



Maryland  
Hospital Association

## **HOSPITAL BOND PROGRAM: PROGRAM SUMMARY**

### **BACKGROUND**

In the 1993 Joint Chairman's Report, the General Assembly requested that a work group be formed to recommend a process for the allocation of state funds to private hospital capital projects that was similar to the process used by the private colleges and universities. The work group was chaired by a representative from the Department of Budget and Management [DBM] and included members from the Department of Health, Maryland Health Care Commission (MHCC), Health Services Cost Review Commission (HSCRC), and the Maryland Hospital Association (MHA). The work group's recommendations, as accepted by the Governor and the legislature, included a delineation of "criteria for projects." Further, it was recommended that each project undergo an application and screening process and then a scoring and ranking process. Finally, the work group recommended that the MHA establish an 11-member project review committee to implement the review process.

### **HOSPITAL BOND PROJECT REVIEW COMMITTEE**

The Hospital Bond Project Review Committee is composed of a mix of hospital trustees and hospital executives. A representative of the Department of Budget and Management and Department of Legislative Services serves in a non-voting, ex-officio capacity to provide technical assistance. The Committee will strive to ensure geographic diversity with regions represented by at least one member from: Baltimore Metro; Eastern Shore; Southern Maryland; Western Maryland; and, the Washington suburbs.

### **PROJECT SELECTION CRITERIA**

According to these criteria, a requested project should:

- a. Be hospital driven with at least a 50% ownership/interest of the hospital entity.
- b. Align with the goals of Maryland's Total Cost of Care Model to reduce total health care spending and improve population health.
- c. Improve patient care by enhancing access to primary and preventive services; focus on unmet community health and related social needs; and, improve the patient safety environment.
- d. Encourage collaboration with other community partners, where appropriate.
- e. Where appropriate, seek to reduce potentially avoidable hospital utilization, resulting in more efficient and effective services.

In addition, serious consideration should be given to the unique needs of hospitals which are:

- a. Sole community providers;
- b. Proposing projects located in underserved areas;
- c. Proposing projects of special regional or statewide significance; or
- d. Proposing projects not requiring multi-year state bond funding.

### **APPLICATION AND SCREENING PROCESS**

Applicants must submit a formal application to the committee. In addition to any other requirements established by the Hospital Bond Project Review Committee, applicants must:

- Submit relevant excerpts of the most recent Community Health Needs Assessment.
- Provide assurances that the project provides access to all citizens regardless of insurance status.
- Provide a signed Board Resolution in support of the project and the amount of the board's financial commitment. If one or more organizations are involved, Board Resolutions from each entity are required.
- Obtain necessary approvals/exemptions for the proposed project from the MHCC (i.e., CON, rate orders, etc.). If the hospital is seeking a rate increase for this project, approvals/exemptions must also be received from HSCRC. Any request for CON determination must be **accompanied by electronic submission to MHCC and HSCRC (if applicable) in Microsoft Word format ONLY**. Once a response is received from the state agencies, it should be emailed to Jane Krienke at [Jkrienke@mhaonline.org](mailto:Jkrienke@mhaonline.org)

All requests for CON determination should be sent to the following contacts:

Wynee Hawk  
Chief - Certificate of Need Division  
Center for Health Care Facilities Planning & Development  
Maryland Health Care Commission  
4160 Patterson Ave.  
Baltimore, MD 21215  
[wynee.hawk1@maryland.gov](mailto:wynee.hawk1@maryland.gov)

If applicable:

Jerry Schmith  
Principal Deputy Director  
Revenue and Compliance  
Health Services Cost Review Commission  
4160 Patterson Avenue, Baltimore, Maryland 21215  
[Jerry.Schmith@maryland.gov](mailto:Jerry.Schmith@maryland.gov)

- Provide matching funds, including demonstrated community financial support (in most cases matching funds should be at least equal to the proposed grant and should not include real property or in-kind contributions)
- **Submit proposals for projects which have at least a 15-year useful life, including information that the subject property is owned by the grantee or is to be held by them under a lease extending at least 15 years** (Note: this is a legal requirement for State of Maryland capital funding). Details on allowable projects can be found here: [https://dgs.maryland.gov/Documents/grants/CGL\\_Booklet.pdf](https://dgs.maryland.gov/Documents/grants/CGL_Booklet.pdf)
- Submit proposals for projects that are well-developed and ready to be initiated during the ensuing fiscal year. In some cases, the project may require hospital funds for pre-planning, site or building acquisition, etc. Hospitals may be able to count these funds as hospital funds committed to the project, but they should be expended as close to the beginning of the funding cycle as practical. Applications submitted this year that are recommended for funding by the Hospital Bond Project Review Committee would be approved by the Maryland General Assembly during the 2024 session, with funding available beginning June 1, 2024. The majority of construction should occur in FY25, though certain pre-planning and acquisition costs may be incurred prior to the start of FY25. **Please see the timeline graphic in the application materials to help determine the appropriate timing.**
- Projects should be distinct and completed within the seven-year term of the grant. It is critical that members certify their matching funds within **two years** of the effective date of the grant, otherwise the grant will expire without intervention. For applications approved by the Maryland General Assembly during the 2024 session, the two-year period is June 1, 2024 – June 1, 2026.
- The State of Maryland requirements and timeline can be found in the Capital Grants Projects Booklet <https://dgs.maryland.gov/Pages/Grants/index.aspx>. Applicants should be familiar with the state requirements/deadlines and additional documentation required by specific state agencies including the Maryland Historical Trust, Department of General Services and the Office of the Comptroller.

