilitation needs of pediatric patients. | 4,850,000 | 750,000 | 15.5% |
| Calvert | Calvert Memorial Hospital Behavioral Health Renovation: Convert a behavioral health unit, which currently provides care to both adult and adolescent inpatients in combined living and activity space, into two separate wings, which will create age-appropriate, therapeutic environments. | 5,428,130 | 1,727,000 | 31.8% |
| Howard | Howard County General Hospital Cardiac Catheterization Lab Improvements: Renovate existing diagnostic imaging space and the cardiac catheterization laboratory to create a more efficient and safe patient environment to improve the treatment of cardiac patients presenting at the hospital. | 648,228 | 220,000 | 33.9% |

ZA01 – MISC – Maryland Hospital Association

| <u>Subdivision</u> | <u>Project Title and Purpose</u> | <u>Total Estimated Cost</u> | <u>Fiscal 2019 State Share Amount</u> | <u>State Share (%)</u> |
|--------------------|---|-------------------------------------|---|----------------------------|
| Montgomery | Holy Cross Health Network Integrated Senior Health Center Construction: Construct a fully integrated senior health center providing comprehensive primary care services and an array of senior wellness programming on the second floor of a newly constructed senior residence in Silver Spring. | 2,552,238 | 500,000 | 19.6% |
| Worcester | Atlantic General Hospital Inpatient Care Areas Renovation: Renovate the second floor inpatient care areas that house two inpatient nursing stations and 52 adult medical/surgical patient rooms to improve quality of care, employee workflow, and promote a patient and family-centered approach to care. | 2,659,956 | 1,303,000 | 49.0% |
| Total | | \$19,638,552 | \$5,500,000 | 28.7% |

Source: Maryland Hospital Association; Department of Budget and Management

In fiscal 2016 and 2017, State support for this program declined from the more typical \$5.0 million annual level due to concerns brought about by the new All-payer Model Contract that replaced the State’s previous Medicare waiver and required hospitals be placed on global budgets regulated by the Health Services Cost Review Commission. In response to these changes, hospitals across the State reevaluated their capital spending plans under the new global budgets to prioritize projects that best help hospitals meet the goals of the waiver.

However, beginning in fiscal 2018, hospitals increased their capital spending requests, with many of the projects tied to changes needed under the All-payer Model Contract, specifically those concerning behavioral health needs. A unique aspect of the projects funded this year is that while total funding is increased, the number of projects has decreased, resulting in a greater State share of total project costs supported through the PHGP grants. The aggregate State share increases from 9.5% in fiscal 2018 to 28.7% in fiscal 2019. Part of the reason for the increase in State funds recommended for these projects is that under the global budgets, capital funding has been harder for hospitals to identify, especially for those projects that fall underneath the Certificate of Need as all projects under the PHGP must. It is also worth noting that the out-years in the *Capital Improvement Program* have projected increases in the bond authorizations for this program, with total spending increasing from the current \$5.0 million to \$6.0 million beginning in fiscal 2021, and then \$6.5 million in fiscal 2023.

Issues

1. Oversight of the Private Hospital Grant Program Needs to Improve

In response to concerns that hospital projects were not monitored to ensure unnecessary loss of prior authorized PHGP grant funds, in the 2016 session, the budget committees adopted narrative that requested a report from MHA providing a status update on all projects funded through PHGP from fiscal 2007 to 2016. The report also requested that DBM submit encumbrance and expenditure data for the program consistent with the manner in which this data is provided for other grant and loan programs. While the MHA report was submitted in December 2016 and December 2017, project monitoring remains a problem. The most recent example is a project authorized in the 2015 session for Adventist Behavioral Health. During the interim, this project was to be presented to BPW for termination for failure to certify a matching fund within the two-year requirement. Due to legislative intervention, the project was not canceled by BPW, but will require an amendment to extend the matching fund certification deadline. **DLS recommends language that amends the prior authorization to extend the matching fund certification deadline.**

The potential termination of the Adventist Behavioral Health grant suggests that project monitoring can be improved. Furthermore, DBM is still not reporting the encumbrance and expenditure date for the program. This is not the only grant and loan program where an association oversees grants to various private entities, as the Maryland Independent College and University Association also oversees a private grant and loan program funded through the capital budget. Maintaining up-to-date records on all PHGP projects will provide MHA the opportunity to proactively intervene in cases where project execution is lacking. **DLS recommends the adoption of committee narrative requiring a report from DBM and MHA that provides recommendations for improving the oversight of PHGP projects.**

Prior Authorizations

The 2018 session capital budget bill includes amendments to two prior authorized PHGP grants. First, Section 2 of the bill amends a 2007 session grant to the Fort Washington Medical Center in the amount of \$560,000 to renovate the emergency department to add the operation room theater to the project and extend the termination date from June 1, 2018, to June 1, 2020. Second, Section 2 of the bill also amends a 2016 session grant for the Edward W. McCready Memorial Hospital in the amount of \$239,000 to assist in renovations to change the location of the renovation from the currently unused geriatric psychiatric unit to space in the original hospital building.

GO Bond Recommended Actions

1. Adopt committee narrative requesting a report on improving the oversight of the Private Hospital Grant Program.

Improving Oversight of the Private Hospital Grant Program: The budget committees request a report jointly prepared by the Department of Budget and Management (DBM) and the Maryland Hospital Association (MHA) that provides recommendations for improving the oversight of capital grants authorized through the Private Hospital Grant Program (PHGP). The report should be submitted by November 1, 2018.

| Information Request | Authors | Due Date |
|-------------------------------------|----------------|------------------|
| Improving the oversight of the PHGP | DBM MHA | November 1, 2018 |

2. Approve \$1,303,000 in general obligation bonds for the Atlantic General Hospital Corporation.
3. Approve \$1,727,000 in general obligation bonds for Calvert Health System, Inc.
4. Approve \$500,000 in general obligation bonds for Holy Cross Health, Inc.
5. Approve \$220,000 in general obligation bonds for Howard County Hospital, Inc.
6. Approve \$1,000,000 in general obligation bonds for MedStar Good Samaritan Hospital.
7. Approve \$750,000 in general obligation bonds for Mt. Washington Pediatric Hospital, Inc.
8. Approve changes to the prior authorization for Fort Washington Medical Center amending the site authorization and extending the termination date.

