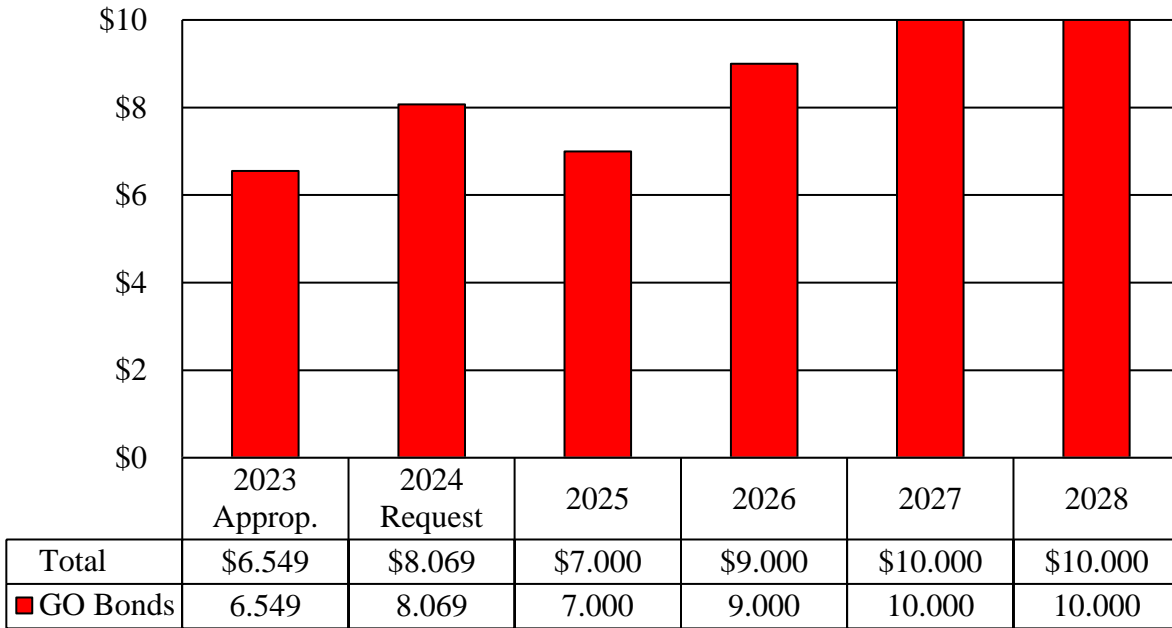


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Capital Budget Summary

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



GO: general obligation

Key Observations

- Private Hospital Grant Program (PHGP) Reports Higher Demand and Behavioral Health Focus in Fiscal 2024:*** The fiscal 2024 capital budget provides \$8.1 million in general obligation (GO) bond funding for the PHGP, a \$1.1 million increase over the planned budget in the 2022 *Capital Improvement Program (CIP)* to meet increased demand and project costs. Most selected hospital projects funded in fiscal 2024 aim to expand and redesign behavioral health treatment areas, especially in emergency departments (ED) as multiple grantees reported increasing numbers of mental health and substance use disorder patients needing emergency medical services and crisis stabilization services.

GO Bond Recommended Actions

1. Approve the proposed general obligation bond authorization for the Private Hospital Grant Program and the change to a prior authorization for the Garrett County Memorial Hospital.

Updates

- ***Prior Authorization Extended for Garrett County Memorial Hospital Project:*** The fiscal 2024 capital budget as introduced amends a prior authorization from fiscal 2018 to extend the grant term for the operating room modernization project at the Garrett County Memorial Hospital. The Maryland Hospital Association (MHA) is also requesting to extend the grant term for an ambulatory behavioral health services project at the Shady Grove Medical Center that was first authorized in fiscal 2017. The capital budget as introduced does not amend the prior authorization for this project.

Program Description

The PHGP provides grants to assist private hospitals in the construction and renovation of facilities that improve patient care, particularly expanding access to primary and preventive services and focusing on unmet community health needs. MHA has served as the administrator for the PHGP since the program was established in 1993. Projects in the budget have been selected by an 11-person committee of hospital trustees and executives from all regions of 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 the 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.

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.

Budget Overview

Exhibit 1 shows how the fiscal 2024 PHGP request of \$8.1 million in GO bonds is distributed across nine projects located in seven jurisdictions. The request is \$1.1 million over the anticipated fiscal 2024 authorization of \$7 million, as programmed in the 2022 CIP, due to increased demand and project costs. According to the 2023 CIP, the grant program is scheduled to receive \$7 million in fiscal 2025 followed by higher levels of funding ranging from \$9 million to \$10 million in fiscal 2026 through fiscal 2028.

