

**M E M O R A N D U M**

November 8, 2022

TO: Health and Human Services Committee

FROM: Tara Clemons Johnson, Legislative Analyst

SUBJECT: Special Appropriation #23-29 to the Fiscal Year 2023 Operating Budget  
Montgomery County Government, Department of Health and Human Services:  
Montgomery County Hospital Response, \$10,000,000

PURPOSE: Worksession, vote expected

Expected Attendees:

***County Government***

Dr. Earl Stoddard, Assistant Chief Administrative Officer

***Montgomery County Hospitals (appearing virtually)***

Daniel L. Cochran, President, Adventist HealthCare. Shady Grove Medical Center

Andrew Nicklas, Deputy General Counsel, Adventist HealthCare

Norvell "Van" Coots, MD, President and CEO, Holy Cross Health

Annice Cody, President, Holy Cross Health Network

Jessica Melton, MHA, President, Suburban Hospital

Leslie Weber, Director, Government & Community Affairs, Suburban Hospital

The Council introduced this special appropriation on October 25, 2022. The County Executive's October 18, 2022, transmittal stated that the appropriation is necessary to help support Montgomery County hospital's operations due to persistent financial, operational, and workforce challenges associated with the COVID-19 pandemic. The source of funds for this appropriation is Undesignated General Funds. The Council is tentatively scheduled to hold a public hearing and consider action on this requested appropriation on November 15, 2022.

Hospitals were at the forefront of health care delivery during the COVID-19 pandemic, and the County hospitals have described the strain the pandemic has placed on patient care. The aftermath of COVID-19 and the on-set of Monkeypox have challenged the hospitals incurring high labor cost, critical staffing shortages and overall economic inflation. In an August 30, 2022, letter to County Executive Elrich (attached at circle 4), the hospitals noted that financial stability

is challenging because of increased expenses associated with responding to a pandemic, lower revenues from decreased use of other hospital services and limitations of the rate setting model in Maryland.

The Montgomery County hospitals shared their biggest short-term financial challenge is maintaining an adequate workforce-

*“The Maryland Hospital Association recently released a study noting that 1 in every 4 nursing positions in Maryland is currently vacant. That has left hospitals with no choice but to pay exorbitant rates to staffing agencies to fill these gaps, which has impacted our financial health and is simply not sustainable. MHA also reported that 62% of licensees and certificate holders of the Maryland Board of Nursing have thought recently about leaving nursing. All local, state, and federal officials should be as equally concerned as health providers are for the crisis we are in now.”*

There have been multiple strategies in recent years to address the issues the hospitals are facing. These include direct funding from State, Federal, and County, as well as policy changes that would address structural challenges. Key efforts are outlined later in this packet; however, the hospitals request this appropriation at this time to support operations.

### **County Funding**

In April 2020, during the onset of COVID-19, County Council appropriated \$10 million from the General Funds Reserve (Resolution 19-410) for the County Hospitals. The emergency funding was to relieve pressure on hospital operations and finances as they pivoted to treating volumes of COVID-19 patients. The shift in operations also included enhanced infection prevention protocols such as personal protective equipment, isolating patients and limiting outpatient procedures.

The proposed distribution of this appropriation of funds to the County hospitals is below. The distribution matches the allocation of the \$10 million appropriation in April 2020.

| <b>Hospital</b>                   | <b>Amount</b>       | <b>Percent of the Total Distribution</b> |
|-----------------------------------|---------------------|--|
| Adventist HealthCare              | \$4,002,922         | 40%                                      |
| Holy Cross Health                 | \$3,281,116         | 33%                                      |
| Suburban Hospital                 | \$1,794,779         | 18%                                      |
| MedStar Montgomery Medical Center | \$921,133           | 9%                                       |
| <b>Total</b>                      | <b>\$10,000,000</b> | <b>100%</b>                              |

The County Executive’s office shared the intent is to help maintain existing services and prevent any further reductions. The hospitals will be requested to provide a detailed breakdown of how the funds were used but not requiring approval for individual expenditures. Given the issues

experienced by the hospitals are driven in large measure by staffing costs, the expectation is a large percentage of the funds will support staff salaries.

This request is one-time funding to assist for this immediate issue. The hospitals anticipate that they will ultimately receive reimbursement from insurance providers; however, the timeline for payment is problematic due to reimbursements not keeping pace with rising staff cost.

The County's Office of Racial Equity and Social Justice (ORESJ) stated that the assessment for special appropriation is #23-29 Hospital Response is inconclusive. "ORESJ could not determine the extent to which a racial equity lens was applied in the formula used to determine the distribution of supplemental aid across recipient hospitals. The distribution of assistance should consider hospital-related health disparities affecting Black and Latino residents in the County. Accounting for these disparities in the distribution of resources will help to prevent gaps from widening in the event of service interruptions or reductions."

### **Discussion Questions for the Committee to consider**

- The Montgomery County hospitals noted that workforce was the biggest short-term challenge. How are the hospitals defining short-term and what are their plans to address it?
- Have the hospitals worked with the respective parent organizations to discuss the shortage and funding support? (i.e., MedStar Health, Trinity Health, Adventist Health, John Hopkins)
- Have the hospitals with service areas in multiple jurisdictions requested supported from the respective local/county governments?

