

# **BRIEFING MEMO**

## **Maine Medical Center**

### **Expansion of Research Institute Facility in Scarborough, Maine**

**TO:** Brenda M. Harvey, Commissioner, DHHS

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

**FROM:** Phyllis Powell, Manager, Certificate of Need Unit  
Steven R. Keaten, Healthcare Financial Analyst

**SUBJECT:** Proposal by Maine Medical Center to expand their research facility located in Scarborough, Maine at an estimated capital cost of \$12,198,000.

**DATE:** August 2, 2007

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**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:**

- Maine Medical Center (MMC) is a not-for-profit corporation and is a subsidiary of MaineHealth®, a not-for-profit corporation. MMC is licensed for 650 beds including 42 newborn beds. The Maine Medical Center Research Institute (MMCRI) was established in 1991 and is located on MMC's Scarborough campus. MMCRI supports patient care and medical education at MMC, and introduces new and innovative diagnostic modalities into the area for the betterment of regional healthcare.
- This project involves the expansion of a 23,000 square foot addition to the existing facility to house 7 principal investigators, their research teams and administrative support staff.
- The *Division of Licensing and Regulatory Services, Medical Facilities Unit*, confirms that Maine Medical Center is a fully licensed acute care hospital licensed in the State of Maine and is MaineCare and Medicare certified. MMC was fully accredited by the Joint Commission on November 2, 2005.

***The CONU concludes that the applicant is fit, willing and able to manage this project and continue to provide services at the proper standard of care.***

- The applicant has determined that the capital cost for this project is \$12,198,000 resulting in third year operating costs of \$1,794,466. An error on Page 17 of the last paragraph of the preliminary analysis states that the applicant is not using any outside sources to fund this project. MMC proposes to finance the entire project with MHHEFA tax-exempt bonds.
- Demands on liquidity and capital structure are expected to be adequate to support projected operations. Financing and turnover ratios show little impact on the organization

as a whole from successfully engaging in this project. The hospital has shown significant current earnings which are not expected to be impacted by this project.

***The CONU has determined that the applicant could financially support the project.***

- A visit to the site acknowledges that all research area is currently occupied and being used for research. To accommodate additional research teams at the facility requires building additional space. Not doing anything would mean losing research dollars to other areas possibly out of the state.

***The CONU has determined that MMC has demonstrated a need for the proposed project.***

- *Maine Bureau of Insurance* estimated that the maximum impact of this CON project on private health insurance premiums in MMC's service area for the project's third year of operation will be approximately \$0.033 per \$100 (0.033%) of premium. They further estimate that this project, in its third year of operation, will have a maximum impact on statewide private health insurance premiums of approximately \$0.012 per \$100 (0.012%) of premium. This is a minimum financial impact to third party payors.
- Total approved 3rd year operating costs are projected to be \$1,794,466 and of that amount MaineCare's 3rd year cost is \$0. MaineCare does not share in the cost of research as a payor.

***The CONU has determined that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State.***

- The CONU concurs with the assessment from the *Maine Center For Disease Control and Prevention*. The CONU has evaluated this proposal against the criteria set forth in the 2007 State Health Plan. Our conclusion notes that this project addresses several of the criteria:
  - MMC has demonstrated that the project will protect public health and safety as research may lead to cures for chronic diseases.
  - MMC has demonstrated that this project exercises less than a 0.5% increase on regional insurance premiums as stated by the assessment from the Bureau of Insurance.

***The CONU has determined that the project would be consistent with the State Health Plan.***

***The CONU did not try to determine if this project would ensure high-quality outcomes or negatively affect the quality of care provided by existing service providers as it is a research project.***

***The CONU did not try to determine if this project would result in inappropriate increases in service utilization as it is a research project.***

- This was determined to be a simplified review and therefore not subject to the CIF.

***The CONU has determined that this project need not be funded within the Capital Investment Fund.***

**HIGHLIGHTS:**

Letter of Intent dated January 29, 2007  
Subject to CON review letter issued February 6, 2007  
Technical Assistance Meeting held on February 28, 2007  
Application filed and certified as complete on March 9, 2007  
Application placed in review cycle on March 9, 2007  
Applicant's public informational meeting held on April 20, 2007  
A public hearing was not requested  
Preliminary analysis released on June 28, 2007  
Preliminary analysis published in newspapers on July 2, 2007  
Record closed on July 17, 2007

**Comments From Public:** No public comments were received following release of the Preliminary Analysis.

**CONU Conclusion:**

*For all the reasons set forth in the preliminary review, based solely on review of the record, we conclude that the review criteria have been satisfied as follows.*

- The applicant is fit, willing and able to provide the proposed services at the proper standard of care.
- The economic feasibility of the proposed services has been demonstrated.
- A public need for the proposed services has been demonstrated.
- The proposed services are consistent with the orderly and economic development of health facilities and health resources for the State.
- The proposed project is consistent with the State Health Plan.
- The proposed project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers does not apply to this project.
- The proposed project does not result in inappropriate increases in service utilization does not apply to this project.
- The proposed project need not be funded within the Capital Investment Fund.

**RECOMMENDATION:** The Certificate of Need Unit recommends this proposal be **Approved.**

Capital Costs

\$ 11,414,000

\$ 784,000

\$ 12,198,000

Capital Costs As Proposed and Approved

Contingency

Total Approved Capital Budget

Incremental

3<sup>rd</sup> Year Costs

\$ 1,794,466

Approved As Proposed

Capital Investment Fund

\$ n/a