

BRIEFING MEMO

York Hospital

Surgical Services Construction/Renovation (Subsequent Review)

TO: Brenda Harvey M., Commissioner, DHHS

THROUGH: *Wink* Catherine Cobb, Director, Division of Licensing and Regulatory Services

FROM: Steven R. Keaten, Healthcare Financial Analyst

SUBJECT: Subsequent review of a Certificate of Need Issued October 31, 2006 issued to York Hospital to expand their Surgical Services Department by adding two additional OR's via a construction/renovation project on their hospital campus in York, Maine

DATE: October 10, 2008

ISSUE ACTIVATED BY: The referenced proposal requires Certificate of Need approval as defined in "The Maine Certificate of Need Act of 2002," 22 MRSA Section 326 et seq., as amended.

BACKGROUND:

- York Hospital is an acute care, non-profit community hospital licensed by the Department of Health and Human Services for 85 beds. It is Medicare and Medicaid certified. It does not participate in the Joint Commission certification.
- York Hospital was issued a Certificate of Need on October 31, 2006 (subject to two conditions) to expand their surgical services department by adding two additional OR's at their hospital campus in York, Maine at a capital cost not to exceed \$7,586,250.
- York Hospital requested and received a 12 month extension to implement this project issued by CONU on October 29, 2007 due to an unforeseen zoning requirement in the town of York, Maine.
- York Hospital has submitted a request for a subsequent review to its original CON to reflect additional capital costs associated with the proposed project.
- The additional capital cost proposed is \$1,408,750, resulting in a revised total capital cost of \$8,995,000.
- The applicant decreased the scope of the Surgery Project to minimize increased capital costs by reducing Prep/Recovery Rooms from 11 to 10; reduced In-patient Holding Beds from 2 to 0 and reduced PACU Beds from 7-6. In addition York Hospital reduced capital costs by another \$450,000 by value engineering this project.

- The additional 3rd year incremental operating costs and debit to the Capital Investment Fund (CIF) associated with this subsequent review are estimated to be \$25,870, resulting in a revised 3rd year operating cost estimate of \$1,023,041.
- The capital cost increase is driven by the delay in implementing the project due to the town of York, Maine zoning. This delay caused the increase in costs to rise due to inflation in regional Market conditions and continuing construction material escalation.
- The additional capital costs as proposed will be funded through additional borrowing of \$125,000 (from \$2,375,000 to \$2,500,000) (at a lower rate) and an increase in Board Designed Funds.

HIGHLIGHTS:

Letter of Intent dated June 13, 2005
 Technical Assistance Meeting held on July 14, 2005
 Application Certified Complete-December 20, 2005
 Application placed in review cycle-January 1, 2006
 Applicant’s Informational Meeting-January 11, 2006
 No public hearing was requested on this project.
 Preliminary Analysis Released-June 1, 2006
 Commissioner’s approval letter dated-October 31, 2006
 Request for extension to implement dated October 16, 2007
 Extension request approved-October 29, 2007
 Request for subsequent review dated-September 26, 2008

RECOMMENDATION: The Certificate of Need Unit recommends **Approval with conditions** of York Hospital’s request for a subsequent review.

1. York Hospital shall be required to report outcomes for high-risk low volume procedures and to develop evidence-based referral policies.
2. York Hospital shall notify CONU prior to any build-out of shell space previously approved in the October 31, 2006 CON and modified by the redesign of the project.

Capital Costs
 \$ 7,586,250
\$ 1,408,750
 \$ 8,995,000

Prior Approved Capital Costs
 Subsequent Review Additional Capital Cost
 Total Approved Capital Costs

CIF & Incremental
3rd Year Costs
 \$ 997,171
\$ 25,870
 \$1,023,041

Prior Approved CIF and Operating Costs
 Subsequent Review Additional Costs
 Total Approved CIF and Operating Costs