Government of the District of Columbia
Department of Health

Center for Policy, Planning and Evaluation

State Health Planning and Development Agency

March 25, 2016

Kathleen M. Stratton, Esq.
Counsel for MedStar Health Inc.
Crowell & Moring LLP
1001 Pennsylvania Avenue, N.W.
Washington, DC 20004

Re: Proposal by MedStar Health Inc. for the Construction of a New Surgical Pavilion at MedStar Georgetown University Hospital - Certificate of Need Registration No. 15-2-6

Dear Ms. Stratton:

The D.C. State Health Planning and Development Agency (SHPDA) has approved your application for a Certificate of Need (CON) as referenced above. A statement of findings and the Certificate of Need are enclosed.

Please note that any person may request reconsideration of the review decision within 30 days of this decision. The SHPDA may grant a reconsideration request upon demonstration of "good cause", as defined in D.C. Official Code § 44-412 (b) and Certificate of Need Regulations, 22 DCMR Section 4310.

Thank you very much for your cooperation during the review period. If you have questions concerning this matter, please do not hesitate to contact me.

Sincerely,

Amha W. Selassie
Director

AS:tm

Enclosures

cc: Claudia Schlosberg
Sharon Lewis, Ph.D.

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ZONING COMMISSION
District of Columbia
CASE NO.16-18A
EXHIBIT NO.7A

Government of the District of Columbia
Department of Health

Center for Policy, Planning and Evaluation

State Health Planning and Development Agency

DISTRICT OF COLUMBIA
STATE HEALTH PLANNING AND DEVELOPMENT AGENCY
Notice of Official Action
Certificate of Need
Number 15-2-6

MedStar Health, Inc. is hereby awarded this Certificate of Need in conformance with the District of Columbia Certificate of Need statute, D.C. Official Code § 44-401 et. seq., for the construction of a new Surgical Pavilion on the MedStar Georgetown University Hospital campus located at 3800 Reservoir Road, NW.

This issuance is based on all specifications contained in the Certificate of Need application and related documents in the record. Deviations from the specifications are allowable pursuant to the statute. The capital expenditure associated with this project is $567,000,000. The State Health Planning and Development Agency herewith makes all findings applicable to this issuance as required by the statute.

The certificate of need is issued contingent on the Applicant's adherence to the following conditions:

1. That the Applicant provide to SHPDA a detailed description of the plans to renovate the main Hospital and specifically identify how the vacated spaces of the current Emergency and Surgical Departments will be utilized. The information should include: 1) where facilities will be relocated, 2) what services will fill the vacated spaces, 3) what the renovations will include, 4) timelines, and 5) the capital expenditure and financing sources associated with each project. The Applicant should provide these plans with its second progress report.

2. Since the Hospital has been operating approximately 415 beds over the last several years, MGUH should lower its licensed bed capacity from 609 to 538 beds.

3. As the Applicant has proposed, MGUH must enter into a Memorandum of Understanding (MOU) with the DC Primary Care Association to develop, fund, operate, and maintain in perpetuity a cancer diagnosis and treatment program to

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provide uncompensated care services to uninsured, underinsured and at risk D.C. residents and to ensure access to services (inpatient and outpatient) at MedStar facilities in the District. The MOU must be submitted to the SHPDA with the first quarterly progress report.

The MOU at a minimum shall include:

a. The establishment of a Cancer Patient Navigation Model utilizing patient navigators and community health workers to identify at risk populations to provide education and prevention services and ultimately connect patients to cancer care at MedStar facilities including screening, diagnosis, and treatment services;

b. The services should provide access, for a minimum of 500 uninsured and underinsured DC residents a year, to screening, diagnosis, and treatment of cancer at MedStar facilities, particularly for breast, lung, colorectal, prostate, and cervical cancers;

c. The development of an evaluation mechanism that will help assess the impact and effectiveness of the program, identify barriers to care and gaps in service, and measure the quality and timeliness of care provided;

d. To alleviate any duplication, burden or barriers to access for patients referred for screening, diagnosis, and treatment, MedStar shall accept the financial eligibility determination made by DCPCA members;

e. Establishment of an education and training program that provides oncology related education and continuing medical training opportunities to DCPCA providers;

f. Development of a clinical information exchange to ensure quality, care management, integration, and continuity of care between the primary care provider and specialty services; and

g. Work closely with the D.C. Department of Health's Community Health Administration to identify and reach vulnerable and at risk populations.

4. Develop mechanisms to facilitate access to uncompensated care to general medical, surgical and specialty services at MedStar facilities to uninsured, underinsured, vulnerable and at risk residents, and report to the SHPDA with its first progress report. This requirement is consistent with MGUH's commitment to "ensure that barriers to care are removed to the fullest extent possible".

This Certificate of Need is valid until March 25, 2019 unless: (1) its issuance is revoked following a public hearing held for reconsideration of this issuance in accordance with

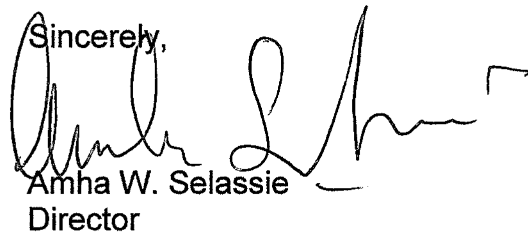
DC Official Code § 44-412, or further proceedings in accordance with DC Official Code § 44-403 or 44-414; (2) it is withdrawn in accordance with DC Official Code § 44-411; or (3) it is terminated because the State Health Planning and Development Agency has certified that operations may begin, in accordance with DC Official Code § 44-409.

Unless this Certificate of Need has been revoked, withdrawn, or terminated, quarterly progress reports must be submitted to the State Health Planning and Development Agency on June 25, 2016, September 25, 2016, December 25, 2016 and March 25, 2017, and quarterly thereafter until the project is completed.

Notification of the proposed date for the initiation of operation of the facility or service approved here in should be provided to the State Health Planning and Development Agency no later than thirty days prior to the proposed date for the initiation of operation so that the review required by DC Official Code § 44-409 may be conducted.

Signed this 25th day of March, 2016.

Sincerely,



Amha W. Selassie
Director

AS:tm

Government of the District of Columbia
Department of Health

Center for Policy, Planning and Evaluation

State Health Planning and Development Agency

DISTRICT OF COLUMBIA
STATE HEALTH PLANNING AND DEVELOPMENT AGENCY
CERTIFICATE OF NEED REVIEW
FINDINGS IN THE MATTER OF:
MEDSTAR HEALTH, INC.
CERTIFICATE OF NEED REGISTRATION NO. 15-0-6

The findings contained in this document were developed in conformance with Certificate of Need (CON) review criteria required by D.C. Code § 44-409, and contained in regulations, 22 DCMR 4050 et. seq. These findings reflect my assessment of the information in the project record, and its consistency with the applicable considerations, standards and criteria for CON review. These findings are based on all specifications contained in the CON application and all related documents and testimony submitted to the record.

The findings take into account the recommendations of both the Project Review Committee (PRC) and the Statewide Health Coordinating Council (SHCC) in their respective deliberations on February 11, 2016 and March 17, 2016.

A. Overview of the Applicant and the Proposed Project:

MedStar Health, Inc. (MedStar) (Applicant) is a not-for-profit $4.6 billion regional healthcare system based in Columbia, Maryland. MedStar is the largest healthcare provider in Maryland and the Washington, D.C. region, and its ten hospitals and 20 other health-related organizations are, the Applicant states, recognized regionally and nationally for excellence in medical care. According to the Applicant, MedStar's 30,000 associates and 6,000 affiliated physicians all support MedStar's patient-first philosophy which combines care, compassion and clinical excellence with an emphasis on

customer service. MedStar has one of the largest graduate medical education programs in the country, training more than 1,000 medical residents annually, and is the medical education and clinical partner of Georgetown University.