The County Executive's transmittal states that this appropriation is necessary to prevent reduced services to County residents. The Committee may want to hear more details on the impacts on County residents and what services specifically may be impacted.

### **Maryland's Commitment to Hospital Workforce Challenges**

Hospitals immediately responded to the increased patient care during the pandemic, however, the focus now is shifting to the future of health care delivery. This includes exploring new innovations in workforce recruitment and retention efforts. Council staff notes that the initiatives described demonstrate the State's and others' commitment to combat Hospital workforce challenges and embrace opportunities.

The COVID-19 pandemic heightened the workforce challenges as the hospital faced increased demands for care including testing, treatment for COVID-19, vaccine mandates, attrition, and burnout. While specific strategies for addressing the staffing crisis should be tailored to a hospital's mission and strategic plan, the Maryland Hospital Association and Maryland General Assembly are providing recommendations including policy and operational changes that will help support a sustainable workforce.

### *Maryland Hospital Association*

The Maryland Hospital Association has prioritized the challenges in workforce launching the Task Force on Maryland's Future Health Workforce in Fall 2021.

The Task Force released its State of Maryland Health Care Workforce report in August 2022. The high-level recommendations included, 1) Expanding Maryland Workforce Pipeline, 2) Remove barriers to education, 3) Retain the Health Care Workforce and 4) Leverage talent with new care models. Action items that were specific to hospitals included partnering with community-based organizations on workforce development, changing internal policies to retain staff and maximize existing health care staff by implementing new care model. The report also provided example of model programs who have created innovative approaches to workforce challenges. The Task force noted that the workforce challenges will not be solved within a year but will take a focused long-term approach towards a systematic change.

### *Maryland General Assembly*

In April 2022, the Commission to Study the Health Care Workforce Crisis in Maryland was created by the Maryland General Assembly ([Chapter 708, Acts of 2022](#)). The purpose is to examine areas related to health care workforce shortages including the extent of the workforce shortage, short-term solutions and future health care workforce needs. The Commission will also consider the relationship between the Maryland Department of Health and the health occupations boards that determine licensing and certification for health professionals.

The Commission is focused on health care workforce shortages in all medical settings such as hospitals, community health centers, private practice, etc. The Commission is required to submit an interim report of its findings and recommendations to the Md. Senate and House Committee's on Health by December 31, 2022.

Community organizations and advocates are promoting policy change at the state level that would approach health care licensure requirements through an equity lens. This intentional focus could help reduce barriers for individuals joining or remaining in the health care workforce. This appropriation is requested to support hospital operations and prevent the hospital from reducing or eliminating services for residents.

### **Maryland Hospital Financial Structure**

The hospital structure in Maryland is a distinctive model supported by the federal government through a waiver. The federal waiver requires that all payers, such as Medicare, Medicaid, and commercial insurance companies—pay the same rate for the same hospital service at the same hospital. The hospitals are under the Total Cost of Care model which prioritizes meeting quality measures than patient volume, with a goal of reducing overall spending.

### *Health Services Cost Review Commission*

Maryland hospitals' financial practices are regulated by state and federal laws with support from the Health Services Cost Review Commission (HSCRC). The HSCRC is an independent state

agency established and charged with annually setting Maryland hospital rates. Rates are set predicting that total revenues anticipated, match each hospital's planned annual revenue. During the on-set of COVID-19, the HSCRC allowed Maryland hospitals to temporarily increase inpatient and outpatient rates by up to 15% and permitted additional increases in inpatient prices up to 20% in May through July 2020.<sup>1</sup> This was done to offset initial revenue losses from COVID-19.

For calendar year 2023, the HSCRC staff has proposed a 3.38% increase in rates for hospitals following the global budget revenues (GBR).<sup>2</sup> Maryland hospitals are allowed to submit an application for a rate review. This provides the opportunity for a hospital to negotiate a rate change.

Based on minutes from October 2022 HSCRC meeting, the HSCRC is considering a moratorium of reviewing rate applications through June 30, 2023. They would like to do a thorough analysis of data to determine if the rate application changes requested have been substantially affected by COVID-19. The HSCRC notes there are other methods hospitals can utilize to change rates during the moratorium such as GBR adjustments and temporary rate relief. Additionally, hospitals can submit temporary rate applications during the moratorium. HSCRC will consider the hospitals financial status relative to its performance to determine if a temporary rate increase will be approved.

### **Recent COVID-19 Related Funding Support**

Maryland hospitals have been supported through an infusion of emergency funds to help offset financial losses during COVID-19. Below are a few examples demonstrating the federal, state and local government support for the hospitals during and post COVID-19.

**In April 2020**, during the onset of COVID-19, Hospitals and health care providers were provided \$742 million in CARES funding through the State of Maryland. Approximately \$400 million was allocated to Maryland hospitals.

As noted in the aforementioned information, in April 2020, Montgomery County Council appropriated \$10 million from general funds for the County Hospitals. The distribution of the funds among the hospitals in the April 2020 appropriation matches the proposed distribution of this appropriation.

**In December 2021**, Governor Hogan announced \$100 million in emergency funding for Maryland hospitals and nursing homes to address staffing needs. Of the \$100 million:

- \$50 million is designated for Maryland hospitals and will be administered through the Health Services Cost Review Commission to immediately respond to hospital workforce and staffing needs.