Exhibit 1 Summary of Fiscal 2024 Private Hospital Grant Program Projects (\$ in Millions)

<u>Project and Description</u>	<u>Estimated Total Costs</u>	<u>2024 State Funding Requested</u>	<u>State Share</u>
<p>Luminis Health Anne Arundel Medical Center – Behavioral Health Emergency Department (ED) (Anne Arundel): This project will create secure behavioral health suites to care for adult mental health and substance use disorder (SUD) patients and reduce ligature risks within the ED. This patient population is growing with 5,128 unique behavioral health patients served in the ED throughout calendar 2021. By renovating part of the ED to reconfigure medical gases and clinical devices and add showers to patient suites, this project will support a designated safe space for patients receiving behavioral health services that is expected to improve patient and staff safety and enhance the privacy of sensitive patient populations being served in the ED.</p>	\$1.725	\$0.863	50%
<p>Kennedy Krieger Children’s Hospital Inc. – Center for Autism and Related Disorders Renovation (Baltimore City): This project will renovate outpatient space originally constructed in 1984 for adults into a safe environment for children on the autism spectrum. The project will improve the structural features of the Kennedy Krieger Creamer Building, creating a sensory motor learning room, enhancing security elements, upgrading lighting fixtures for visual sensitivities, and installing technology upgrades.</p>	3.200	1.300	41%

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<u>Project and Description</u>	<u>Estimated Total Costs</u>	<u>2024 State Funding Requested</u>	<u>State Share</u>
<p>University of Maryland St. Joseph Medical Center – Digestive Disease Center Renovation (Baltimore County): This project will redesign the Digestive Disease Center, which provides highly complex procedures and reports a patient volume of 5,030 procedural cases in fiscal 2022 (through May 2022). Recently, more acute cases have been served at the center due to less acute cases receiving outpatient services. The center is still structured with adjacent preparation and recovery bays that are separated by curtains. This project will remodel patient bays with solid walls and breakaway sliding glass doors, redesign the scope reprocessing area to prevent staff from crossing clean and nonclean areas (causing the hospital to implement temporary workarounds to meet certain safety standards), and reconfigure the nurse station, among other project components. The overall project goals are to improve infection prevention (specifically health care-associated infections), patient safety and privacy, and patient experience.</p>	2.000	1.000	50%
<p>Howard County General Hospital, Inc. – Behavioral Health Unit Renovation (Howard County): This project will convert the decommissioned inpatient psychiatry unit in the North Building into a behavioral health unit to serve the increasing number of behavioral health patients being served in the ED. The hospital’s ED serves 2,000 behavioral health patients annually with surges of 20 or more patients per day, which is limited by the physical capacity in the existing behavioral health unit. When the daily patient census surpasses available behavioral health unit capacity, patients are served in a standard ED bay that is not designed for behavioral health needs. This project will significantly expand behavioral health unit physical capacity from 6 to 24 patients and improve patient safety, therapeutics, and patient environment.</p>	2.400	0.576	24%

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<u>Project and Description</u>	<u>Estimated Total Costs</u>	<u>2024 State Funding Requested</u>	<u>State Share</u>
<p>Sheppard Pratt Health System – Crisis Stabilization Center (Howard County): This project will create a crisis stabilization center made up of 16 residential crisis beds at the Baltimore/Washington Hospital Campus in ElkrIDGE. Tentative project components include walk-in urgent care; receiving area for drop-off by law enforcement, emergency medical services, and mobile crisis providers; ambulatory detoxification; medication assisted treatment; and a bridge clinic for short-term, follow-up treatment. The project aims to create more equitable distribution of behavioral health resources while reducing avoidable hospital utilization.</p>	4.400	0.880	20%
<p>Children’s Inn at the National Institutes of Health (NIH), Inc. – A Place Like Home Renovation (Montgomery County): This project will redesign and renovate 60 guest rooms and facility infrastructure. Patients participating in clinical research studies to treat rare and serious diseases at the NIH Clinical Center will benefit from better access to telehealth and smart technology. Maryland residents account for the largest share of patients served at the Children’s Inn with more than 33% of residents in 2020.</p>	17.170	1.400	8%
<p>MedStar Montgomery Medical Center – ED Renovation (Montgomery County): This project will expand the crisis evaluation unit within the ED to serve an increasing number of acute psychiatric and SUD patients by reducing pediatric beds, which reported decreased utilization in recent years. This reallocates resources among the ED’s 39 beds to respond to the increasing volume of behavioral health and geriatric patients and opens up space for new scanning technology for stroke patients. Additionally, the project will allow for separation between adult and adolescent behavioral health patients, which had previously caused adolescent patients to be served in the general ED space.</p>	2.774	1.350	49%

