

January 5, 2004

Scott Leitz, Director
Health Economics Program
Minnesota Department of Health
85 E. 7th Place, Suite 300
St. Paul, MN 55101

RE: Maple Grove Hospital Review

Dear Mr. Leitz,

This letter is written in response to the Minnesota Department of Health's (MDH) public notice published in the December 6, 2004 Minnesota State Register. The notice solicits comments on three applications to build a new hospital in Maple Grove. As the CEO's of Allina Hospitals & Clinics, Children's Hospitals and Clinics and Park Nicollet Health Services we welcome the opportunity to provide our thoughts on this matter.

Minnesota Statutes 144.552, enacted just this past session, authorizes MDH to conduct a moratorium review process. We appreciate the difficulty associated with implementing the law and the magnitude of the burden it places on MDH. However, we believe it is critical for an objective entity, like MDH, to provide credible data and analysis that can be used by the Minnesota Legislature to aid their decision about allowing a new hospital to be built in Maple Grove.

In seeking comments from affected parties, the statute requires MDH to consider the following areas:

1. Whether a new hospital is needed to provide timely access to care or access to new or improved services,
2. How a new hospital will financially impact existing hospitals,
3. How a new hospital will affect existing staff; and
4. Whether, and to what extent, the new facility will provide services to low-income patients.

The comments provided below respond directly to each of these statutorily mandated areas of review.

1. Is a hospital needed to provide services in the area?

Based on the feedback we have received from area community leaders and residents, the northwest metro area deserves and can support a new community hospital.

We are aware that MDH has received two other applications to build a hospital in the Maple Grove area. While each submission contains its own documentation and methodology, all three support the conclusion that the Maple Grove area can support a new hospital.

The Allina/ Children's/Park application—based on age-adjusted utilization rates and population and demographic data from the 2000 U.S. Census, Claritas (a national demography data firm) and the Met Council—indicates that **population growth and aging alone will drive the need for a new hospital.**

The population projections developed by Claritas and the Met Council indicate that the Maple Grove area will grow by approximately 100,000 people over the next 15 years. From a hospital demand perspective, population growth will be compounded by the fact that people over age 65 (those who use hospitals with greater frequency) will disproportionately contribute to growth.

Projected growth exceeds the current capacity of existing hospitals serving the residents of the Maple Grove area. Population and demographic growth is projected to increase discharges from the Maple Grove area by nearly 15,000 by 2018—an increase in average daily census of 154 patients. At 75% occupancy, more than 200 hospital beds will be required to accommodate the added average daily census of 154 patients.¹ Increasing capacity at existing facilities will not address the barriers to timely access in Maple Grove.

Growth in the number of physicians and clinics located in the Maple Grove area over the past few years further supports the growing demand for health care services in the northwest metro area. In addition to the numerous private physician offices that have been added in Maple Grove and surrounding communities, several large clinics have also been built including the Arbor Lakes Medical Building and the twice expanded Park Nicollet Clinic facility.

However, the Maple Grove area still lacks the community hospital it needs to support the health care demands of its rapidly growing and aging population.

2. Will a new hospital have a financial impact on existing hospitals?

A hospital in Maple Grove will likely have the greatest impact, initially, on our partnership's hospital volumes—principally because together we have the greatest share of the market in the area. We are confident, however, that this will not adversely impact our existing hospitals in the region as shifted patient care will be quickly replaced with expected growth in demand. Further, these shifts will increase the likelihood that existing hospitals in the region will be able to meet the needs of more complex cases at their tertiary facilities.