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<sup>1</sup> [Hospital Revenue Under Maryland's TCOC Model During the COVID-19 Pandemic](#)

<sup>2</sup> [CY23 HSCRC Rates June 2022 meeting](#)

- Maryland hospitals were also allocated \$25 million to help expand the availability of COVID-19 testing, treatments, and vaccines.

**In October 2022**, Governor Hogan announced \$25 million for Maryland hospitals and directed them to prioritize these resources for pediatric ICU hiring and recruitment of staff. This funding is to help address the increase in RSV hospitalizations in the recent years. All hospitals are also strongly urged to collaborate with neighboring hospitals on pediatric patient care coordination.

#### County Hospitals Response

On November 9, 2022, Council staff received responses to questions posed regarding operations, potential reductions in service, engagement with the state and workforce issues (attached at ©7).

#### **This report contains:**

|   |        |
|---|--------|
| County Executive transmittal memo                         | ©1     |
| Proposed Special Appropriation Resolution                 | ©2-3   |
| Hospital letter to the County Executive – August 30, 2022 | ©4-6   |
| Montgomery County Hospital’s Responses                    | ©7-11  |
| Racial Equity Impact Assessment                           | ©12-16 |



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich  
*County Executive*

MEMORANDUM

October 17, 2022

TO: Gabe Albornoz, President  
Montgomery County Council

FROM: Marc Elrich, County Executive *Marc Elrich*

SUBJECT: Special Appropriation #23-29 to the FY23 Operating Budget  
Montgomery County Government  
Department of Health and Human Services  
\$10,000,000 (Source of Funds: General Fund: Undesignated Reserves)  
Hospital Response

I am recommending a special appropriation to the FY23 Operating Budget for the Department of Health and Human Services (DHHS) in the amount of \$10,000,000 for Hospital Response. This appropriation will fund the increase in operational costs needed to maintain services.

This increase is needed because of high personnel costs, inflation, and shortfalls due to delayed insurance reimbursements that have not kept pace with actual costs. Hospitals might need to cut back on services provided to County residents without this funding.

DHHS will develop a process to validate hospital-specific requests, ensure that funds will protect existing capacity in providing services to residents, and rebuild these services where they have been curtailed.

I recommend that the County Council approve this special appropriation in the amount of \$10,000,000 and specify the source of funds as General Fund: Undesignated Reserves.

ME:dl

Enclosure: Special Appropriation #23-29

cc: Jennifer R. Bryant, Director, Office of Management and Budget  
Raymond L. Crowel, Psy.D., Director, Department of Health and Human Services

Resolution No: \_\_\_\_\_  
Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

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By: Council President at the Request of the County Executive

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SUBJECT: Special Appropriation #23-29 to the FY23 Operating Budget  
Montgomery County Government  
Department of Health and Human Services  
\$10,000,000 (Source of Funds: General Fund: Undesignated Reserves)  
Hospital Response

Background

1. Section 308 of the Montgomery County Charter provides that a special appropriation: (a) may be made at any time after public notice by news release; (b) must state that the special appropriation is necessary to meet an unforeseen disaster or other emergency or to act without delay in the public interest; (c) must specify the revenues necessary to finance it; and (d) must be approved by no fewer than six members of the Council.
2. The County Executive has requested the following FY23 Operating Budget appropriation increases for the Department of Health and Human Services:

| <u>Personnel Services</u> | <u>Operating Expenses</u> | <u>Capital Outlay</u> | <u>Total</u> | <u>Source of Funds</u>                 |
|---------------------------|---------------------------|-----------------------|--------------|--|
| \$0                       | \$10,000,000              | \$0                   | \$10,000,000 | General Fund:<br>Undesignated Reserves |

3. This increase is needed because of the increase in personnel costs, inflation, and shortfalls due to delayed insurance reimbursements that have not kept up to pace with actual costs. Without these services, hospitals might need to cut back on services provided to County residents.
4. DHHS will develop a process to validate hospital-specific requests, ensuring funds will be used to protect existing capacity in providing services to residents and to rebuild services for residents where they have been curtailed.
5. The County Executive has requested a special appropriation to the FY23 Operating Budget in the amount of \$10,000,000 for Hospital Response and specifies that the source of funds will be General Fund: Undesignated Reserves.
6. The public was notified by a news release.



Action

The County Council for Montgomery County, Maryland, approves the following actions:

1. A special appropriation to the FY23 Operating Budget of the Department of Health and Human Services is approved as follows:

| <u>Personnel<br/>Services</u> | <u>Operating<br/>Expenses</u> | <u>Capital<br/>Outlay</u> | <u>Total</u> | <u>Source<br/>of Funds</u>             |
|-------------------------------|-------------------------------|---------------------------|--------------|--|
| \$0                           | \$10,000,000                  | \$0                       | \$10,000,000 | General Fund:<br>Undesignated Reserves |

2. The County Council declares that this action is necessary to be acted upon without delay in the public interest, and that this appropriation is needed to meet the emergency.

This is a correct copy of Council action.