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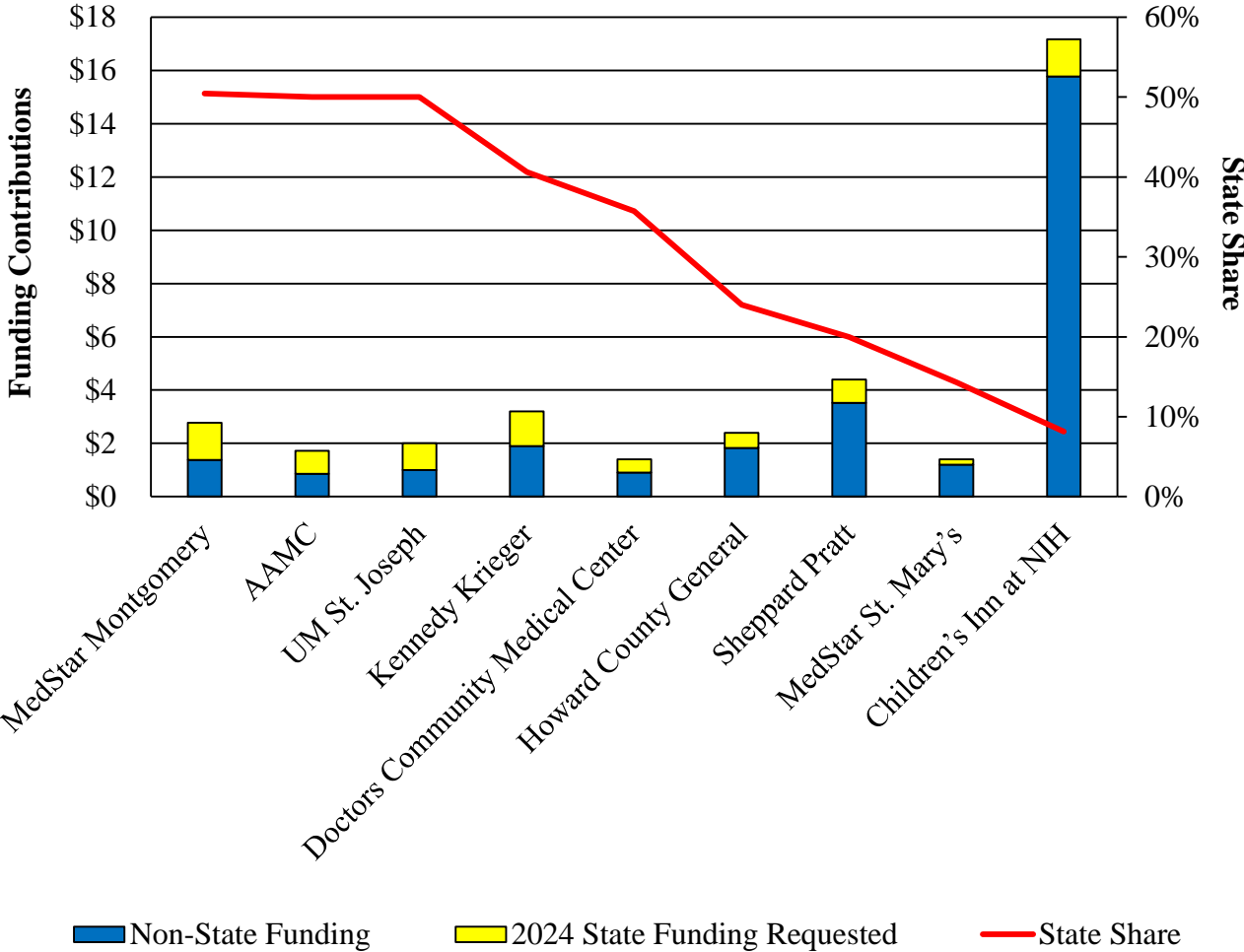
<u>Project and Description</u>	<u>Estimated Total Costs</u>	<u>2024 State Funding Requested</u>	<u>State Share</u>
<p>Luminis Health Doctors Community Medical Center – Behavioral Health ED Renovation (Prince George’s County): This project will create a secure behavioral health area within the ED for mental health and SUD patients. By renovating part of the ED to meet safety standards and be a designated safe space for patients receiving behavioral health services, the project is expected to improve patient and staff safety and enhance the privacy of sensitive patient populations being served in the ED. Planned improvements include a new bathroom with anti-ligature fixtures, ingress and egress securing enhancements to reduce the likelihood of elopement, and modification of the nurse’s station to improve lines of sight.</p>	1.400	0.500	36%
<p>MedStar St. Mary’s Hospital – Behavioral Health Upgrades (St. Mary’s County): This project will renovate ED behavioral health treatment areas, specifically inpatient and outpatient behavioral health treatment areas and surgical medical rooms to serve increased behavioral health patients. The treatment areas will be reconfigured to increase capacity, add security technology, upgrade spaces to be more therapeutic, and maintain a ligature-free environment. Capital improvements to the inpatient and outpatient behavioral health treatment areas will upgrade beds, doors, curtains, certain furniture, and restrooms to comply with safety standards.</p>	1.400	0.200	14%
Total	\$36.469	\$8.069	22%