A new hospital would be an extension of our three organizations' already strong commitment to the Maple Grove area. Using the primary service area we have defined, or that defined by North Memorial, 45% of discharges of non-newborn patients in the Maple Grove area are from Allina's Mercy, Unity, Abbott Northwestern or Buffalo Hospitals; Park Nicollet's Methodist Hospital or Children's Hospital Minneapolis. Together, we

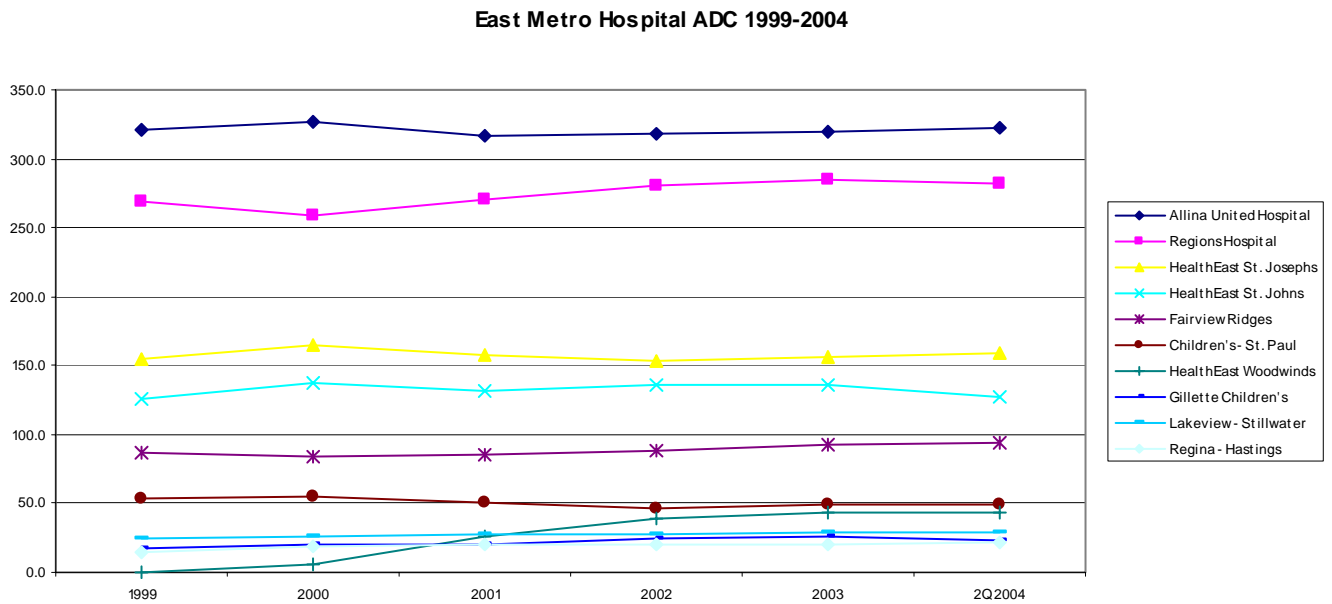
¹ Using a 3.75 day average length of stay, versus the current ALOS of 3.98 days.

provide more hospital care to residents of the Maple Grove area than any other organization. We will continue to work with the community and its physicians to co-create a health care campus that meets the needs of the community.

We have two examples in the Twin-Cities metro area where new hospitals/hospital beds have been constructed without creating adversity for existing hospitals in their regions. These include: Woodwinds Hospital in Woodbury, and St. Francis Regional Medical Center in Shakopee.

An analysis of the impact of Woodwinds Health Center on the census of other east metro hospitals supports the conclusion that the impact on other facilities will be minimal. From 1999 (one year before Woodwinds opened) to the first half of 2004, hospitals in the east metro area have seen an increase in average daily census of 8%. (See Chart 1.) After three years in operation, the greatest decrease any one hospital has experienced is HealthEast's St. John's, who despite a 3.9% decrease in volume from the Woodwinds service area, has experienced an increase in total admissions.

Chart 1



*Minnesota Hospital Association In-patient Discharge Database

The second example of the impact on other hospitals is the Allina/Park Nicollet/Benedictine collaboration at St. Francis Regional Medical Center in Shakopee. Although the new St. Francis facility in Shakopee has seen a 67% increase in average daily census since 1999, it hasn't hurt other facilities in the southwest metro, which have grown 4%.