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Judy Rupp  
Clerk of the Council



August 30, 2022

The Honorable Marc Elrich  
Montgomery County Executive  
Executive Office Building  
101 Monroe Street, 2nd Floor  
Rockville, MD 20850

Dear County Executive Elrich:

On behalf of the four hospital systems serving Montgomery County—Adventist HealthCare, Holy Cross Health, Suburban Hospital (Johns Hopkins Medicine), and MedStar Health—we write again to request your support for a \$10 million grant to assist our hospitals with increased costs resulting from the continuing and persistent financial, operational, and workforce challenges associated with the COVID-19 pandemic.

As we discussed with you and Drs. Crowel, Rogers, and Stoddard on August 5, there is still a crisis of care in Montgomery County. The ongoing COVID pandemic – now heading towards yet another surge, coupled with the growing infection rate of Monkeypox – continues to challenge our hospitals individually and collectively.

Nearly three years into the pandemic, we know how to treat and manage COVID cases, but it remains “a wily virus” as Dr. Fauci describes it, and we continue to care for residents who have other health care needs, including those who delayed seeking medical care during earlier waves of the pandemic only to have their underlying conditions worsen. We’re proud of the central role we played during the worst and most fearful days of the pandemic, including at times extending our role into public health when the county was overwhelmed standing-up vaccination clinics.

Throughout the entirety of the public health emergency and to this day, our hospitals never stopped caring for the health care needs of the communities we serve:

- Adventist Healthcare, the largest healthcare provider in the county and the second largest behavioral healthcare provider in the state, has seen significantly higher acuity patients and a drastic increase in demand for behavioral health services over the last year;
- Holy Cross Health’s two hospitals continued to care for the majority of our region’s mothers and babies;
- MedStar continued to serve the fastest growing population in Montgomery County – 55 + seniors – through its innovative Center for Successful Aging;
- Suburban Hospital continued its specially designated role as the county’s only trauma center and has seen a rise in trauma, reflecting increases in both vehicular traffic in the region, and increasing levels of stress and violence towards other persons.

As we discussed extensively on August 5, our biggest short-term challenge is maintaining an adequate workforce. The Maryland Hospital Association recently released a study noting that 1 in every 4 nursing positions in Maryland is currently vacant. That has left hospitals with no choice but to pay exorbitant rates to staffing agencies to fill these gaps, which has impacted our financial health and is simply not sustainable. MHA also reported that 62% of licensees and certificate holders of the Maryland Board of Nursing have thought recently about leaving nursing. All local, state, and federal officials should be as equally concerned as health providers are for the crisis we are in now.

Each of our hospitals/health systems has asked non-clinical staff members to step in to support roles and has raised salaries and provided retention bonuses to the front line. The grant provided to Maryland hospitals by the Maryland General Assembly at the end of their session in April will help to defray, but not fully absorb, some of these costs as it is paid out over the course of the State's fiscal year and is disbursed across all hospitals in the state.

It is important to underscore that the State's grant may not be used to pay for other costs that are burdening hospitals, such as inflationary pressures for supplies, drugs, food, and energy. The cost pressures extend to our providers from the community who are seeking increased compensation to provide care in key service areas that have to be performed in hospitals, such as emergency care.

Other businesses who face staff and cost pressures can reduce hours of operation or their retail offerings, or quite frankly, shutter their operations. Hospitals must continue to operate 24/7 and must continue to meet the health care needs of our communities and within the regulatory, ethical, and professional standards of care.

In other states, when hospitals are faced with increased costs, they can increase patient volumes and negotiate higher reimbursement rates with insurers. In Maryland, however, hospital revenues and rates are set by the Health Service Cost Review Commission, and so our ability to respond to these increased costs is greatly constrained.

The result is that jobs and services for Montgomery County residents are at risk. Holy Cross Health already announced that it is eliminating 90 positions and consolidating clinic operations in the upcounty. Adventist Healthcare also eliminated administrative roles. Accessing elective procedures will be less convenient and timely as they become less readily available. We need to ensure that there is a robust health care delivery system for all Montgomery County residents, including for our most vulnerable neighbors.

Respectfully, we request \$10 million in immediate and short-term assistance from Montgomery County to help support our current operations. Our federal representatives have reminded us that ARPA funds were distributed to state and local governments for needs such as ours. In providing this grant to us, Montgomery County will help us get to a more stable place and stave off additional difficult choices.

Thank you and we look forward to your favorable reply.

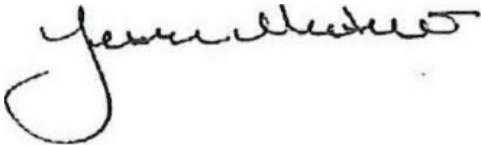
Sincerely,



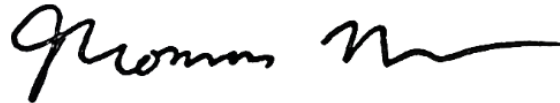
Norvell "Van" Coots, M.D.  
President & CEO  
Holy Cross Health



Terry Forde  
President & CEO  
Adventist HealthCare



Jessica Melton  
President & COO  
Suburban Hospital (Johns Hopkins Medicine)



Thomas "T.J." Senker, FACHE  
President  
Medstar Montgomery Medical Center

cc: Dr. Raymond Crowel, Montgomery County Dept. of Health & Human Services  
Dr. Earl Stoddard, Assistant Chief Administrative Officer  
Dr. Christopher Rogers, Montgomery County Dept. of Health & Human Services



November 8, 2022

Montgomery County Council  
Health & Human Services Committee  
BY EMAIL

Dear Council President Albornoz and Councilmembers Glass and Rice:

Thank you for considering the joint request of Montgomery County’s six hospitals for a special appropriation (#23-29) of \$10 million. We are pleased to offer our responses to the questions that were forwarded by Dr. Christopher Rogers and, where possible, to provide illustrations of the approaches that are underway when all of the hospitals are implementing similar strategies.