MedStar Georgetown University Hospital (MGUH) is a duly licensed 609-bed, Joint Commission accredited, not-for-profit, acute-care teaching and research hospital located at 3800 Reservoir Road in Northwest Washington. The Georgetown University sold MGUH to the MedStar Health System in 2000. Since the Hospital's founding in 1898, it has been dedicated to promoting health through education, research and patient care. This mission is shaped by and reflects Georgetown's Catholic, Jesuit identity, and is founded in the Jesuit principle of *cura personalis*—caring for the whole person.

The Applicant states that MGUH owns the buildings of the Hospital, but that Georgetown University (GU) owns the land on which the Hospital sits. MGUH has a ground lease of 99 years with the University with several opportunities to renew. The Applicant further states that GU develops a campus master plan with input from MGUH. The GU campus master plan is scheduled for completion in 2017. The Applicant has stated that an amendment to GU Campus Master Plan will be needed in order to construct the Surgical Pavilion on the parking lot adjacent to the main hospital. In June, 2014, Georgetown University and MedStar reached an agreement to amend the existing lease to add additional land that would allow the new proposed Surgical Pavilion to be built adjacent to the existing Hospital. Georgetown University states that it has worked closely with MedStar to develop an updated Campus Plan that includes construction of MedStar's Surgical Pavilion and that Georgetown University supports MedStar's proposal to construct a new Surgical Pavilion.

According to the Applicant, MGUH is committed to offering a variety of innovative diagnostic and treatment options within a trusting and compassionate environment. MGUH's Centers of Excellence include cancer, neurosciences, gastroenterology, organ transplant, and vascular diseases. Over the past century, the Hospital has grown to

include a community physician practice, the National Cancer Institute designated Lombardi Comprehensive Cancer Center, and scores of clinical departments and divisions. Through its 100-year relationship with Georgetown University, the hospital collaborates in training students from both the school of medicine (almost 500 residents and fellows annually) and the school of nursing. Additionally, the Applicant maintains that MGUH works closely with the University's research enterprise to help bring innovative therapies from the scientific laboratory to the patient bedside.

The Applicant now proposes to construct a new state-of-the-art Surgical Pavilion and renovation project of the Hospital. According to the Applicant, the existing core Hospital structure, built over 60 years ago, is no longer able to provide in the most efficient and cost-effective manner clinical services demanded of a modern academic medical center. The Applicant states that the new Surgical Pavilion building will consist of a six-story tower located east of the main Hospital, and will be connected in the basement, ground, first and fourth floor levels with the main Hospital. The facility will be constructed on a surface parking lot that is adjacent to the main Hospital. The New Surgical Pavilion will consist of approximately 487,000 building gross square footage and approximately 369,000 departmental gross square footage (DGSF). The Surgical Pavilion includes:

MGUH Surgical Pavilion			
Department		Floor	Total DGSF
Inpatient	72 ICU Beds & 84 Med/Surg Beds	4-5-6	153,843
Diagnostic and treatment	Emergency Department	Ground Floor	
	Operating Rooms	2-3	
	Radiology Department	Ground Floor	
	Total		154,546
Administrative	Patient Placement Office, Lobby	Ground Floor	10,950
Support Services	Central Sterile Processing, and Materials Management	Basement 1	49,594
Parking	644 Spaces	B-1-2-3	286,165

The proposed Surgical Pavilion and Hospital renovation project includes:

- The relocation, modernization and expansion of the operating rooms;
- Relocation of ICU and Med/Surg beds;
- Relocation and expansion of the Emergency Department;
- Addition of Imaging Equipment;
- Backfill projects before and after the Surgical Pavilion is completed;
- Satellite pharmacy;
- Biomedical engineering;
- Materials management depot;
- An underground loading dock that include clean and soiled loading bays; and
- Parking Garage with 644 below- grade parking spaces.

The Applicant states that MGUH is currently using nearly every square foot of available space within the Hospital to provide clinical care. The Applicant maintains that if the Hospital were to renovate the existing footprint, it would be forced to close large sections of the Hospital, thus substantially limiting the amount and types of care it could provide to the community for several years. This effort, the Applicant maintains, would be disruptive to patient care, time consuming, and significantly more expensive overall than the proposed plan. Under the proposed plan, the Hospital can continue normal patient care operations while the new Surgical Pavilion is built. Upon completion of the Surgical Pavilion, surgical and emergency services will be moved from the existing building into the Pavilion. The Applicant further states that several critical support service departments including, the kitchen, environmental services, IT, bio-medical engineering, hospital facilities operations, security, administrative spaces and the morgue will remain in the existing Hospital facility and will support the entire Hospital.

The capital expenditure associated with the project is $567million. The capital expenditure consists of $124 million in pre-development costs, $68 million in financing

costs, $223 million in construction costs, $98 million in equipment costs, and $42 million in contingency costs. The project is proposed to be completed in 2020.

B. Review Findings and Conclusion

1. Need for the Proposed Project:

The Applicant maintains that the main hospital building was built in 1946 and is need of major modernization. According to the Applicant, much of the existing MGUH facility no longer meets standards for current health care facility construction, and undersized patient rooms lead to suboptimal use of MGUH's licensed bed capacity. The existing floor-to-ceiling heights make it difficult to accommodate major medical equipment with state-of-the-art-technology to support the critical care services delivered in the Hospital. The Applicant states that significant space constraints within the existing Hospital have precipitated the creation of operational models of care that are less than optimal and require the unnecessary transport of critical patients to multiple levels of the Hospital. The Applicant further states that multiple Hospital departments are significantly undersized which has led to the need to accommodate patients in areas that are inefficient, lack privacy, and are undesirable from a patient care perspective. Additionally, the lack of available operational beds in the Hospital due to space constraints has created bottlenecks within the Hospital, which significantly affects patient throughput and requires patients to be observed within the Emergency Department and multiple recovery areas for extended periods of time. The Applicant maintains that these practices create extended lengths of stay and significantly affect the overall patient experience within the Hospital.

The Applicant states that the proposed square footage allocations for the proposed Surgical Pavilion conform to the Facility Guidelines Institute's (FGI) 2014 Guidelines for Hospitals, establishing the most current space standards by room function. The FGI is a consensus-based organization, which publishes its recommended standards for health care facilities approximately every four years. The recommended room sizes are only a

minimum based on current input from the health care industry. The Applicant maintains that it will follow the recommendations outlined in the guidelines.

Surgical Pavilion Square Footage (SF) Comparison						
	Current rooms in MGUH	Existing SF per room	Benchmark SF/Room	Proposed Rooms in Surgical Pavilion	Proposed SF per room	SF Increase per room
ICU	57	152	200	72	283	131
Med/Surg*	224*	152	150	84	283	131
Operating Rooms	23	420	400	32	700	280
Emergency Rooms	23	100	100	33	142	42

*The majority of Med/Surg beds will remain in the main hospital

According to the Applicant, migration patterns and service area configurations have changed considerably in the metropolitan area over the last three decades, with suburban Maryland and Virginia hospitals retaining larger percentages of local residents hospitalized each year. Nevertheless, District hospitals continue to draw large numbers of patients from these communities. Collectively, District of Columbia hospitals serve tens of thousands of residents of nearby Maryland and Virginia communities. More than 40% of admissions to District hospitals are Maryland and Virginia residents. The Applicant states that MGUH has a broad service area, almost 66% of the Hospital's admissions come from nearby Maryland and Virginia communities. The Applicant maintains that there is little indication that these referral and patient flow patterns will change significantly any time soon.

