

ZA01
Maryland Hospital Association – Capital
Miscellaneous Grant Programs

Capital Budget Summary

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

Program	2020 Approp.	2021 Approp.	2022 Request	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate
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Private Hospital Grant Program	\$5.500	\$6.600	\$6.000	\$6.000	\$7.000	\$7.000	\$7.000
Total	\$5.500	\$6.600	\$6.000	\$6.000	\$7.000	\$7.000	\$7.000

Fund Source	2020 Approp.	2021 Approp.	2022 Request	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate
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GO Bonds	\$5.500	\$6.600	\$6.000	\$6.000	\$7.000	\$7.000	\$7.000
Total	\$5.500	\$6.600	\$6.000	\$6.000	\$7.000	\$7.000	\$7.000

GO: general obligation

Key Observations

The recommended amount for fiscal 2022 for the Private Hospital Grant Program (PHGP) is consistent with the amount planned in the 2020 *Capital Improvement Plan* (CIP). While fiscal 2023 at present also reflects anticipated levels of funding at \$6 million, the 2021 CIP adds \$1 million to fiscal 2024 through 2026 to increase the overall program to \$7 million.

Summary of Recommended Bond Actions

1. Anne Arundel Medical Center
Approve \$336,000 in general obligation bonds.
2. Carroll Hospital Center
Approve \$756,000 in general obligation bonds.
3. Doctors Community Hospital
Approve \$54,000 in general obligation bonds.
4. Holy Cross Health
Approve \$1,092,000 in general obligation bonds.
5. Kennedy Krieger Children’s Hospital
Approve \$1,000,000 in general obligation bonds.
6. MedStar Southern Maryland Hospital
Approve \$840,000 in general obligation bonds.
7. Sheppard Pratt Health System
Approve \$952,000 in general obligation bonds.
8. University of Maryland St. Joseph Medical Center
Approve \$970,000 in general obligation bonds.

9. SECTION 2 – Maryland Hospital Association –The Johns Hopkins Hospital

Approve changes to prior authorization.

Summary of Issues

Reporting on unencumbered balances by the Maryland Hospital Association (MHA) shows improvement in closing projects approved in long-past budget cycles. Current reporting shows the oldest projects still carrying unencumbered balances are from fiscal 2014, with the largest share of unencumbrances from fiscal 2017 to present.

Budget Overview

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. MHA serves as the administrator for the PHGP.

The PHGP selects projects with an 11-person selection committee consisting of hospital trustees and 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 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; and
- where appropriate, how the project seeks to reduce potentially avoidable hospital utilization, resulting in more efficient and effective services.

Further, MHA advises that 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 eight projects selected based on these criteria for fiscal 2022 in five jurisdictions.

**Exhibit 1
Maryland Hospital Association Projects Selected
Fiscal 2022**

<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Estimated Total Cost</u>	<u>2022 State Funding Requested</u>	<u>State Share</u>
Anne Arundel	Anne Arundel Medical Center – Pathways Inpatient and Outpatient Clinical Space Renovation: Convert three double-occupancy rooms to six single-occupancy rooms, enhance nursing station, security and privacy upgrades and renovations to public restrooms to reduce possibilities of self-harm. This project is targeted toward patients with substance use disorders.	\$852,000	336,000	39.4%
Baltimore City	Kennedy Krieger Children’s Hospital – Fairmount Project: Renovate existing outpatient space for children with developmental disabilities in need of early childhood intervention and intensive therapy, neuropsychology, and behavioral psychology services. The Fairmount building, a former high school, was last restored and converted to outpatient space in 1992. This project will allow the outpatients treated to grow by 24% annually.	2,095,000	1,000,000	47.7%
Baltimore County	Sheppard Pratt Health System – Divert Behavioral Health Emergency Room Visits, Admissions Redesign: Renovate the admission department at the Sheppard Pratt Health System’s Towson hospital to enhance access to specialized psychiatric inpatient units, diverting unnecessary psychiatric inpatient visits to the general hospital’s emergency department (ED). This renovation will locate admissions next to the crisis walk-in clinic and add three new exam rooms. These renovations are expected to increase combined capacity of the walk-in clinic and admissions unit by 25%.	1,904,767	952,000	50%