We greatly appreciate the financial support of the County Executive and the Council to meet the continuing challenges of the pandemic and the stresses that have emerged coming out of the pandemic. Since we initiated this conversation last spring, our vacancy rates have continued to climb and the severity of illness has not abated, including significant numbers of pediatric patients with severe respiratory disease.

Members of our leadership teams will be available to answer additional questions during your planned work session on November 10.

Thank you.

Andrew Nicklas  
Adventist Healthcare

Pegeen Townsend  
Vice President, Government Affairs  
MedStar Health

Annice Cody  
President, Holy Cross Health Network  
Holy Cross Health

Leslie Ford Weber  
Dir., Government & Community Affairs,  
Montgomery County  
Johns Hopkins / Suburban Hospital

- **How will the \$10 million be allocated among the hospitals? Please provide a budget if available**

The hospitals intend to allocate the \$10 million according to the same formula that was applied for the special appropriation made in April 2020 which is based on the formula used for the Nexus Montgomery community health collaboration.

|                      |   |
|----------------------|---|
| Adventist Healthcare | \$4,002,922 (Shady Grove Adventist Hospital / White Oak Medical Center) |
| Holy Cross Health    | \$3,281,166 (Holy Cross Germantown / Holy Cross Silver Spring)          |
| Suburban Hospital    | \$1,794,779   |
| Medstar Montgomery   | \$921,133   |

- **Is this a one-time emergency funding request? Yes.**
- **The request notes that “the increase is needed due to.... shortfalls due to delayed insurance reimbursements that have not kept up to pace with actual costs.” Will the hospitals eventually be reimbursed for the insurance payments? Will that include repayment to the County for bridge funds?**

There may be some confusion because this request is not related to delayed insurance reimbursement. This is to help offset a significant gap, that will not be reimbursed, between our current revenue and expenses. This situation is being driven by two primary factors: 1) inflationary pressure that is affecting the entire American economy and 2) historic labor shortages requiring extensive use of expensive contract workers to maintain services. The inflationary pressures and volatile labor market conditions are residual effects of the COVID-19 pandemic and have been exacerbated by international conflicts further disrupting global supply chains.

In many ways, hospitals are experiencing these inflationary pressures more acutely than other sectors. The cost of many of our expenses (e.g. pharmacy) are rising faster than others. Additionally, the patients who are seeking care are sicker and staying longer to receive treatment (often measured as “length of stay”). Average length of stay has increased 25% rising from just over 4 days before the pandemic, to just over 5 days now.

Most importantly, there is a shortage of healthcare workers to care for the patients. We have attempted to satisfy this increased demand by investing in our workforce. We are developing and implementing in-house training programs for certified nursing assistants. We are also offering financial incentives and increased compensation to attract new employees and retain our current team members. However, we must still rely upon the use of contract (or “agency”) labor, especially nurses. Before the pandemic, contract nurses represented – on average – just 1.5% of the workforce. Now, contract nurses comprise just over 9% of our workforce. The rates they command have more than doubled in just three years. Our request is to help offset the dramatic increases in labor expenses which far exceed our revenue growth.

We are even more constrained in responding to these issues than other hospitals across the nation. As we have discussed previously, Maryland hospitals operate under a complex model that prospectively allocates “Global Budget Revenue” and the organizations are expected to manage expenses within the GBR. We are unable to renegotiate reimbursement rates based on our expenses. We receive an annual update factor that is supposed to address new cost pressures. This year the current rate of inflation was approximately 8% while Maryland hospitals received only a 4% update factor. This difference can force us to make hard decisions as we struggle to deliver the same scope of services at a higher cost with fewer resources.

The Health Services Cost Review Commission (HSCRC) is charged with administering the GBR. They recently responded to a delay in state Medicaid payments reaching the hospitals by making an advance on capital payments which the hospitals are expected to pay back as payments are received. This was not an increase in the GBR but intended to relieve a temporary administrative deficiency.

- **Please provide information on the areas within the County that hospital services have been curtailed**

All of the hospitals are working hard to not curtail services. However, every hospital in the County has unfilled positions in their emergency rooms which means that patients are experiencing longer wait times and often extended treatment times. Because many operating rooms cannot be staffed as many hours per day, surgeries may be delayed due to less capacity. All of our organizations have responded to the financial pressures by holding open or eliminating administrative positions.

- **If hospitals don't receive the \$10 million, what services will be "cut back for County residents"?**

The special appropriation is an important and much appreciated contribution that each hospital intends to use to underwrite investments in the workforce so that there is staff available to keep beds open for the people who need them and surgical schedules maintained. In its absence, we envision that delays will increase.

Each hospital will continue to look for ways to continue to deliver excellent care in the most efficient way possible.