Operating Rooms

The Applicant maintains that MGUH's surgery service volumes have grown steadily in recent years. Over the last two years, MGUH averaged 15,134 surgery cases per year. With 23 operating rooms, the Hospital had an average of 658 cases per operating room. The Applicant projects that surgery cases will grow to 18,913 in 2024, an increase of

approximately 2% a year and service caseload projections indicate that a total of 32 operating rooms will be needed by 2024. The average number of cases per operating room per day and the average operating room time per case are not expected to change significantly. The Applicant states that at MGUH average time per case in 2014 was 193 minutes (3.22 hours) which includes operating room turnaround time of approximately 40 minutes. The Applicant projects average time per case to be 184 minutes in 2024, primarily because the average turnaround time will be shortened to 36 minutes.

The Applicant projects service volumes to average approximately 592 cases per operating room in 2024. The Applicant states that the certificate of need standards for Maryland, Virginia and Michigan indicate that utilization for an operating room is about 1,600 hours a year. Information provided by the Applicant indicates that in 2014 MGUH provided approximately 2,165 hours of services per operating room. As a result, MGUH believes that it is operating 30% above the standards. The Applicant further states that it currently has a deficit of operating rooms and has an immediate need for additional operating rooms to serve the existing surgery caseload, as well as a need for additional rooms to accommodate the increases in surgery cases expected in 2024.

Projected Operating Rooms Needed for MGUH Surgical Pavilion						
Type of Surgery	2014 cases	Annual OR Time	2024 Projected Cases	Annual OR Time**	2014 OR Need	2024 Projected OR Need
Orthopedics	3,683	10,211	4,579	12,258	5.45	6.54
Plastic	2,688	7,261	3,332	8,711	3.87	4.65
General	2,031	7,125	2,523	8,662	3.80	4.62
ENT	1,780	5,193	2,004	5,656	2.77	3.02
Neurosurgery	1,587	6,751	1,777	7,196	3.60	3.84
Urology	985	2,279	1,244	2,798	1.22	1.49
Ophthalmology	577	1,154	711	1,359	0.62	0.72
Transplant	539	2,385	744	3,246	1.27	1.73
Thoracic	476	2,034	674	2,802	1.08	1.49
Cardiovascular	4	25	4	27	0.01	0.01
Gynecology	277	922	388	1,183	0.49	0.63
Pediatric	253	701	274	734	0.37	0.39
GYN Oncology	117	382	126	408	0.20	0.22
Vascular	69	389	78	429	0.21	0.23
Gastroenterology	35	64	43	75	0.03	0.04
Pain Management	20	58	14	40	0.03	0.02
Colorectal	9	37	13	49	0.02	0.03
Other	355	1,461	447	1,804	0.78	0.96
Total	15,486	48,433	18,913	57,439	26	31

According to the Applicant, much of the increase in surgery demand (approximately 65%) is expected to be outpatient surgery. Unlike in most service categories, MGUH maintains that it underperformed the region in terms of the numbers of outpatient surgery cases performed over the last decade. The expectation is that with a modern state-of-the-art surgical facility, the outpatient surgery caseload will grow substantially after the Surgical Pavilion project is complete. The Applicant states that a relatively high percentage of the surgery cases at MGUH are inpatient procedures, about 46% over the last two years, which typically have longer procedure times than outpatient cases.

The Applicant maintains that the projected 2024 MGUH outpatient surgery caseload takes into account the availability of the replacement ambulatory surgery center that is

being developed in the Multi-Specialty Ambulatory Care Center (MACC). The Applicant states that the MACC is a modernization project that does not increase the number of operating rooms at the outpatient surgical facility. The Applicant projects that a small percentage of patients treated at MGUH may receive services at the MACC, primarily pain management, ENT and neurology patients who now use MGUH. According to the Applicant, the development of a new properly sized state-of-the-art surgery service at MGUH is likely to increase significantly the number of outpatient surgery cases at the Hospital. MGUH outpatient surgery cases grew by only 4.4% between 2006 and 2013, compared with 17.2% for all District hospitals combined. This, the Applicant maintains, was substantial underperformance, a sharp contrast to MGUH's inpatient admissions during this period. The Applicant further states that MGUH's low outpatient surgery caseloads over the last decade reflect the Hospital's dated outpatient surgery facilities.

The Applicant states that MGUH's current average square footage per operative suite is 420 SF which is considerably below standards for academic medical centers. Although the operating rooms meet minimal guidelines for 2014, the Applicant states that it is planning for the future and that it believes operating rooms need considerably more space available to accommodate modern equipment, surgical teams (including surgeons, nursing, anesthesia, technicians, and residents) and required support services. The new operating rooms will be enlarged to 700 SF allowing for the necessary personnel and equipment to be in the room without being constrained by space or delays in room set up. The new OR ceiling heights of 17 feet will also allow for the placement of more sophisticated imaging capabilities and other developing technologies inside the operating room.

According to the Applicant, a new hybrid operating room will be constructed to serve as both a typical OR as well as a specialty procedure room to perform interventional procedures that will accommodate emergent/critical care patients from the adjacent Emergency Department and ICU. The hybrid OR will be approximately 900 SF and require radiation protection or appropriate shielding to house imaging equipment. The hybrid OR is sized appropriately to provide space to accommodate imaging equipment,

increased mobile equipment needs, and a large team of between 8-20 clinicians supporting the administration of care. The hybrid OR will have a dedicated control room.

Hospital Beds

The Applicant states that MGUH has 609 licensed beds but currently operates 416 beds. The Applicant anticipates increasing its operating beds to 538 after the construction of the Surgical Pavilion. According to the Applicant, projected 2024 MGUH admissions and patient days are based largely on current demand at the Hospital, service line caseload trends, population growth and the aging of the population. The Applicant projects that inpatient service line caseloads indicate that at an average occupancy of 75% MGUH will need 538 beds to meet demand in 2024.The Applicant states that no significant changes in the Hospital's core service area or its share of the metropolitan area inpatient market are anticipated.

The Applicant plans to relocate 156 beds (72 ICU, 84 Med/Surg) into the Surgical Pavilion, with 382 beds remaining in the existing Hospital. The Applicant states that the beds in the Surgical Pavilion would all be private rooms and will make it possible for the Hospital to convert semi-private rooms in the existing Hospital to private rooms. The Applicant believes that these changes will make it possible to operate more efficiently and more suitably to accommodate patient preferences for private rooms.

MedStar Georgetown University Hospital Beds				
	Licensed Beds	Current Operating Beds	Proposed Operating Beds	Net Change in Operating Beds
Med/Surg	339	224	331	107
ICU/CCU	74	57	72	15
OB/GYN	62	33	33	0
Nursery	24	17	17	0
NICU	50	36	36	0
Pediatrics	46	36	36	0
Psychiatric	14	13	13	0
Total	609	416	538	122

The Applicant states that MGUH admissions have remained relatively stable over the last decade. MGUH is one of three District hospitals that has not seen a substantial decline in admissions in recent years. MGUH recorded a modest increase in admissions of just over 1%. Overall, admissions to District of Columbia hospitals decreased about 7% between 2006 and 2013. The Applicant further states that the same pattern held for the number of inpatient days of care provided at MGUH. Between 2006 and 2013, the number of inpatient days of care at District hospitals decreased by 8.5%, whereas the number of MGUH patient days increased by about 1%. The Applicant maintains that though inpatient service volumes have not grown dramatically over the last decade, there is no indication of a downturn in demand at the Hospital. According to the Applicant, MGUH's inpatient caseload is, to a substantial degree, reflective of its broad, metropolitan wide service area and the large numbers of Maryland and Virginia residents drawn to the Hospital. The Applicant maintains that this is a longstanding, relatively stable pattern of use and is not uncommon or unexpected in a multi-state metropolitan area such as D.C. The Applicant states that MGUH had the following occupancy levels based on licensed beds:

Occupancy % of Licensed Beds						
Service Category	Licensed Beds	FY 11	FY 12	FY 13	FY 14	FY 15
Med/Surg	339	54%	56%	58%	60%	62%
ICU/CCU	74	66%	65%	66%	65%	68%
OB/GYN	62	17%	15%	17%	18%	18%
Nursery	24	26%	22%	25%	25%	25%
NICU	50	38%	42%	39%	43%	39%
Pediatrics	46	54%	51%	51%	45%	49%
Psychiatric	14	50%	51%	53%	63%	67%
Total	609	49%	50%	51%	52%	54%

The Applicant states that it is important to note that these licensed bed occupancy percentages have no bearing on MGUH's need for additional operational bed capacity. Space constraints have significantly limited MGUH's ability to operate an optimal number of beds to appropriately accommodate the needs of patients. The Applicant further states that the service categories in the chart below show the true state of the hospital's occupancy at present and over the past few years, based on operating beds.