Given the similarities in demographics and projected growth in Shakopee, Woodbury and Maple Grove, we expect a new facility in Maple Grove would not have a negative impact on census at area hospitals.

Additionally, a key component of our proposal is providing the appropriate level of services at a new inpatient facility. We plan to provide a mix of inpatient services that will meet the needs of the community, without replicating high-end tertiary services like cardiac surgery or Level 1 trauma services already available in the Twin Cities.

Quality, safety and efficiency are critical to our partnership, thus when patients require advanced services too specialized to be delivered in community hospitals, their care will continue at tertiary centers, such as North Memorial, Abbott Northwestern, Fairview University, HCMC, and Methodist. A new facility would not take away the most “profitable services.” A hospital in Maple Grove is a logical extension to a comprehensive continuum of care in the Twin Cities. It will treat primary and secondary illnesses, freeing up capacity at existing tertiary facilities so they can better serve the growing demand for complex patient care.

3. Will a new hospital affect the existing health care workforce?

Workforce issues continue to be a challenge to all health care delivery systems. As an industry, we must seek new solutions to this problem. Allina/Childrens’/Park each have an extensive commitment to educational and training programs. Two unique training programs include, *Train to Work* and the *Health Careers Institute*, aimed at training residents living near our facilities to become health care workers. Collectively, we train more than 1,000 health care workers each year. These training and educational program collaborate with nearly every higher education organization in Minnesota. These efforts have enabled us to maintain low vacancy rates for our organizations. We are committed to initiating similar training programs in the Maple Grove community.

It is estimated that a 60-80 bed hospital will require 360-680 employees. Our combined facilities have more than 2,500 employees living in the Maple Grove area. We expect some of these employees to transfer to a facility closer to home. Whether or not a new hospital is built in the Maple Grove area, the growth of the community will increase demand for the health care workforce in the surrounding area.

The development of a Maple Grove hospital will not exacerbate the staffing issues in Minnesota. Environmental factors are requiring additional staff resources. The impact of the Maple Grove hospital will primarily be a shift of needs from the existing facilities/providers in the region to a hospital that is more appropriately positioned to meet the demands of the community. Regardless of a new hospital development, Allina/Childrens’/Park and other facilities will require additional staff. The proposed staff requirements are not incremental additions, but are necessary to meet the community demand.

4. Will a new hospital provide services to low-income populations?

Our organizations take pride in our commitment to our communities and to providing care to all patients. And while our not-for-profit status legally obligates us to provide care to “all-comers” it’s our mission that motivates us to provide care to all patients.

Our partnership will continue to provide charity/uncompensated care to our communities at the same or greater levels we currently provide. There are large pockets of unmet need in the Maple Grove area, particularly among new immigrant populations, and through needs identified in collaboration with the areas' school districts.

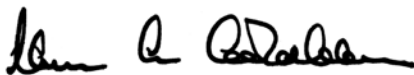
Conclusion

The charge of the MDH is to examine the feasibility of building a new hospital in the Maple Grove area. We believe the projected growth in population and its subsequent increased demand on health care services will support a new hospital in Maple Grove without negatively affecting existing facilities or workforce. In addition, we believe it is essential to provide services to all patients in every community and are committed to continuing our history of giving charitable care.

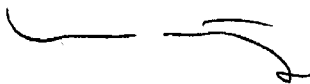
New health care challenges require new thinking and new approaches. Our partnership represents a unique opportunity to respond to the needs in Maple Grove by offering access to the largest number of specialized physicians in the state; providing the highest quality of care available; and shepherding health care resources in the most appropriate manner.

Thank you for the opportunity to express our thoughts on this important issue.

Sincerely,



Alan Goldbloom
President and Chief Executive Officer
Children's Hospitals and Clinics



Richard R. Pettingill
President and Chief Executive Officer
Allina Hospitals & Clinics



David Wessner
President and Chief Executive Officer
Park Nicollet Health Services