MAINE COAST REGIONAL HEALTH FACILITIES
MAINE COAST MEMORIAL HOSPITAL
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January 18, 2007

Phyllis Powell, Manager
Department of Health and Human Services
Division of Licensing and Regulatory Services
Certificate of Need Unit
41 Anthony Avenue
State House Station 11
Augusta, ME 04333-0011

RE: Subsequent Review of December 11, 2006 Certificate of Need Approval – Design Changes

Dear Ms. Powell:

Maine Coast Memorial Hospital (the "Hospital") submits this Subsequent Review request affecting our December 11, 2006 Certificate of Need approval for renovation and construction of our Emergency Department ("E.D."). This Subsequent Review request shall sometimes be referred to as the "EDSR". This follows our December 13 meeting with Steve Keaten and you, where you provided helpful guidance and direction.

Nature of Proposed Changes

At our meeting, our architect Ellen Belknap and I reviewed with you the proposed design changes for this EDSR involving the relocation of the Emergency Department, from renovated space at the front of the hospital building to newly constructed space on the back side of the hospital – adjacent to the back parking lot.

The proposed design changes are best illustrated in the attached Exhibit A, showing the location of the original project and the location of the proposed new design for the E.D. Project. Exhibit B shows the proposed new construction. We are also proposing to increase the number of E.D. treatment stations from 11 to 15 to better reflect the current and anticipated volume and prepare us for future needs.

As reconfigured, this EDSR project removes the proposed renovations to the Sterile Processing Department and the Lobby/Registration Area. These areas will be the subject of a forthcoming filing for a small project CON or a Non-Applicability determination request, which is also proposing the construction of shell space above the redesigned E.D., to house at a later date our maternity/obstetrics department. I have

separately filed with the CONU the small project Letter of Intent dated December 24, 2007, and our Non-applicability Request letter is forthcoming.

Modifications to Cost

The December 11, 2006 CON approved the total capital expenditure of $7,577,615 (comprised of an approved capital expenditure of $7,216,776 plus a contingency of $360,839). The CON also approved third year incremental operating costs of $455,128.

The design changes for this EDSR will be confined within the capital expenditure budget established for the existing CON and third year, incremental operating costs will remain at $455,128.

Rationale for Design Changes -- Overview of Need for Redesign and Additional Treatment Stations

Maine Coast's EDSR design changes are driven by a number of changes in circumstances and further analyses that have been carried out over the past year since the approval of the original E.D. CON. These have included the following:

- Determination that the original design did not support long range master facilities planning decisions that will position MCMH for future success and efficiency.
- More careful analysis of updated demographic factors for our service area and need for E.D. services. The original plan was sized, in part, for 11 treatment stations because the site was too small for an ideal solution of 15 stations.
- Re-examination of applicable standards – ACEP and others, leading to need for additional treatment stations.
- Determination of a more functional design in a new location to better fulfill anticipated needs.

Updated Project Description

The EDSR proposes the following changes in the design described in the March 2006 CON filing.

New proposal for an enlarged, 12,700 s.f. addition to the south side of the existing hospital to support the Emergency Department program including 15 new treatment rooms. Site construction to provide adequate parking directly adjacent to the new E.D.

Location of the E.D. will be adjacent to both the MRI and CT modalities and the location of the future consolidation of the imaging department.

Basis for New Design Opportunities

Following the approval of the E.D. CON project, MCMH undertook a comprehensive facility master planning process to determine how best to support the MCMH strategic plan over the next 10 years. The planning committee identified facility needs and priorities including: E.D. expansion, central service expansion, new lobby/front door and registration, imaging department consolidation, maternity beds relocated to level of surgical suite (for emergency C-sections), increasing the number of inpatient private patient rooms and providing adequate and convenient parking. As part of the master planning process a comprehensive site master plan was developed delineating parking and building expansion recommendations.

Following the completion of the master plan, the planning committee concluded that although physically feasible, the plan for the E.D. contemplated in the CON application did not support many of the priorities established in the master planning process. E.D. parking was inadequate, location of E.D. on the same floor level as the consolidated imaging department would not be possible and no provisions would be made for relocating the maternity beds and in the future creating additional inpatient private rooms. More fundamentally, and as detailed below, the approved E.D. design and capacity was not large enough to meet our projected needs in terms of efficiency and throughput.

Needs to be Met and Recalculation of Updated Demographic Factors

Upon further examination, the original proposed 9,500 square feet for the renovated E.D. in the approved CON has proved deficient to meet current and anticipated needs that could not be addressed at that location because of property boundary constraints.

Our March 2006 CON application at pages 11 to 16 provided significant data demonstrating the inadequacies of our current E.D. space and supporting the increase in square footage from 4000 square feet to 9,500 square feet. We noted an actual growth of annual visits to our E.D. from 12,500 in 1994 to a projected 18,200 in 2006. Taking into account peak summer needs and usage, we projected current need to be equivalent to an annualized volume of over 20,000 visits during peak months.

We pointed to the unacceptable figure of 131 patients who left our E.D. in 2005 without being seen. We noted many other negative factors and distressing trends, including the increasing tendency of other hospitals to have to divert patients to the E.D.s of other hospitals in certain circumstances.