Occupancy % of Operational Beds								
Service Category	Current Operating Beds	FY 13	FY 14	FY 15	FY 16	Projections		
						Proposed Beds	FY 21	FY 22
Med/Surg	224	87.7%	90.3%	93.3%	92.6%	331	68%	70.6%
ICU/CCU	57	85.3%	84.9%	87.6%	86.9%	72	74.7%	77.5%
OB/GYN	33	31.7%	34.5%	34.5%	34.3%	33	37.2%	38.6%
Nursery	17	35.5%	35.4%	35%	34.7%	17	37.7%	39.1%
NICU	36	54.1%	60.1%	54.5%	54.1%	36	58.7%	60.9%
Pediatrics	36	66.9%	57.5%	62.5%	62%	36	67.3%	69.9%
Psychiatric	13	57.3%	68.1%	72.2%	71.7%	13	77.8%	80.7%
Total	416	75.1%	76.8%	78.8%	78.2%	538	65.6%	68.1%

Emergency Services

The Applicant states that the Emergency Department currently has 23 Emergency exam rooms. The new Emergency Department will have 32 emergency universal size exam rooms and 1 Sexual Assault Nurse Examiner (SANE) room. The Applicant maintains that the Emergency Department will be designed with negative pressure rooms to isolate patients and have designed entrances for patients with emerging infectious diseases. The Applicant further states that the Emergency Department will have a decontamination room as well as an outdoor area for large-scale decontamination.

According to the Applicant, the Emergency Department is currently not designed to handle the amount of patients that are currently seen at the Hospital. The Emergency Department experiences bottlenecks at certain times of the day. The Applicant states that the throughput of patients in the Emergency Department from admission to discharge is complicated by external and internal factors including availability of inpatient beds and ambulance drop offs.

The Applicant maintains that Emergency Department service volumes have been increasing nationally, regionally and in the District of Columbia for more than two decades. Visits to District of Columbia hospital emergency departments increased by 23.5% between 2006 and 2013, a compound annual growth rate of 3.1%. There was a small decrease in emergency department visits between 2012 and 2013 in the District and at MGUH. MGUH emergency service volumes grew by 6.7% between at 2006 and 2013 and 36,682 visits were reported in 2014. The MGUH emergency service compound annual growth rate between 2006 and 2014 was 1.6%. The Applicant projects that the MGUH's Emergency Department caseload will grow to 41,839 visits by 2024, representing a compound annual growth rate of 1.3%, below the 1.6% experienced between 2006 and 2014.

The Applicant states that a properly sized state-of-the art Emergency Department is necessary not only to meet the needs of the MGUH service area population but also to

ensure the economic well-being of the Hospital. The Emergency Department is a major entry point for inpatient care, approximately 25% of patients coming to the MGUH Emergency Department are subsequently admitted to the Hospital, accounting for more than one-third of the Hospital's inpatients.

Imaging Department

The Applicant maintains that this proposal includes the addition of two (2) CT scanners, one (1) MRI scanner, two (2) x ray/fluoroscopy units, two (2) ultrasound procedure rooms, and one (1) interventional radiology single plane imaging capability. MGUH currently has three (3) CT and three (3) MRI scanners. The Applicant states that current CT and MRI service volumes are high and growing. MGUH had 29,069 CT scanning patient visits and 16,076 MRI scanning patient visits in 2014. More than 25% of MRI scans and more than 36% of CT scans are inpatient procedures.

The Applicant projects that service volumes will increase to 40,406 CT patient visits and to 26,686 MRI patient visits in 2024, which represents compound annual growth rates of 5.2% and 3.4% for MRI and CT scans. The Applicant states that although the reported number of CT scans at MGUH has varied considerably over the last decade, the projected service volume increase, 28.1% over 10 years, is consistent with recent and historic rates of growth. The number of CT scans provided at MGUH increased by 24% between 2006 and 2010 and more recently, the number of CT scans provided increased by 9.6% between 2013 and 2015, nearly 5.0% a year. The Applicant projects that MRI service volumes are consistent with recent experience at MGUH and at many other local services. Between 2006 and 2015, the number of MRI scans provided at MGUH grew by 46.3%, a compound annual growth rate of 4.32%, however between 2010 and 2015 the number of MRI scans increased by 33%, an annual growth rate of 5.8%.

The Applicant maintains that MGUH CT scanner and MRI scanner utilization compares favorably with hospitals in the region and with other academic medical centers. The 2014 MGUH service volumes equate to 5,359 procedures per MRI scanner and 9,690

procedures per CT scanner per year. The Applicant further states that both are higher than the average number of procedures per scanner at community hospitals and medical centers in the region. According to the Applicant, the average number of patient visits per CT scanner in Virginia in 2013 was 6,357, nearly 35% fewer than at MGUH. The average number of MRI visits was 3,722 per scanner, about 31% fewer than at MGUH.

According to the Applicant, MGUH CT and MRI scanner patient visits per scanner operated compare favorably with those of similarly situated academic medical centers. The University of Virginia Medical Center has 5 CT scanners and 3 MRI scanners. Average caseloads were 7,680 patient visits per CT scanner and 4,404 patient visits per MRI scanner in 2013. Similarly, the Medical College of Virginia has 6 CT scanners and 3 MRI scanners. Average caseloads were 8,127 patient visits per CT scanner and 4,988 patient visits per MRI scanner in 2013.

The Applicant maintains that projected CT and MRI service volumes, and the number of scanners required, assume that the Hospital will continue to have relatively high ratios of inpatient to outpatient procedures and that MGUH's scanners will continue to be used at between 80% and 85% of their nominal operating capacity.

Backfill Projects

According to the Applicant, the new public concourse connection requires the relocation of hospital training rooms, laboratory administrative office area and a phlebotomy area adjacent to the first floor main laboratory. This public connection will be necessary to provide a link between the existing public concourse of the main hospital and the Surgical Pavilion and parking garage below the tower. The Applicant states that another high priority includes multiple renovations to the Pasquerilla Healthcare Center (PHC) ground floor in order to accommodate the high volume of outpatient visits to the clinics that will remain in the current Hospital. These renovations require development of a link to provide a direct vertical access/connection to the new below grade parking facilities,

updates to the existing PHC lobby and renovations of the existing PHC café and outpatient pharmacy.

The Applicant maintains that due to the requirement to provide the necessary connectivity to logistical support services and clinical departments in the existing hospital, several existing clinical departments adjacent to the Surgical Pavilion will require relocation within the backfill planning. The existing Lombardi Clinic Infusion Therapy Center will be displaced in order to provide connectivity to the Surgical Pavilion, provide efficient adjacency and relocated inpatient diagnostics necessary to provide direct access from the Emergency Department and critical care beds within the Surgical Pavilion. The Surgical Pavilion will align with Level 4 of the existing Hospital, and a direct connection through the Level 4 Bles Patient Tower will be created to allow for patient transfers from the existing medical-surgical beds remaining in the existing Hospital to the surgical department and critical care beds within the Surgical Pavilion.