#### **Federal/State**

- **Have the Montgomery County hospitals been able to access/utilize the \$100 million in emergency funding to address staffing needs from the state (December 2021)?<sup>1</sup>**

Collectively, Montgomery County's hospitals anticipated receiving just \$4.8 million from this investment from the State. The first tranche was received in the summer and we are awaiting payment of the second. Our spending on contract/agency staff exceeds the allocated amount.

- **Have the Montgomery County hospitals discussed the increased cost due to workforce shortage with the HSCRC?**

All of the hospitals in Maryland have participated in discussions about the increased costs attributed to the workforce shortage with the HSCRC, either individually or through the Maryland Hospital Association (MHA).

- **Have the hospitals worked with the respective parent organizations to discuss the shortage and funding support? (i.e. MedStar Health, Trinity Health, Adventist Health, John Hopkins)**

The workforce shortages, inflation and demand for services that we see in Montgomery County are present in the other areas of the region and the nation where our affiliated organizations are active. Within the region, we share recruitment and retention best practices, float staff where licensure allows and are looking at other innovative training programs we can provide jointly.

- **Have the hospitals with service areas in multiple jurisdictions requested supported from the respective local/county governments?**

Yes. For instance, Howard County made a \$1 million grant to Howard County General Hospital in January 2021 and another \$2 million in January 2022. There are pending asks in other jurisdictions that aren't yet public.

#### **Administration and Operations**

- **Are the workforce issue affecting one service area greater than another? For example are workforce shortage greatest in the Emergency Room, Intensive care unit etc.**

The shortage of nurses is across-the-board, but particularly acute in critical care (Intensive Care, Emergency), behavioral health and labor & delivery. There are also shortages of experienced social workers, respiratory therapists and surgical and procedural technicians.

- **Are workforce issues an ongoing problem for the foreseeable future? Does each hospital have a strategic plan to address this issue moving forward?**

It takes between 2-4 years of academic study and training to prepare to enter all of the nursing and allied health fields, so yes, we anticipate that the shortages will continue for the foreseeable future. Our organizations are pursuing multiple strategies to recruit the people who already have the preparation, such as increasing compensation and offering loan forgiveness. We are also developing training programs to increase the supply of clinical support employees. Increased compensation is also important for employee retention as are opportunities for additional clinical training and professional advancement. All of our organizations also provide scholarships to promising future employees.

We also anticipate that we will have to continue to rely on contract/agency professionals and are selectively deploying third-party telehealth options where appropriate.

- **Has the workforce issue affected quality of care or quality measures (patient safety, patient-centered care, equity, health disparities etc.)**

All of Montgomery County's hospitals are committed to clinical excellence and patient safety. The shortage of staff in the emergency departments certainly contributes to longer waiting times which frustrates both patients and staff. All of our hospitals are also "boarding" more patients in the emergency departments while they wait for a staffed bed to become available on another unit or in another facility.

The workforce shortages in other organizations in the broader healthcare system – such as nursing homes and behavioral health specialty sites – also means that patients are waiting longer for an appropriate discharge after their acute medical needs have been met.

The entire system is stretched thinner than is optimal by having to do more with fewer people.



- **Could each hospital provide data supporting the decrease in workforce?**

The information below is a snapshot of the changes to the workforce in our shared market between FY2019 and FY2022.

|  | FY2019 | FY2022 | % change |
|--|--------|--------|----------|
| Total FTEs - employed                  | 8546   | 8346   | -2.5%    |
| Total FTEs – agency/contract           | 123    | 554    | 482%     |
| Agency/contract as a % of total FTE    | 1.5%   | 9.1%   | 6.5%     |
| Avg hourly rate - RN                   | 42     | 49     | 16.67%   |
| Avg hourly rate for agency/contract RN | \$69   | \$150  | 217%     |
| Annualized RN turnover                 |        | 27.25% |          |



## OFFICE OF RACIAL EQUITY AND SOCIAL JUSTICE


Marc Elrich  
County Executive

Tiffany Ward  
Director and Chief Equity Officer

### MEMORANDUM

November 2, 2022

To: Jennifer Bryant, Director  
Office of Management and Budget

From: Tiffany Ward, Director  
Office of Racial Equity and Social Justice 

Re: Racial Equity Impact Assessment (REIA) for Supplemental Appropriation (SA) #23-29  
Hospital Response

- I. **FINDING:** The Office of Racial Equity and Social Justice (ORESJ)'s finding regarding Supplemental Appropriation #23-29 *Hospital Response* is inconclusive, as ORESJ could not determine the extent to which a racial equity lens was applied in the formula used to determine the distribution of supplemental aid across recipient hospitals. The distribution of assistance should consider hospital-related health disparities affecting Black and Latino residents in the County. Accounting for these disparities in the distribution of resources will help to prevent gaps from widening in the event of service interruptions or reductions.
  
- II. **BACKGROUND:** The purpose of Supplemental Appropriation #23-29 is to support Montgomery County hospitals, and help them maintain levels of service, as they respond to operational cost increases. Cost increases are largely due to financial, operational, and workforce challenges associated with the Covid-19 pandemic. In addition, nationwide inflation<sup>1</sup>, and shortfalls due to delayed insurance reimbursements have put extra pressure on hospitals' operational capacity. The goal of this supplemental appropriation is to help hospitals avoid service interruptions or cutbacks—related to these pressures—and restore service when possible. The four hospitals slated to receive this support in the County are Adventist HealthCare, Holy Cross Health, Suburban Hospital, and MedStar Montgomery Medical Center. Available information indicates that the Department of Health and Human Services (DHHS) will create a process by which Hospital-specific requests will be reviewed.

