

Title 10 DEPARTMENT OF HEALTH AND MENTAL HYGIENE**Subtitle 37 HEALTH SERVICES COST REVIEW COMMISSION****Chapter 02 Standards of Review****Authority: Health-General Article, § 19-216****Annotated Code of Maryland****.01 Vacant.****.02 Review Standards for Rate Applications by Merged and Consolidated Hospitals.**

A. The following terms have the meanings indicated.

B. Terms Defined.

(1) "Consolidation" means the extinguishment of two or more hospitals and by the same process a new hospital organization is formed, taking over the assets and assuming the liabilities of those passing out of existence.

(2) "Mergers" means the union of two or more hospitals by the transfer of all the property of one or more of them to one of them, which continues in existence, the others being merged therein. Only the hospital that continues in existence will receive Commission approved rates for acute hospital services.

C. Specific Standard.

(1) In the event of a merger or consolidation as a result of which one or more of the participating hospitals no longer provides inpatient care at its existing location, the Commission shall approve rates for the surviving hospital or hospitals such that the revenues of the surviving hospital or hospitals are increased based upon one of two variable cost calculations, with the merged or consolidated facility choosing between the options.

(2) The first alternative is for the surviving hospital or hospitals to receive in relation to the new admission variable costs in the first year equal to 80 percent. This figure shall be reduced to 70 percent in the second year for those new admissions. For the third year and after that, the variable cost amount built into the hospital's base for these admissions shall be 60 percent. These variable cost percentages shall be limited to the number of admissions at the closed hospital. These amounts shall be applied to the average cost of hospitals in the screening group of the closing hospital (adjusted for wage differences as appropriate).

10.37.02.02

(3) The second alternative is for the surviving hospital to receive the normal 50 percent variable cost factor plus direct adjustments reflecting:

- (a) The cost of debt transferred from the closed facility;
- (b) A reasonable allowance for employees who are displaced by the merger or consolidation;
- (c) A reasonable allowance for the retraining of employees;
- (d) A reasonable allowance that permits the surviving institution to generate capital to convert a closed facility to an alternate health care use in conformance with the State Health Plan, which is incorporated by reference under COMAR 10.24.07; and
- (e) A reasonable retention of a portion of the savings over a 3-year period.

(4) A merged or consolidated hospital may request rates from the Commission at anytime consistent with Commission law and regulation. A review of the hospital's request shall be undertaken in accordance with the review and approval procedures developed by the Commission in carrying out its responsibilities under Health General Article, Section 19-220. Those procedures shall establish reasonable rates based upon the premise that hospitals are to provide effective and efficient service.