After a review of the application, staff has determined, and I concur, that the Applicant has provided sufficient information to justify the need for the modernization of MGUH. The Applicant states that the current facility is over 60 years old and that multiple Hospital departments are significantly undersized. As a result, the Applicant maintains that the Hospital is no longer able to provide, in the most efficient and most cost efficient manner, services that are expected from an academic medical center. The need to right size the operating rooms, patient rooms, and Emergency Department and bring the facility into compliance with FGI design guidelines will improve the quality and accessibility of care delivered to patients.

The Applicant states that if the Hospital were to renovate the existing footprint, it would be forced to close large sections of the Hospital, thus substantially limiting the amount and types of care it could provide to the community for several years. It maintains that this would be disruptive to patient care, time consuming, and significantly more expensive overall than the proposed plan. Staff, therefore, believes, and I agree, that it

makes health-planning sense in terms of time, money, and quality of care to construct a new facility than to try to renovate part of the existing Hospital.

Operating Rooms

The Applicant has demonstrated that the surgical services are in need of modernization and upgrading. The increased size of the operating rooms and increased ceiling height will allow for more sophisticated imaging capabilities and other developing technologies as well as to accommodate personnel and support services inside the operating rooms. The Applicant has proposed the addition of 9 new operating rooms for a total of 32 rooms including a hybrid operating room to perform interventional procedures in the Surgical Pavilion. The Applicant believes that MGUH has been underperforming in outpatient surgical services because the facilities are old. The Applicant maintains that with the construction of a new surgical department it will be able to attract additional physicians and patients. The Applicant cites certificate of need review standards for the addition of operating rooms. The standards indicate that 1,600 hours per operating room per year is an optimal utilization rate. Information in the application indicates that in 2014 MGUH provided approximately 2,165 hours of service per operating room. As a result, based on the above standards and the projection of surgeries to be performed in 2024, the Applicant has demonstrated that the Surgical Pavilion may need 32 operating rooms to serve patients.

Hospital Beds

The Applicant plans to relocate 156 beds (72 ICU and 84 Med/Surg) to the Surgical Pavilion from the main Hospital. The Applicant states that the beds in the Surgical Pavilion would all be private rooms. Once the beds are relocated, it will make it possible for the Applicant to convert semi-private rooms in the existing Hospital to private rooms. The Applicant maintains that the new private rooms in the Surgical Pavilion will be approximately 280 sq. ft. and meet FGI standards. The Applicant proposes that the beds will be universally designed to provide optimal flexibility and safety at the ICU level

with appropriate level of medical gases, electrical outlet and IT capability to meet ICU patient room requirements. The universal bed-acuity adaptability model allows the patient to stay in one room throughout their hospitalization, with the appropriate level of care brought to their bedside. Additionally, the Applicant maintains that the beds will be strategically placed in the Surgical Pavilion and integrated with the Surgical and Emergency Departments. Based on the information above, I have determined that the Applicant has demonstrated the need for the relocation of ICU and Med/Surg beds to the Surgical Pavilion.

The Applicant states that the Hospital operated 416 beds in FY 12, 413 in FY 13, 409 in FY 14, and 416 in FY 15. This shows that the occupancy rate of the Hospital has been approximately 53% for the last four-year period, based on licensed beds. On the other hand, the Applicant states that its occupancy rate based on operating beds for the period was approximately 78%. The Applicant states that when the Surgical Pavilion is complete MGUH plans to operate 538 inpatient beds. MGUH currently has 609 licensed beds. The SHPDA strives to ensure sufficient capacity exists for patients, while also working to ensure that a surplus of hospital bed inventory is not developed. Staff believes, and I concur, that MGUH should right size the facility and lower its licensed beds to reflect the number of patients it projects to serve after the Surgical Pavilion is complete. As a condition of Certificate of Need approval MGUH should lower its licensed bed capacity from 609 to 538 inpatient beds.

Emergency Department

The Applicant states that the emergency department is cramped and overcrowded. The current Emergency Department houses 23 exam rooms. The new Emergency Department will have 32 emergency universal size exam rooms and 1 Sexual Assault Nurse Examiner (SANE) room. The Applicant has demonstrated that the utilization of the Emergency Department is growing and that the Hospital is in need of upgrading and modernizing its facility to serve patients appropriately. The Applicant has demonstrated that throughput issues cause the Emergency Department to be overcrowded. Staff

believes, and I agree, that the expansion of space and addition of exam rooms will increase throughput and improve patient experience and quality of care.

Imaging Department

The Applicant maintains that this proposal includes the addition of two (2) CT scanners, one (1) MRI scanner, and one (1) interventional radiology single plane imaging capability. The Applicant has demonstrated that based on historical and projected utilization of these services, there is a need for the addition of imaging equipment. The addition of imaging equipment will allow the imaging department to serve patients in a more timely manner.

Backfill Projects

The Applicant states that many hospital departments are significantly undersized which has led to the suboptimal need to accommodate patients in areas that are inefficient, lack privacy, and are undesirable from patient care perspective. MGUH states that the current conditions and space constraints not only affect the Hospital's clinical departments but several ancillary and support departments as well. MGUH further states that the enhancements to the existing hospital campus will involve continuous upgrades, in a logical sequence of projects to address and alleviate deficiencies in the existing facility. The Applicant also states that creating a consistent brand and aesthetic theme throughout the Hospital is a major component of the overall long term revitalization of the physical plant and campus.

While the Applicant maintains that the existing hospital is old and in need of upgrading and modernization, it is not clear what it will take to renovate the facilities, how long it will take and how much money it would require. The Applicant states that there are many projects in the existing Hospital that will need to be completed before the opening of the Surgical Pavilion and others will be completed after the Pavilion is opened. Staff understands the needs for some of these projects such as the development of a new

public concourse, and the renovation of the Pasquerilla lobby. On the other hand, it is not clear to staff how the vacated spaces of the current Emergency and Surgical Departments will be utilized.

As a condition of CON approval, I have determined that MedStar Georgetown University Hospital provide a detailed description of the plans to renovate the main Hospital and specifically identify how the vacated spaces of the current Emergency and Surgical Departments will be utilized. The description should include: 1) where facilities will be relocated, 2) what services will fill the vacated spaces, 3) what the renovations will include, 4) timelines, and 5) the capital expenditure and financing sources associated with each project.

2. <u>Accessibility</u>:

The Applicant maintains that as an acute care facility, MGUH is open 24 hours a day, seven days a week. The Hospital provides the full range of inpatient and outpatient services. Patients have and will continue to have access to the services of the Hospital through a variety of sources, including:

- Emergency Room walk-ins;
- Scheduled outpatient visits;
- Referrals from area physicians;
- Direct inpatient admissions;
- MedStar Medical Group admissions;
- Participation in area managed care plans;
- Participation in Medicare and Medicaid programs; and
- Ambulance deliveries.

The Applicant states that MGUH will continue to follow its Financial Assistance Policy that states "MedStar Health is committed to ensuring that uninsured and underinsured patients meeting medical hardship criteria within the communities we serve who lack

financial resources have access to necessary hospital services". MedStar Health and its healthcare facilities will:

- Treat all patients equitably, with dignity, with respect and with compassion;
- Serve the emergency health care needs of everyone who presents at our facilities regardless of a patient's ability to pay for care;
- Assist those patients who are admitted through our admissions process for non-urgent, medically necessary care who cannot pay for the care they receive; and
- Balance needed financial assistance for some patients with broader fiscal responsibilities in order to keep its hospital's doors open for all who may need care in the community."

The Applicant maintains that there will be no change in the Hospital's current admission or charity care policies. Services will be available to all, regardless of ability to pay. MGUH will continue to abide by and meet all applicable and federal and District uncompensated care requirements. The Hospital and its emergency services will be open and available for service to all patients at all times.