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<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Estimated Total Cost</u>	<u>2022 State Funding Requested</u>	<u>State Share</u>
Baltimore County	University of Maryland St. Joseph Medical Center – Pediatrics and Pediatric After Hours Relocation: Renovations to relocate the inpatient and outpatient Pediatric Unit adjacent to the Mother & Baby Unit. The project also adds a treatment room, triage room, family waiting room and a pediatrician call room. Ultimately, this will dedicate the entire third floor of the hospital to family care.	2,310,000	970,000	42%
Carroll	Carroll Hospital Center – Surgical Peri-Operative and Post-Anesthesia Care Project: Renovate and reconfigure the peri-operative and post-anesthesia care units to allow patients to be placed next to the operating rooms with full monitoring capabilities. The post-anesthesia care unit will be expanded to enhance infection control.	4,500,000	756,000	16.8%
Montgomery	Holy Cross Health – Hospital Emergency Department Renovation: Renovate space in the ED to co-locate all levels of emergency care, increase the number of treatment spaces from 56 to 65 and create a nine-bed behavioral health treatment area.	24,100,000	1,092,000	4.5%
Prince George’s	Doctors Community Hospital – Simulation Center for Education and Training: This project will construct a Simulated Learning Center in the former dining room of the nursing home on the hospital campus. The Simulated Learning Center will be used to train 800 clinical employees and will also be available for academic institutions to train nursing students.	230,000	54,000	23.5%
Prince George’s	MedStar Southern Maryland – Inpatient Behavioral Health Unit Renovation: Modernize and expand the inpatient behavioral health unit by reducing space inefficiencies and replacing aging infrastructure. The space was originally designed as medical/surgical space, and the renovation will improve compliance with regulatory guidelines for inpatient behavioral health care.	8,250,000	840,000	10.2%

Source: Governor’s Fiscal 2022 *Capital Improvement Plan*

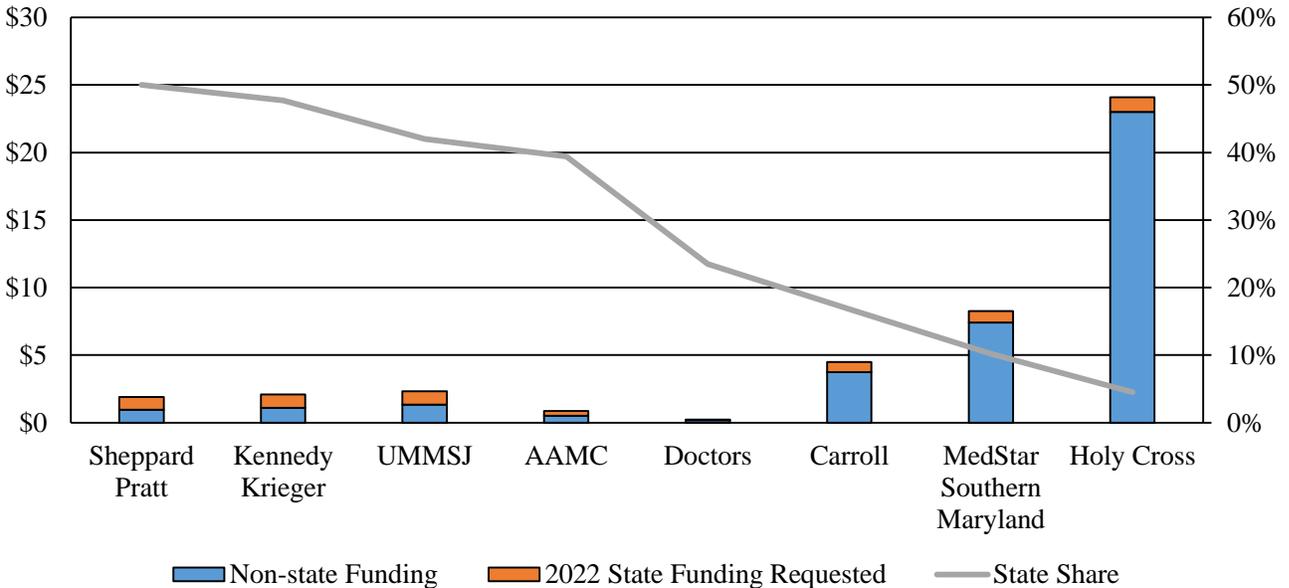
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As shown, the projects selected represent a diversity of needs across the State’s hospitals. Four of the projects selected pertain to behavioral health or care for the developmentally disabled. Other projects provide enhancements to training spaces, renovations of emergency departments, and overall improvements of patient flow. The projects also vary greatly in size, both of the overall project and the State’s share. The largest project at Holy Cross Hospital in Montgomery, totals over \$24 million, and represents nearly 20% of total PHGP expenditures for fiscal 2022. Given the size of the project, the State is only contributing 4.5% of total project expenditures to this renovation. The smallest project in total dollars at Doctors Community Hospital conversely only receives \$54,000 of the \$230,000 total costs, or less than 1% of funding in the PHGP.

It is noteworthy that six of the eight projects are already in some stage of design funded by the respective hospital, which should facilitate a fairly expeditious use of the fiscal 2022 grant funds.

As shown in **Exhibit 2**, most of the projects selected are fairly modest in size, with all but two under \$5 million.