- Community support letters should be submitted with the application. Support letters should be addressed to:

Hospital Bond Project Review Committee  
c/o Jane Krienke  
Maryland Hospital Association  
6820 Deerpath Rd.  
Elkridge, MD 20175

Upon an applicant's submission to MHA's member specific SharePoint site, MHA staff and consultant will review the application to determine if additional documentation or clarification is needed before final review. Following completion, the hospital will present to the Hospital Bond Project Review Committee to be scored and ranked.

## **SCORING AND RANKING PROCESS**

To make the scoring and ranking process as objective and quantitative as possible, the scoring criteria have been divided into several categories. For each category, the Hospital Bond Project Review Committee has approved a guideline narrative, a weight, and a maximum score.

Each project is scored individually using the project selection and scoring guidelines. All projects are then ranked against each other by category, with special attention being given to patient care, community needs, improving patient safety and alignment with Maryland's Total Cost of Care Model goals that account for a significant portion of the category weights. The Committee has final discretion over project scoring.

The Committee may not recommend funding for any project that scores below a minimum threshold determined by the Committee. A point value is assigned to each criterion. The Committee recommends that projects scoring below 60% of possible points may not be recommended for funding.

## **ELIGIBILITY**

All MHA dues-paying hospitals are eligible to apply for funds each annual cycle. Should you have any questions about eligibility, please contact MHA staff prior to submitting an application.

## **FINANCIAL CAPACITY CRITERIA**

When considering the merits of a project, the Committee may examine the overall financial capacity, past funding allocations from the bond program and need of the hospital requesting

bond funds. In conducting this review, the Committee shall, among other relevant factors, consider:

- Whether reimbursement/payments for the service rendered by the project will cover expected expenses and the hospital is committed to subsidizing the operating costs of the project
- The hospital's level of uncompensated care
- The hospital's debt to equity ratio
- The hospital's debt service coverage ratio
- The hospital's Medicaid disproportionate share

## **EXCLUSIONS**

Hospital projects that will not be considered for funding under any circumstances include those for:

- Construction of new hospitals without a Certificate of Need
- Projects for which the result is a net increase in inpatient beds, not approved by the MHCC
- Purchase of major medical equipment
- Construction or renovation of parking facilities or other non-patient care-related facilities
- Retroactive grants
- Any project not meeting the Department of Budget and Management's 15-year useful life cycle criteria.

Hospital projects that require CON approval or result in a bed increase may be considered, but all approvals must be obtained before submission. The MHA bond program's FY 25 budget is expected to be \$7 million, therefore any projects requiring these types of approvals should be distinct and not part of larger expansion projects. An example of a smaller, distinct project might include a hospital unit renovation to convert Medical/Surgical capacity to Psychiatric capacity, with a small bed increase. The bond program was not intended to secure a small portion of funding for a much larger CON project and applications reflecting this approach will not qualify. An example might include seeking a \$500,000 match as part of a \$45 million hospital bed expansion.

**Projects for consideration may not request more than 20% of the total amount budgeted for the program. For the 2024 cycle, the individual project request limit is \$1.4 million.**

In addition, any projects that the Governor determines to fund directly in the capital budget are separate and distinct from this program.

### **MATCHING FUNDS**

As indicated above, most grants should be supported by cash-matching funds in an amount at least equal to the amount of the grant. In some circumstances, this requirement may prevent a project from moving forward. If a project meets a critical and urgent need to serve a low-income population and the requesting hospital is financially unable to provide an equal cash match, then the committee may recommend a more liberal matching fund requirement.

**Hospitals may not use any regional transformation grant monies that were used for capital spending as a source of hospital matching funds. Funds received from the Maryland Health and Higher Education Facilities Authority also may not be used to satisfy the state's matching requirement.**

### **SANCTIONS**

The Department of Budget and Management thoroughly reviews all projects submitted as part of the State's capital budget.

- If a hospital does not apply for funds via the MHA program, then has a bond bill introduced outside of the program, the hospital is prohibited from submitting an application for two years.
- If an applicant is recommended for funding under this program and subsequently withdraws its project without good cause, the hospital is prohibited from submitting an application for two years.
- If an applicant is recommended for funding and funding is approved by the Governor and the General Assembly, but the applicant subsequently does not move forward with the project without good cause, the hospital is prohibited from submitting an application for two years.
- Note: MHA staff recognizes the extraordinary reshaping of the health care delivery system that occurred as a result of the new Maryland Total Cost of Care model. In certain cases, the significant changes to system incentives may have rendered past capital projects obsolete, and therefore hospitals withdrew or requested de-authorization of funds. MHA staff will consider this should hospitals that withdrew or de-authorized funds wish to reapply within a two-year period.