According to the Applicant, the Surgical Pavilion will be accessible by a variety of modes of transportation. Vehicular access to the Pavilion is available via Reservoir Road and via Clara Barton Parkway and Canal Road. Parking will be provided on site in a new parking garage and existing parking garages. Valet parking also will be available for patients and visitors. The Applicant states that free shuttle service to the DuPont Circle Metro Station (which serves Metro's Red Line) and Rosslyn Metro Station (which serves Metro's Orange, Blue, and Silver Lines) will be provided for staff, patients, and visitors via the Georgetown University Transportation System (GUTS). The GUTS buses run between campus and the DuPont Metro from 6:00 AM to midnight. GUTS buses run between campus and the Rosslyn Metro from 4:45 AM to midnight. The new Surgical Pavilion also will be serviced by Metrobus lines.

Based on the above, I have determined that the Applicant has demonstrated that it is consistent with the criteria and standards for accessibility of care.

3. Quality:

The Applicant maintains that MGUH is fully accredited by the Joint Commission, meets all current licensure and accreditation standards of the D.C Department of Health, and is in full compliance with the regulations governing Medicare and Medicaid programs. The Applicant states that quality management will be overseen and directed by guidelines established by the Medical Directors of the Hospital's clinical departments. Physician oversight and accountability is managed by a system-wide Vice President of Medical Affairs Council, which provides system-wide oversight, support and advocacy for the clinical services provided by physicians in hospital and non-hospital settings throughout MedStar Health, and coordinates engagement of physicians in MedStar's quality and safety initiatives. The Applicant further states that MedStar also has a Chief Nursing Officer Council, which provides the same support for nursing. Within the past few years, the two councils merged to create a joint Chief Nursing Officer/Chief Medical Officer (CNO/CMO) Council. The Council oversees the following system-based committees:

- Clinical Informatics Council (formerly known as the Clinical Governance Executive Committee);
- Transitions of Care Committee;
- Healthcare Epidemiology and Infection Control (HEIC) Task Force;
- Council for Ideal Obstetrical Care (CIOC);
- 30-Day Readmissions Committee;
- Palliative Care Committee; and
- Quality & Safety Committees.

According to the Applicant, continuity and standardization are hallmarks of quality, which are addressed with systems in place for Quality and Patient Safety, Performance

Improvement and Risk Management. At the system level, the MedStar Vice President of Quality and Safety oversees the MedStar Quality and Safety department, responsible for embedding a culture of safety throughout the system. The Applicant states that MedStar's current patient safety and quality resources, as well as its expertise in research, education, human factors, innovation, patient advocacy, and clinical care services, have integrated and aligned under the MedStar Institute for Patient Safety. This benefits each entity through relevant data reports and standardization of practice related to the latest evidence on cost effective practices. The system-wide leadership structure supports individual entities by:

- Enabling early identification and communication of real and potential safety concerns across the system;
- Implementing system enhancements to drive standardization, evidence-based practice, performance, and outcomes;
- Offering supportive consultation and coaching; and
- Ensuring provider accountability.

The Applicant states that MedStar has a centralized program of peer review, utilization review, medical audits and quality improvement. All of these activities will continue to be implemented in the Surgical Pavilion. Quality management with the addition of the Surgical Pavilion will align with what is in place at the Hospital and other facilities currently operating within the MedStar system. The Applicant maintains that MedStar is involved in multiple clinical improvement programs committed to timely addressing and remedying quality concerns. These activities, include, but are not limited to:

- The University Health System Consortium (UHC) database, which provides a variety of performance improvement services to over 400 hospitals (includes academic and now non-academic partners) across the nation, is being launched system-wide. This will standardize clinical quality and performance data collection and reporting, provide robust data reports, and "innovative solutions"

from other UHC members, and in time, will provide physicians the opportunity to better examine their own practice patterns and benchmarks;

- A system-wide High Reliability Organization effort, including high reliability training for all MedStar associates, with partner Healthcare Performance Improvement (HPI);

- The MedStar Georgetown University Hospital Health Patient and Family Advisory Council for Quality and Safety (PFACQS) is committed to providing linkages between the hospital and the community. This multi-disciplinary team (including care providers and members of the community) serves in an advisory capacity to assist MGUH in always putting the patient and families first, thereby promoting quality, safety and efficiency, and achieving the highest aspirations of the MedStar Health Vision, Mission and Values. The PFACQS at MGUH has reviewed hospital quality and patient experience metrics, provided input on the surgical admission process and participated in focus groups for the Surgical Pavilion. More specifically, the focus groups allowed consumers to describe their journey as a patient or family member. They also participated in an "experience mapping" session to help the Hospital better understand key consumer touch points; and

- A Patient Safety Event (PSE) Management System across all MedStar entities, which allows associates to report real or potential safety issues, including patient harm, near misses and unsafe conditions.

The Applicant maintains that clinical staff will be hired by the clinical department that is responsible for their service line. The facility will be staffed according to national benchmarks for the most effective staffing ratios and industry standard for delivering efficient, high-quality care. The Applicant states that all MedStar physicians are required to participate in continuing education and training programs as required to maintain skills compatible with standards of medical care in the community; and comply with all

risk management, quality assurance, and other policies. Specialized staff are required to receive continuing education to maintain their skills in their area of expertise. The Applicant further states that all staff will receive orientation and ongoing training on customer service and clinical quality expectations. Staff will also receive regular training on computer applications that affect their jobs. According to the Applicant, all MedStar employees must take annual training in subjects such as safety, compliance, and infection prevention. The facility administrator will be responsible for facilitating the delivery of facility-wide education.

Based on the above information, I have determined that the Applicant meets the criteria and standards for quality of care.

4. Continuity:

The Applicant states that MGUH is a member of the MedStar Health System, an integrated health care delivery system with a comprehensive range of health care facilities in the District and the surrounding areas, including primary, secondary, and tertiary level services. MGUH has referral linkages with its sister facilities in the MedStar Health system and abides by transfer and coordination agreements with other health care providers. Procedures and protocols are in place to refer patients to the most appropriate site for care as is medically necessary. MGUH maintains that it has proper transfer mechanisms in place when it is determined that a patient would be more appropriately treated at another facility. The Applicant maintains that MGUH has discharge planning teams comprised of members from various system organizations who facilitate appropriate referral of patients based on their clinical needs.

According to the Applicant, MGUH's 2015 Community Health Needs Assessment (2015 CHNA), defines MGUH's Community Benefit Service Area (CBSA) to include Wards 5, 6, 7, and 8 in the District. U.S. Census Bureau data indicate that there are 292,986 residents in Wards 5, 6, 7, and 8; these residents bear the large burden of adverse health outcomes in the District in the following ways:

- Ward 5 has the highest mortality rate due to heart disease and cancer and the highest percent of residents without a primary health care provider;
- Ward 6 has the third highest percentage of residents who do not get routine health care checkups;
- Ward 7 has the highest mortality rate due to diabetes and the second highest mortality rate due to heart disease; and
- Ward 8 ranks third in overall mortality for heart disease, cancer, and diabetes, and has the highest obesity rate in the District.

The Applicant maintains that according to the CBSA, MGUH focuses its community work on primary care services offered to underinsured, uninsured, and low-income individuals. According to the Applicant, to address the above-listed conditions, MGUH has pursued the following community health priorities: (1) chronic disease prevention and management; (2) increased access to pediatric care; and (3) food insecurity and child obesity.

The Applicant states that as part of a condition that was placed on the application of the Proton Beam Therapy CON in 2013, MedStar and MGUH have undertaken significant efforts to improve early detection and treatment of lung, breast, colorectal, and prostate cancers amongst DC residents in Ward 5 and the surrounding areas. Specifically, MGUH has hired three dedicated cancer screening outreach staff members, a mammography technician, and a bilingual patient navigator who are specifically tasked to work with a physician and medical director overseeing these outreach efforts. Through a partnership facilitated with MedStar PromptCare and Georgetown University Capital Breast Care Center (CBCC), MGUH renovated and relocated mammography to the Capitol Hill PromptCare site at 228 7th Street SE located in Ward 6. This community-based mammography site the Applicant states is easily accessible via public transportation via the Eastern Market Metro stop.