Exhibit 2
Distribution of PHGP Projects, by Size and State Share
Fiscal 2022
(\$ in Millions)



AAMC: Anne Arundel Medical Center
 PHGP: Private Hospital Grant Program
 UMMSJ: University of Maryland St. Joseph Medical Center

Source: Governor’s Fiscal 2022 *Capital Improvement Plan*

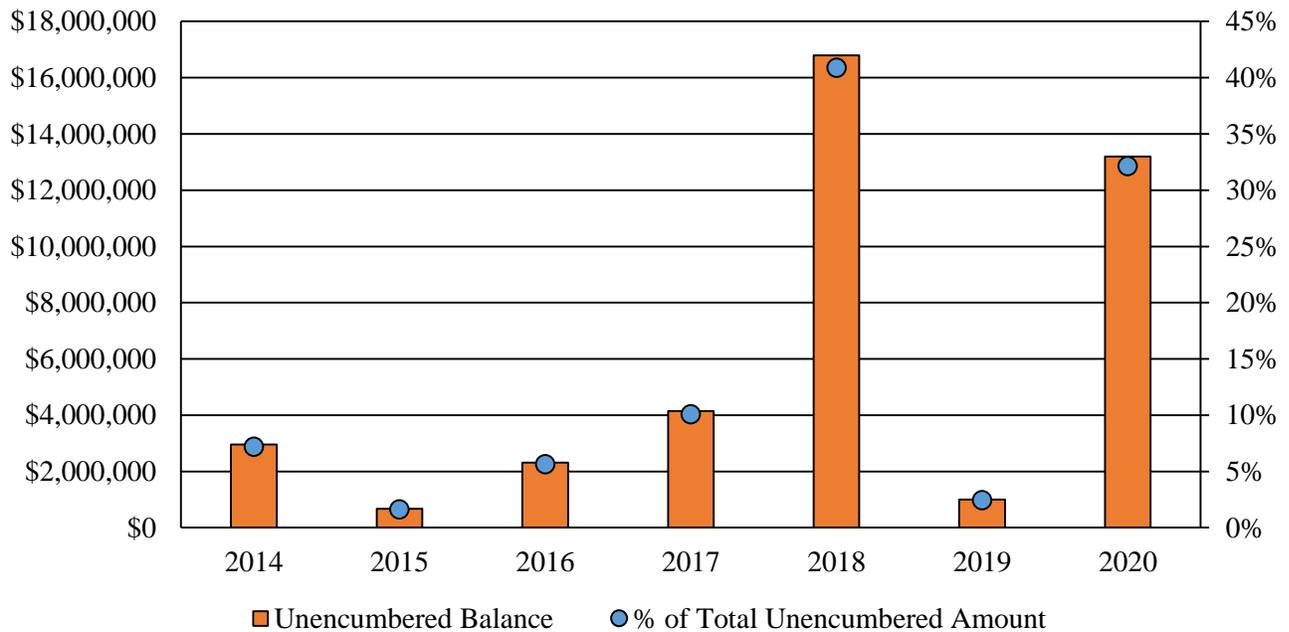
As shown, with the exception of the Doctors Community Hospital project, the smaller projects are also generally more supported with State funding as a share of overall project costs, with half of the projects receiving nearly 40% or greater State support (Anne Arundel Medical Center receives 39% for fiscal 2022).

Issues

1. Program Oversight by MHA

Committee narrative in the 2016 *Joint Chairmen’s Report* 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 or MHA in its annual submissions related to the program. Broadly speaking, this reporting has been effective in reducing the share of unencumbered balances in the program and having fewer long outstanding projects. At present reporting, much of the unencumbered balances is for recently authorized projects, as would be expected. The distribution of unencumbered balances by year authorized, and the share of total unencumbered amounts is shown in **Exhibit 3**.

Exhibit 3
Unencumbered Balances
Fiscal 2014-2020



Source: Maryland Hospital Association

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In calendar 2019, prior reporting, from MHA showed unencumbered amounts from fiscal 2007, 2012, and 2013 – at present, these projects have been completed and are no longer reported as maintaining unencumbered balances by MHA. Currently, unencumbered funds total \$41 million, with only 25% of this balance from fiscal 2017 projects or older.

Amendments to Prior Authorizations

The PHGP does have one item amending a prior authorization, pertaining to grants issued in Chapter 537 of 2020, the 2021 Capital Budget. The Johns Hopkins Hospital project for a residential crisis services facility was drafted to reference two contiguous row homes in East Baltimore. The amendment strikes this reference to the two row homes specifically and replaces it with “a residential crisis service facility.”

GO Bond Recommended Actions

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9. Approve changes to prior authorization for The Johns Hopkins Hospital.