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<sup>1</sup> <https://www.aha.org/system/files/media/file/2022/04/2022-Hospital-Expenses-Increase-Report-One-Pager.pdf>

To assess the extent to which this supplemental appropriation has the potential to advance racial equity and social justice, we looked at the distribution of the 10 million dollars across the four hospitals and whether that distribution is equitable based on health inequities documented in the County’s February 2022 Health Equity report<sup>2</sup>. Given the emphasis on hospitals, ORESJ reviewed the following data points related to hospitalization and ER visits (referred to throughout as “hospital-related health disparities”):

- Substance Abuse ER Visit
- Mental Health Related ER Visit
- Diabetes ER Visit
- Heart Disease ER Visit
- Chronic Lower Respiratory Disease ER Visit
- Firearm Hospitalization
- Fall Hospitalization
- Fall ER Visit
- Motor Vehicle ER Visit

The data show that for all the above hospital-related indicators, excluding “falls”, Latino (except for mental health-related ER visits) and Black residents experience disparities compared to their White counterparts. There were no disparities present in hospital-related indicators for Asian residents. The data also shows that the severity of disparities varies by geography.

Given higher rates of utilization (as a result of systemic health inequities) and the above disparities, we would expect hospitals serving larger percentages of Black and Latino residents to receive larger shares of supplemental aid, thereby reducing the chances of gaps or disparities growing because of service interruptions.

The below distribution was determined in partnership with Nexus Montgomery<sup>3</sup>.

| Hospital name                     | Amount distributed | Percent of the total distribution |
|-----------------------------------|--------------------|-----------------------------------|
| Adventist HealthCare              | \$4,002,922        | 40%                               |
| Holy Cross Health                 | \$3,281,166        | 33%                               |
| Suburban Hospital                 | \$ 1,794,779       | 18%                               |
| MedStar Montgomery Medical Center | \$921,133          | 9%                                |
| Total                             | \$10,000,000       | 100%                              |

<sup>2</sup>

[https://www.montgomerycountymd.gov/HHS/Resources/Files/Reports/Health%20Equity%20Report\\_HM%20Core%20Measures%202010-2018.pdf](https://www.montgomerycountymd.gov/HHS/Resources/Files/Reports/Health%20Equity%20Report_HM%20Core%20Measures%202010-2018.pdf)

<sup>3</sup> Nexus Montgomery is a partnership among the six hospitals in Montgomery County that connects people with resources in the community that will help them remain healthy and independent.

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Specific information about the formula used to determine these amounts was not available at the time of this analysis, but background information suggests that factors such as volume of service and need were considered. ORESJ couldn't independently assess the extent to which the volume of service and need were disaggregated by race, ethnicity, or other relevant characteristics related to health inequities.

To estimate the volume of service and need by race and ethnicity, ORESJ used data from the American Hospital Directory<sup>4</sup> and the American Community Survey. For each hospital, ORESJ found the top three zip codes for inpatient origin and then used American Community Survey data to determine the estimated demographic composition across those zip codes. Below are the top 3 zip codes for inpatient origin and total discharges at each hospital.

| Hospital                                       | Total Discharges    | Top 3 Zip Codes for Inpatient Origin |       |       |       |       |       |
|--|---------------------|--------------------------------------|-------|-------|-------|-------|-------|
| Adventist HealthCare (White Oak + Shady Grove) | 32,095 <sup>5</sup> | 20904                                | 20783 | 20705 | 20850 | 20878 | 20877 |
| Holy Cross Health                              | 22,259 <sup>6</sup> | 20910                                | 20902 | 20904 |       |       |       |
| Suburban Hospital                              | 11,485 <sup>7</sup> | 20852                                | 20854 | 20817 |       |       |       |
| MedStar Montgomery Medical Center              | 5,031 <sup>8</sup>  | 20906                                | 20832 | 20853 |       |       |       |

While imperfect in determining the demographics of all patients, the estimates that follow are a valuable proxy for the demographics of residents served by the hospital. Below are the estimates for the top three inpatient-originating zip codes at each hospital disaggregated by race and ethnicity.

**Holy Cross Hospital**

| Summary Demographics of top 3 Zip Codes | 2020 ACS Estimate (across Top 3 Originating Zip Codes) | Percentage |
|---|--|------------|
| White                                   | 65,656   | 43%        |
| Black or African American               | 52,653   | 35%        |
| American Indian and Alaska Native       | 1,354  | 1%         |

<sup>4</sup> <https://www.ahd.com/>

<sup>5</sup> As of August 8, 2022.

[https://www.ahd.com/free\\_profile/210057/Adventist HealthCare Shady Grove Medical Center/Rockville/Maryland/](https://www.ahd.com/free_profile/210057/Adventist-HealthCare-Shady-Grove-Medical-Center/Rockville/Maryland/)

<sup>6</sup> As of October 7, 2022. [https://www.ahd.com/free\\_profile/210004/Holy Cross Hospital/Silver Spring/Maryland/](https://www.ahd.com/free_profile/210004/Holy-Cross-Hospital/Silver-Spring/Maryland/)

<sup>7</sup> As of September 12, 2022.