In addition, the Applicant states that it collaborates with a number of health care facilities and community groups to identify and address community health priorities.

Based on the above, I have determined that the Applicant has demonstrated that it is consistent with the criteria and standards for continuity of care.

5. <u>Acceptability</u>:

The Applicant states that MGUH has a Statement of Patient Rights and Responsibilities. Every patient will be given a copy of this statement along with a HIPAA Notice of Privacy Practices Policy. The Applicant maintains that it is the policy of MGUH to provide individuals the opportunity to express concerns about issues or questions (including those related to privacy and confidentiality), that may arise during their hospitalization or treatment and to assure that current or future access to care is not compromised by this expression. The Applicant further states that consumer grievances are taken very seriously by all members of hospital leadership. Consumers are first asked to address their concern with an appropriate associate, who will try to resolve their issue within 24 hours. If the associate is unable to resolve the consumer issue, the consumer should escalate the concern to a member of leadership and the Patient Advocacy Office. All concerns/complaints follow the Patient Compliment, Complaint & Grievance Procedure.

According to the Applicant, MGUH measures patient satisfaction using the National Research Corporation Picker Institute reports results of the surveys on a monthly basis to all employees, physicians and senior level administration. In addition, MGUH has a patient advocacy infrastructure that assists patients with any complaints and compliments.

According to the Applicant, MGUH has informed Advisory Neighborhood Commission (ANC) 2E. The ANC has provided a letter of support for the proposed project stating that "Current facilities at MGUH are in need of renovation and we agree that the

proposed project should provide appropriately sized spaces and should increase efficiency and patient privacy". Additionally, an agreement was reached with the ANC assuring that community impacts from the proposed renovation are mitigated, including transportation and construction impacts.

The Applicant has also submitted an agreement between MedStar the Georgetown Community Partnership Steering Committee representing the Citizens Association of Georgetown, the Burleith Citizens Association, and the Foxhall Community Citizens Association. The agreement detailed information about:

- Design for Gate 1(the main entrance for the Hospital);
- Construction Management Plan;
- Helicopter Noise Abatement;
- Emergency Department Impacts;
- Traffic Mitigation; and
- Zoning Commission Proceedings.

Based on the above information, I am satisfied that the Applicant is in conformance with the criteria and standards for acceptability of services.

6. Financial Feasibility:

The capital expenditure associated with the project is $567 million. The capital expenditure consists of $124 million in pre-operational costs, $68 million in financing costs, $223 million in construction costs, $98 million in equipment costs, and $42 million in contingency costs. According to the Applicant, MedStar engaged architects and construction firms to estimate the cost of the proposed project using data related to comparable undertakings by other hospitals and health systems. Based on this available data, the construction cost estimates related to the Surgical Pavilion the Applicant maintains, are in the lower end of the range of cost estimates associated with similar projects in the Mid-Atlantic region and nationwide.

According to the Applicant, as the sole member (owner) of MGUH, MedStar reserves the power to make all financing decisions at the MedStar Board of Directors level. In accordance with those reserved powers, the financing of the MGUH project was approved by the MedStar Finance Committee on September 9, 2015 and approved by the MedStar Board of Directors on September 16, 2015.

The Applicant maintains that MGUH's Board of Directors has no final decision making authority for the Hospital's capital or operating budgets, its strategic plans or its operating plans. MGUH's Board has final decision making authority for matters relating to clinical quality, safety, and credentialing of physicians. It also has responsibility to recommend to the MedStar Board actions related to Hospital governance and philanthropy.

The Applicant states that MedStar Health, Inc. proposes to finance the project with a $371 million bond issuance, $112 million in philanthropic donations and $84 million from cash on hand.

According to the Applicant, MedStar issues its debt as parity obligations under a single Master Trust Indenture (MTI) and all debt carries the same terms and conditions. The principal operating entities of MedStar are party to a Guaranty Agreement, which guarantees payment and performance under the MTI. The principal operating entities of MedStar, including each of its hospitals, has pledged its revenues and placed a deed of trust on their property as further security for performance under the MTI. The Applicant states that covenants for the financing will be customary for a transaction of this nature, including but not limited to, limitations on mergers, consolidations, and the conveyance of assets; limitations on the sale, lease or disposition of property; maintenance of insurance; delivery of financial statements; and limitations on indebtedness.

The Applicant maintains that MedStar is prohibited under its MTI from issuing additional indebtedness if its Debt-to-Capitalization ratio exceeds 67.0%. As of June 30, 2015,

MedStar's Debt-to-Capitalization ratio was 47.8%, allowing for the issuance of an additional $1.6 billion in debt before reaching the maximum permitted under this covenant. Under its Maximum Annual Debt Service Coverage test, MedStar must maintain debt service coverage of at least 1.25x. As of June 30, 2015, MedStar's actual debt service coverage was at 5.87x, allowing for a decrease in income available for debt service of approximately $358 million without breaching the covenant. The Applicant maintains that no debt service reserve is expected to be required in order to issue the proposed debt.

The Applicant states that the management of MedStar has reviewed its debt capacity, including metrics based on its Profit and Loss Statement, Balance Sheet, and Liquidity/Cash Flow. Management has also reviewed MedStar's key credit ratios relative to its current ratings levels. The Applicant maintains that the additional debt included (Surgical Pavilion) in MedStar's Fiscal 2016 Budget is not expected to negatively impact MedStar's credit position. This is further supported by ratings reports issued by the major credit rating agencies, which describe MedStar's credit strength and ability to support the additional indebtedness. MedStar is rated A2 with a Positive Qutlook by Moody's Investors Service, A with a Stable Outlook by Fitch Ratings, and A- with a Stable Outlook by Standard and Poor's. The Applicant further states that when MedStar's ratings were last reviewed, the debt expected to be issued to support the Surgical Pavilion project was discussed with the rating agencies, and the rating agencies incorporated the expected issuance of this debt into their analyses of the ratings.

The Applicant maintains that the Office of Philanthropy at MGUH is charged with raising $112 million or 20% of the total cost to build the Surgical Pavilion. MedStar and MGUH intend to partner on a capital campaign to raise the necessary funds. The plan is to kick off this campaign formally after obtaining a CON, but as is typical with projects of this nature, planning for this campaign has already begun. The Applicant states that it expects the campaign to call upon grateful patients/families, current and former Board members and well known philanthropists who have expressed an interest in the goals of

this project. The Applicant has stated that if the philanthropic donations are not realized, MedStar would contribute additional cash to complete the project.

The Applicant proposes to contribute $84 million in cash contributions to the Surgical Pavilion project. As of June 30, 2015, MedStar Health, Inc. held in excess of $1.8 billion of unrestricted cash and investable assets, equivalent to 145 Days Cash on Hand, on its balance sheet. These funds are available to fund the Surgical Pavilion project, in addition to the debt expected to be issued for the project.

Based on the above information, I have determined that the Applicant has access to the funds to finance the project. The Applicant has demonstrated that it has favorable ratings from the credit rating agencies. The Applicant has also demonstrated that it has the internal financial mechanisms to ensure the stability of the Hospital and MedStar as a whole. Additionally, the Applicant has demonstrated that the MedStar Board of Directors has approved the financing of the project. As a result, I am satisfied that the Applicant is in conformance with the criteria and standards for financial feasibility.

C. <u>Compliance with Uncompensated Care Requirements</u>:

The Applicant has reiterated its commitment to provide uncompensated care to needy patients. I am, therefore, satisfied that the Applicant is consistent with the requirements.