We have revisited these projections and these estimates and we have substantially recalculated our needs as a result. See the attached chart labeled Exhibit C, ED Visits/Treatment Room Analysis. Our design called for the construction of 11 treatment rooms for this estimated peak need of 20,016 annual E.D. visits, or a level of 1,818 per room. This annual figure of 1,818 visits per room is substantially higher than the projected visits for several recently approved CONs in Maine – including St. Mary's with 1,233 annual visits per room, SMMC with 1514 annual visits per room and MaineGeneral with 1514 annual visits per room.

We have reviewed guidelines of the American College of Emergency Physicians (ACEP), which point to recommended ranges from 1,053 to 1,333 visits per room for hospitals with annual visits of 20,000. See chart.

With these factors in mind, we have determined that we will need 15 treatment rooms in order to achieve 1,533 visits per year per room, which will still be above the ACEP guideline, and at or above the level set forth in recently approved CONs. Our planning assumptions were based upon an annualized rate that reaches 20,000 annual visits during peak times. If population increases continue as recently projected by the Hancock County Planning Commission (see below) our visits per room could realistically reach 1,533 visits per year per room within the 10 year planning forecast – compared with 2,500 visits per room at the present time.

In an analysis of population data conducted by the Hancock County Planning Commission, Hancock County has consistently and significantly exceeded percentage increases in population for the state of Maine. In the greater Ellsworth area from 1990 to 2000 population increased 17.0%, compared to Hancock County (10.3%) and the State of Maine (3.8%). During recent years, the Ellsworth population alone has increased annually approximately 6%, driven largely by the introduction of significant retail developments centered around Home Depot and Lowe's. Current construction of a super Wal-Mart and 25 associated retailers and restaurants assures continued growth. Prior to the announcement of these developments in early 2007, Ellsworth population was projected to grow 8.7%, by the year 2015. This was a number that we relied upon in our planning process. A recent consultant's study for the City of Ellsworth, entitled, Economic Development Strategy that was released in November 2007, confirms these growth projections and recommends that the city actively work with the hospital to address the hospital's future space needs.

In the same Hancock County Planning Commission report, dated March 2004, it was stated that "Hancock County, like much of Maine, is aging rapidly. This effect is compounded in Hancock County, where birth rates are low, and in-migration is significantly composed of early retirees and empty-nesters." Consistent with this report, an aging population consumes more health care, including higher incidence of chronic

disease, including heart disease, diabetes and disability, not to mention, E.D. utilization rates. It was noted in the report that the Hancock County population covered by health care insurance is at 80% compared to the state of Maine (87%) and the United States (89%). The average age for Hancock County residents was 40.7 in 2000 compared to 38.6 for the State of Maine

Relationship to MCMH Primary Care Practices

At our December 13 meeting, I discussed with you the hospital's strong commitment to fulfilling the needs of our community for primary care and related physician services. Presently, the hospital directly employs 39 physicians, of which 24 are primary care – family practice, pediatrics or internal medicine. In spite of all of our efforts to recruit physicians and increase access to care, there continues to be an inadequate supply of primary care physicians, causing an increased demand for noncritical services in the E.D. We have worked hard to ensure that there is a "same day" service within each of our practices, and this has helped to plateau workload in the E.D. for the time being. However, we see the reconfigured EDSR project as complementary to the provision of timely access to care and the original plan for 11 treatment stations does not eliminate the bottleneck for patient throughput. In one recent study our average "door to doc" time exceeded two hours.

Further, as I shared with you, the design of the E.D. treatment stations and E.D. area generally could be easily reconfigured to permit portions of this space to house physician offices allowing us to easily convert to a primary care clinic design if we were able to reduce demand for emergency services.

I also shared with you at our December 13 meeting the potential closure of an urgent care facility in the community – independent of the hospital and staffed by a 75-year-old physician due to retire soon. Daily volume at this facility ranges between 30 and 60 patients per day.

Staffing, Financial and Economic Feasibility

There are no changes for the staffing of this project and the financial and economic projections are consistent with the CON as submitted. The hospital continues with its commitment to staff and improve access to its "same day care services" within its hospital owned physician practices. Staffing of the E.D. has already been geared to 18,000 visits per year and the additional treatment stations create throughput efficiencies that help us to control staffing expense. Our goal continues to be toward capping utilization of the emergency department and improving the utilization of less expensive, primary care resources.

Relationship to State Health Plan and Related Factors

I refer you to pages 21 to 24 of our application in which we addressed these several factors. Our points remain valid and current with respect to this EDSR.

At our meeting, you also asked that we address a recent study by the Maine Center for Disease Control. We are trying to track down this study in order to respond more specifically. Could you please provide us with the name of the study or a PDF? We can then supplement this filing.

Conclusion

We thank you again for the guidance you provided to us at our recent meeting, and in this filing have tried to address the factors we discussed. We welcome the opportunity to work further with you to obtain approval of this Subsequent Review request in the near term.

I will be in touch shortly to discuss this further and learn what further steps will be involved in achieving this goal.

Thank you for your help.

Sincerely,

Douglas T. Jones, FACHE
President/CEO

DTJ/gpp

cc: Ellen Belknap
John Dickens
John P. Doyle, Jr., Esq.

Attachments