

BRIEFING MEMO

Maine Medical Center Capital Expenditure to Expand or Renovate Operating Room Capacity

DATE: January 17, 2014

TO: Mary C. Mayhew, Commissioner, DHHS

THROUGH: ^{KP} Ken Albert III, Director, Division of Licensing and Regulatory Services

FROM: Larry Carbonneau, Manager, Health Care Oversight
Richard S. Lawrence, Senior Health Care Financial Analyst

SUBJECT: Maine Medical Center - expansion and renovation of operating room capacity.

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

REGISTERED AFFECTED PARTIES: Central Maine Healthcare and Mercy Hospital

I. BACKGROUND:

Maine Medical Center (MMC) is a 501 (c) (3) organization and is a subsidiary of MaineHealth, located in Portland, Maine. MMC is the State's largest medical center. It is licensed for 637 beds and employs more than 6,000 people. MMC is a State-licensed, Federally-certified, Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accredited hospital with its main campus located in Portland, Maine.

II. PROJECT DESCRIPTION:

MMC proposes to make a capital expenditure of \$40.8 million to increase the number of operating rooms (OR) on its main campus (Bramhall) in Portland and create an operating room equipped for the performance of transcatheter aortic valve replacement procedures at that site. This project involves new construction and renovations to house 5 surgical/interventional procedure rooms, associated preparation/recovery capacity, associated support functions on MMC's Bean building Level 2, improvements to the vertical transport system between the Central Sterile Department in the Bean building Sub-Basement and Bean Building Level 2, and renovations to develop a Cardiac hybrid Operating Room in MMC's Main Surgical Suite to support MMC's Heat Valve Center's Transcatheter Aortic Valve Replacement Program.

The estimated capital expenditure for this project is forty million seven hundred sixty seven thousand dollars (\$40,767,000). The Bean 2 portion of the project is scheduled to be completed October 1, 2014, the beginning of MMC's FYE 2015. The Cardiac Hybrid Operating Room is scheduled to be completed in January 2015.

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III. HIGHLIGHTS:

Letter of Intent dated: September 6, 2012
Technical Assistance meeting held: October 17, 2012
CON application filed: June 12, 2013
CON application certified complete: June 12, 2013
Public Informational Meeting held: N/A
Public Hearing: July 30, 2013
Preliminary Analysis released: December 23, 2013
Record Closed: January 14, 2014

IV. PUBLIC COMMENTS RECEIVED IN RESPONSE TO THE PRELIMINARY ANALYSIS:

Following release of the Preliminary Analysis, no public comments were received.

V. CONU ANALYSIS/APPLICANTS COMMENTS:

i. Fit, Willing and Able:

Maine Medical Center has provided hospital and related services throughout the State of Maine for many years. The services provided by the applicant are consistent with applicable licensing and certification standards.

ii. Economic Feasibility:

The applicant's financial projections demonstrate the financial feasibility of this project. Based on Maine Medical Centers 2012 consolidated balance sheet and consolidated statements of operations Maine Medical Center has sufficient financial resources (Cash of \$21,142,000, Investments of \$204,718,000 and Income from Operations of \$31,045,000) to support this proposed project in the event that financial projections are not realized. CONU is unable to predict the impact of implementation of the Affordable Care Act on reimbursement.

iii. Public Need:

The applicant demonstrated that there is a current need to modernize MMC's Bramhall Main Surgical Suite to correct square footage and utilization issues. Public need is demonstrated because of MMC's role as a tertiary care and referral center for the entire State of Maine. MMC's Surgical Services address specific health problems such as cancer, cardiovascular diseases, eye diseases and injuries, gastric and intestinal diseases and injury, gynecological diseases, joint and bone diseases, neurological and spinal diseases, obesity, and trauma. Demonstrable improvements in quality and outcome measures will result from this project due to improved availability of care for complex inpatient, emergency and trauma surgery

patients. In addition delays and cancelations will be minimized and utilization of operating rooms will be consistent with industry standards. The applicant will offer the services affected by the project to all residents of the area proposed to be served and therefore will ensure accessibility of the service.

iv. Orderly and Economic Development:

Total health care expenditures are not projected to increase significantly as a result of this transaction. Current and projected utilization levels of these services make the continuation and availability of these services a necessary component of health care. State funds should not be materially impacted by this transaction. It is unlikely that more effective, more accessible or less costly alternative technologies or methods of service delivery will become available.

v. Outcomes and Community Impact:

Replacing and modernizing aging and undersized operating rooms and associated infrastructure will help ensure high quality outcomes. MMC will continue its collaboration with MaineHealth Surgical Quality collaborative which supports participating hospitals in their efforts to review and improve the quality and safety of surgical care. This project does not cause any shift in market share. As a result, the project will not negatively affect the quality of care delivered by existing service providers.

vi. Service Utilization:

MMC is undertaking this project to meet an existing health care need to modernize and expand operating room capacity. This project does not result in the addition of new health services or the intended expansion of existing services. MMC works with third-party payers and insurers to avoid unnecessary surcharges through a utilization review process. MMC participates in MaineHealth's Population-based initiatives (health status improvement, clinical integration and quality improvement) which will have a positive impact on utilization.

VI. CONCLUSION:

For all the reasons set forth in the Preliminary Analysis and in the record, CONU concludes that the review criteria have been satisfied. CONU recommends the approval of the CON **with conditions.**

VII. RECOMMENDATION:

CONU recommends this application be **Approved with the following conditions:**

- The applicant is to report improvements in quality and outcome measures for services affected by the project on an annual basis within 90 days of its fiscal year end beginning with the time period when the Certificate of Need was approved until a full three years have elapsed since the date of project completion.

- The applicant is to report operating room utilization for facilities affected by the project on an annual basis within 90 days of its fiscal year end beginning with the time period when the Certificate of Need was approved until a full three years have elapsed since the date of project completion.