D. <u>Conclusion</u>:

After a careful review of the application, the staff report, as well as the recommendations of the Project Review Committee (PRC) and the Statewide Health Coordinating Council, I have concluded that the Applicant has provided sufficient information to justify the need for the construction of the Surgical Pavilion at MGUH. The Applicant states that the current facility is over 60 years old and that multiple Hospital departments are significantly undersized. As a result, the Applicant maintains that the Hospital is no longer able to provide, in the most efficient and most cost efficient

manner, services that are expected from an academic medical center. The need to right size the operating rooms, patient rooms, and Emergency Department and bring the facility into compliance with FGI design guidelines will improve the quality and accessibility of care delivered to patients.

The Applicant states that if the Hospital were to renovate the existing footprint, it would be forced to close large sections of the Hospital, thus substantially limiting the amount and types of care it could provide to the community for several years. MGUH maintains that this would be disruptive to patient care, time consuming, and significantly more expensive overall than the proposed plan. Staff, therefore, believes, and I agree, that it makes health-planning sense in terms of time, money, and quality of care to construct a new facility.

I understand that hospitals have a need to keep their facilities modern and competitive. I also understand that building and renovating hospital facilities is an expensive undertaking. The question, however, is whether the very high cost of the proposed project will severely limit MedStar's and MGUH's ability to update and modernize the rest of the Hospital and to meet the need for capital investments and new technologies in the short and long term. I also understand that doing nothing will have its consequences as well. While undertaking a major capital project is an expensive venture, doing nothing will also lead to the erosion of the capabilities and capacities of a hospital and endanger its long-term viability. The deterioration of the facilities may lead to loss of market share and difficulty in recruiting and retaining physicians and other staff. It is generally believed that qualified staff is likely to prefer hospitals that have modern facilities and updated technologies. It is, therefore, important that the Hospital modernize its facility to make it efficient, streamlined, and allow for growth and expansion of services and acquisition of new technologies.

One of the responsibilities of a hospital is to help improve the health outcomes of residents. The health of the population is not improved only by providing surgeries and emergency room services, but also by addressing the health disparities in the

community. Hospitals must, therefore, go beyond their traditional ways of providing services. In other words, instead of waiting for patients to come to the hospital, the hospitals should expand their outreach to the community. Concerted efforts have to be made to identify the needs of the vulnerable and at-risk residents and to develop programs and services to reduce preventable diseases, to address the underlying causes of persistent health problems, and ensure access to needed care. Programs need to be designed in such a way as to identify, assess, and prioritize community health needs and develop approaches that are relevant, measurable and evidence based.

Requesting that the Hospital increase the accessibility of its services to uninsured, underinsured and vulnerable populations is not meant to put additional burden on the facility. It is only consistent with its mission and obligation to provide community benefits. The Internal Revenue Service requires non-profit hospitals to provide community benefits, including uncompensated care, medical education and training, medical research, and community programs, in order to qualify as tax-exempt charities. Hospitals are considered charitable because they provide charitable services to the community. Similarly, the D.C. Certificate of Need law requires health care providers to provide a reasonable volume of uncompensated care. The purpose is also consistent with the Applicant's commitment "to ensuring that uninsured and underinsured patients meeting medical hardship criteria within the communities we serve who lack financial resources have access to necessary hospital services".

During the Statewide Health Coordinating Council (SHCC) meeting, a presentation was made by MGUH and the DC Primary Care Association (DCPCA) on a preliminary agreement between the two entities to collaborate on the provision of cancer screening, diagnosis, and treatment services to uninsured, underinsured, and at risk patients. The Applicant states that it anticipates having a memorandum of understanding (MOU) with DCPCA articulating the partnership in order to implement the program by July 1, 2016. MGUH states that the agreement includes the following:

1) Establishment of a Cancer Navigation Model, where patient care navigators will identify and refer a minimum of 500 D.C. patients per year for cancer screening and appropriate follow up care at MedStar facilities;
2) MGUH will partner with DCPCA to offer on-going oncology education to DCPCA's physicians and staff;
3) MGUH will ensure that barriers are removed to the fullest extent possible;
4) MGUH is committed to ensuring that every patient that is identified is connected to the appropriate level of care;
5) MGUH will ensure that primary care providers are fully integrated in all care management plans;
6) MGUH is committed to ensuring that uninsured and underinsured patients gain access to diagnosis and treatment at MedStar facilities;
7) MGUH will make arrangements to care for out-of-network patients based on established guidelines while always respecting patient choice, existing patient-provider relationships and payor relationships; and
8) MGUH and DCPCA will work together to develop metrics and appropriate oversight to measure the effectiveness of the program.

Based on all of the above considerations, I have determined that MedStar Health, Inc. be awarded a Certificate of Need for the construction of a Surgical Pavilion on the campus of MedStar Georgetown University Hospital at a cost not to exceed $567 million.

I have further determined that the certificate of need be issued contingent on the Applicant meeting the following conditions:

1. That the Applicant provide to SHPDA a detailed description of the plans to renovate the main Hospital and specifically identify how the vacated spaces of the current Emergency and Surgical Departments will be utilized. The information should include: 1) where facilities will be relocated, 2) what services will fill the vacated spaces, 3) what the renovations will include, 4) timelines, and 5) the

capital expenditure and financing sources associated with each project. The Applicant should provide these plans with its second progress report.

2. Since the Hospital has been operating approximately 415 beds over the last several years, MGUH should lower its licensed bed capacity from 609 to 538 beds.

3. As the Applicant has proposed, MGUH must enter into a Memorandum of Understanding (MOU) with the DC Primary Care Association to develop, fund, operate, and maintain in perpetuity a cancer diagnosis and treatment program to provide uncompensated care services to uninsured, underinsured and at risk D.C. residents and to ensure access to services (inpatient and outpatient) at MedStar facilities in the District. The MOU must be submitted to the SHPDA with the first quarterly progress report.

   The MOU at a minimum shall include:

   a. The establishment of a Cancer Patient Navigation Model utilizing patient navigators and community health workers to identify at risk populations to provide education and prevention services and ultimately connect patients to cancer care at MedStar facilities including screening, diagnosis, and treatment services;

   b. The services should provide access, for a minimum of 500 uninsured and underinsured DC residents a year, to screening, diagnosis, and treatment of cancer at MedStar facilities, particularly for breast, lung, colorectal, prostate, and cervical cancers;

   c. The development of an evaluation mechanism that will help assess the impact and effectiveness of the program, identify barriers to care and gaps in service, and measure the quality and timeliness of care provided;

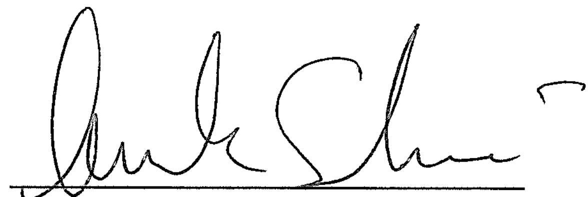
d. To alleviate any duplication, burden or barriers to access for patients referred for screening, diagnosis, and treatment, MedStar shall accept the financial eligibility determination made by DCPCA members;

e. Establishment of an education and training program that provides oncology related education and continuing medical training opportunities to DCPCA providers;

f. Development of a clinical information exchange to ensure quality, care management, integration, and continuity of care between the primary care provider and specialty services; and

g. Work closely with the D.C. Department of Health's Community Health Administration to identify and reach vulnerable and at risk populations.

4. Develop mechanisms to facilitate access to uncompensated care to general medical, surgical and specialty services at MedStar facilities to uninsured, underinsured, vulnerable and at risk residents, and report to the SHPDA with its first progress report. This requirement is consistent with MGUH's commitment to "ensure that barriers to care are removed to the fullest extent possible".



March 25, 2016

Date

Amha W. Selassie
Director