[https://www.ahd.com/free\\_profile/210022/Johns Hopkins Suburban Hospital/Bethesda/Maryland/](https://www.ahd.com/free_profile/210022/Johns-Hopkins-Suburban-Hospital/Bethesda/Maryland/)

<sup>8</sup> As of August 4, 2022.

[https://www.ahd.com/free\\_profile/210018/MedStar Montgomery Medical Center/Olney/Maryland/](https://www.ahd.com/free_profile/210018/MedStar-Montgomery-Medical-Center/Olney/Maryland/)

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| Summary Demographics of top 3 Zip Codes    | 2020 ACS Estimate (across Top 3 Originating Zip Codes) | Percentage |
|--|--|------------|
| Asian                                      | 17,743   | 12%        |
| Native Hawaiian and Other Pacific Islander | 279  | 0%         |
| Some other race                            | 23,059   | 15%        |
| Hispanic or Latino (of any race)           | 34,692   | 23%        |

**Source:**

<https://data.census.gov/cedsci/table?t=Race%20and%20Ethnicity&g=860XX00US20902,20904,20910&d=ACS%205-Year%20Estimates%20Data%20Profiles&tid=ACSDP5Y2020.DP05>

**Suburban Hospital**

| Race and Ethnicity                         | 2020 ACS Estimate (across Top 3 Originating Zip Codes) | Percentage |
|--|--|------------|
| White                                      | 95,399   | 71%        |
| Black or African American                  | 11,382   | 8%         |
| American Indian and Alaska Native          | 786  | 1%         |
| Asian                                      | 29,124   | 22%        |
| Native Hawaiian and Other Pacific Islander | 260  | 0%         |
| Some other race                            | 6,526  | 5%         |
| Hispanic or Latino (of any race)           | 14,722   | 11%        |

**Source:**

<https://data.census.gov/cedsci/table?t=Race%20and%20Ethnicity&g=860XX00US20817,20852,20854&d=ACS%205-Year%20Estimates%20Data%20Profiles&tid=ACSDP5Y2020.DP05>

**Medstar Montgomery Medical Center**

| Race and Ethnicity                         | 2020 ACS Estimate (across Top 3 Originating Zip Codes) | Percentage |
|--|--|------------|
| White                                      | 65,472   | 51%        |
| Black or African American                  | 25,601   | 20%        |
| American Indian and Alaska Native          | 1,692  | 1%         |
| Asian                                      | 18,663   | 15%        |
| Native Hawaiian and Other Pacific Islander | 103  | 0%         |
| Some other race                            | 23,538   | 18%        |
| Hispanic or Latino (of any race)           | 34,302   | 27%        |

**Source:**

<https://data.census.gov/cedsci/table?t=Race%20and%20Ethnicity&g=860XX00US20832,20853,20906&d=ACS%205-Year%20Estimates%20Data%20Profiles&tid=ACSDP5Y2020.DP05>

**Adventist Healthcare (Shady Grove and White Oak)**

| Race and Ethnicity                         | 2020 ACS Estimate<br>(across Top 3 Originating Zip Codes) | Percentage |
|--|---|------------|
| White                                      | 115,365   | 41%        |
| Black or African American                  | 77,046  | 27%        |
| American Indian and Alaska Native          | 2,556   | 1%         |
| Asian                                      | 53,615  | 19%        |
| Native Hawaiian and Other Pacific Islander | 513   | 0%         |
| Some other race                            | 52,149  | 18%        |
| Hispanic or Latino (of any race)           | 75,359  | 26%        |

**Source:**

<https://data.census.gov/cedsci/table?t=Race%20and%20Ethnicity&g=860XX00US20705,20783,20850,20877,20878,20904&d=ACS%205-Year%20Estimates%20Data%20Profiles&tid=ACSDP5Y2020.DP05>

Given the presence of hospital-related disparities affecting Black and Latino residents in the County and how potential gaps in service could exacerbate those disparities, ORESJ determined which hospitals serve the largest share of Black and Latino residents (based on the above analysis).

| Hospital                          | % Black residents (in Top 3 Originating Zip Codes) | % Latino residents (in Top 3 Originating Zip Codes) |
|-----------------------------------|--|---|
| Holy Cross Hospital               | 35%  | 23%   |
| Suburban Hospital                 | 8%   | 11%   |
| Medstar Montgomery Medical Center | 20%  | 27%   |
| Adventist Healthcare              | 27%  | 26%   |

Based on these estimates, the hospital serving the largest share of residents experiencing hospital-related health disparities is Holy Cross Hospital, followed by Adventist Healthcare, Medstar Montgomery Medical Center, then Suburban Hospital. To account for racial health inequities, the distribution of supplemental aid should consider these estimates in assessing the volume of service or need.

Because ORESJ could not review the formula used by Nexus, it cannot determine whether the above (or similar) analysis was taken into consideration when determining the distribution of aid.

cc: Ken Hartman, Director, Office of Strategic Partnership, Office of the County Executive  
 Dr. Raymond Crowel, Director, Department of Health and Human Services