Source: Department of Budget and Management

Six of the nine projects budgeted (66.7%) aim to expand or improve behavioral health services. Most projects specifically renovate or expand treatment areas within EDs to serve the increasing number of behavioral health patients in need of emergency and crisis stabilization services. Other projects provide technology upgrades or redesign spaces to better meet the needs of populations served, such as providing sensory-friendly areas for children and youth with autism spectrum disorder. **Exhibit 2** shows the total project costs and State contributions across the proposed fiscal 2024 projects. Total estimated projects costs generally range from \$1.4 million to

\$4.4 million, with one outlier project at the Children’s Inn at the National Institutes of Health with a total estimated cost of \$17.2 million.

Exhibit 2
Distribution of Hospital Projects by Total Cost and State Share
Fiscal 2024
(\$ in Millions)



AAMC: Luminis Health Anne Arundel Medical Center
 NIH: National Institutes of Health
 UM: University of Maryland

Source: Department of Budget and Management

Issues

1. Funding for Hospital Projects Outside of the PHGP

The PHGP has a rigorous evaluation and grant award process that includes the submission of substantial information and presentations by each of the prospective grantees. Both the Department of Legislative Services (DLS) and the Department of Budget and Management (DBM) are annually invited to attend these presentations.

MHA also has certain rules, goals, and sanctions associated with the program, including a sanction for hospitals that do not apply for funds via the MHA program that then have bond bills introduced outside of the program. Those hospitals are prohibited from submitting PHGP applications for two years, which traditionally limited capital support for private hospitals to the PHGP, with occasional exceptions such as broader bond bills for very large projects outside of the scope of the PHGP.

Despite MHA administering sanctions for hospital projects funded outside of the PHGP, some capital projects for MHA members continue to be funded elsewhere in the capital budget, as was seen in fiscal 2023. Approximately 11 projects funded with GO bonds included in the fiscal 2023 capital budget supported MHA members. Overall, these projects received larger State contributions (up to \$10 million) than would be possible through the PHGP. While this implies that the scope or characteristics of those projects may not have fit within the PHGP, it is unlikely that all the projects were evaluated through the typical PHGP process. Furthermore, some of the projects received small enough appropriations that could have been accommodated through the PHGP and could have met the program’s evaluation criteria.

2. PHGP Oversight Activities

Two of the benefits of the PHGP are the rigor in which the selection committee evaluates program funding requests and the oversight that MHA provides for its projects in the intervening years. There is much less scrutiny, evaluation, and oversight when it comes to other miscellaneous capital projects funded outside of this program. For example, the MHA program requires applicants to have received necessary regulatory approval for projects from the respective health commissions in the State (*e.g.*, rate approvals/exemptions from the Health Services Cost Review Commission). DLS is unable to ascertain if this proper regulatory approval was acquired for other hospital projects funded through the miscellaneous capital grant program.

The PHGP also streamlines and coordinates oversight for the hospital grant programs under MHA so that there is a clear entity charged with grant monitoring. MHA’s grant monitoring role should better organize the process for grantees to request changes and corrections, such as to prior authorizations. The fiscal 2024 capital budget includes an amendment to a prior authorization for the Garrett County Memorial Hospital allowing the grant funds to extend to June 1, 2025, beyond

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the typical seven-year expiration. Such amendments are coordinated between MHA, DBM, and DLS as opposed to an individual grantee seeking legislative sponsorship of an amendment.

Committee narrative in the 2016 *Joint Chairmen’s Report* prompted MHA to better coordinate PHGP oversight activities once the committees asked MHA to provide annual encumbrance data to be included in DBM’s annual capital worksheet submissions. While MHA’s ongoing project scrutiny allows for better monitoring of project encumbrances, the fiscal 2024 capital budget as introduced did not include all of MHA’s recommended changes to prior authorizations.

The annual encumbrance report submitted on October 1, 2022, identified two projects that require legislative action to modify and extend the grant term during the 2023 session. Only the Garrett County Memorial Hospital project received this extension, while the prior authorization for the Union Hospital of Cecil County – Behavioral Health Crisis Center was not included for amendment. MHA later indicated that the Union Hospital of Cecil County project did not need a grant term extension. However, a separate project supporting a behavioral health renovation at the Shady Grove Medical Center, first authorized in fiscal 2017, will need a grant term extension and was not included in the most recent encumbrance report.

MHA should explain why the prior authorization for the behavioral health renovation project at the Shady Grove Medical Center needs to be extended past the current grant expiration and explain why this amendment was not included in the annual encumbrance report or the capital budget as introduced.