



To: Julie Sonier, Minnesota Department of Health
From: John Ryan, Prairie St. Johns
Re: MDH request for more information
Date: November 26, 2007

Dear Ms. Sonier,

Attached please find the information you have requested to complete your public interest review of our proposed hospital. We have attached several policies and procedures from our organization to help in your analysis. These documents currently refer in large part to our Fargo facility, but will be amended to include our Woodbury facility before hospital licensure.

We hope you will find all the information necessary to conduct your review, but if you require any further information please contact me. I look forward to continued cooperation with your department.

Sincerely,

John Ryan
Special Projects Liaison
Prairie St. John's
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What is the specific location of the proposed hospital? Please provide a geographic description of the location of the proposed hospital site, including any potential street address, and cross-street references.

The proposed hospital site in Woodbury is bounded by the following four streets: Lake Road, Pouliot Parkway, Woodwinds Drive, and Century Avenue. There are no potential addresses at this time, although we prefer that the main entrance be off Woodwinds Drive.

How many new licensed beds Prairie St. John's is seeking through this application? Is Prairie St. John's seeking an exception to the hospital moratorium for the 96 beds proposed for Phase 1, or the 144 beds upon completion of Phase 2?

We seek approval to operate up to 144 beds. We would ask that the Department of Health conduct the review based on 144 beds, bearing in mind that only 96 would be operating during the initial 5 years.

Please describe how Woodbury and the East Metropolitan area were selected for the hospital site and how the hospital's primary service area was determined.

The East Metro area and specifically Woodbury were chosen among potential hospital sites because of the lack of services currently available in the area. There are currently no hospitals providing inpatient psychiatric beds for children in the East Metro. United Hospital provides inpatient services for adolescents, but they do not have enough beds to meet the growing needs of the community. The adult population is also currently underserved, and Woodbury offers an excellent combination of factors: it is a growing community, the closest inpatient psychiatric beds are as far as downtown St. Paul, and the natural environment and scenery provides a healing atmosphere for our patients.

The primary service area was determined by looking at Prairie St. John's Woodbury PHP program admissions, as well as estimating the shift in hospital usage based on having a psychiatric hospital located in Woodbury. It is difficult to estimate where patients will choose to be hospitalized because the current data is lacking. Patients typically present to the nearest emergency room, and are transferred to open psychiatric beds around the metro or beyond after being assessed. Since an open bed may not be at the closest or most convenient hospital, the primary service area for all metro psychiatric units is generally the entire metro area. Simply put, patients go to where there is an open bed, not what is closest.

How did Prairie St. John's determine the need for the proposed acute mix of child, adolescent and adult psychiatric beds, the need for adult chemical dependency treatment beds, and the need for adult co-occurring beds? Please share with us any data or analysis used to estimate the need for these beds.

There is an established need for all psychiatric services, including the inpatient services planned for our Woodbury facility. We believe that appendices 1, 2, and 3 attached to our initial application establish the general need. However it's fair to say that our proposed mix is also

determined in part by practical considerations in building and unit design as well as staffing. The bed numbers of our proposed Woodbury facility may not be strictly proportional to epidemiologically based estimates of relative need. They are also influenced by unit management issues. The 12-24 bed range per unit is ideal from a nursing staffing point of view. Other practical factors include anticipated physician resources. For example, since one of the facility's founding psychiatrists has specialized expertise in Co-occurring disorders, it is logical to make that more of a focus than other facilities might.

We would certainly be open to Minnesota Department of Health feedback as to relative allocation of beds among the specialties planned.

What specific services will be provided at the hospital, inpatient and outpatient for both pediatric and adult patients? What services will not be provided?

Policies for the Woodbury facility will be derived from those currently in place at the Fargo facility. In their present form, some of these policies refer to North Dakota statutes. Any modifications required to adhere to Minnesota statutes or to address varying community standards will be completed prior to licensure application. The Fargo facility's Plan for the Provision of Care (CC.000), in particular, provides a useful overview of services to be provided. Unlike the Fargo facility, however, we will not provide any residential treatment due to space limitations at the site.

Other services that will not be provided include the range of general medical or surgical procedures that would normally be provided in a general hospital or specialized care setting. Only routine medical nursing care (e.g., vital signs monitoring, dressing changes, etc.) will be provided onsite along with physical examinations by physicians or physician assistants. Laboratory tests will be available on site. When clinically indicated and appropriate patients may be given passes for medical procedures such as imaging exams at other facilities.

What diagnoses or groups of diagnoses do you plan to treat at this facility, and what will be excluded?

Diagnoses to be treated at the facility are Mental Disorders as defined in the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV). We will be capable of treating all mental disorders, but some disorders (such as social phobia) rarely rise to such an acuity level that would make inpatient treatment appropriate. If such a disorder results in an acutely suicidal state, for example, then inpatient treatment would be appropriate but would raise issues as to whether the social phobia or a more serious co-morbid disorder such as depression led to the suicidal state. On the other hand, many patients with severe psychiatric conditions such as major depression, bipolar disorder or schizophrenia may have other associated psychiatric conditions that may be identified in the hospital and incorporated into the treatment recommendations.

Patients admitted for treatment of a mental disorder who have co-existing general medical conditions will receive collateral treatment for those conditions as long as those conditions are sufficiently stabilized for the facility's capabilities (see below), but a general medical condition would not be a reason by itself for admission to a psychiatric hospital.

Will psychiatric emergency services and/or crisis care be offered at this site on a 24 hour basis?

Yes, we will staff a Needs Assessment department 24 hours a day, 7 days per week. See PE.001, NA.004, and NA.003

Will a primary medical care emergency department be included in the hospital? If so, at what level of service (Minnesota trauma system level I, II, III, IV)?

We have no plans to offer an emergency department for the treatment of traumatic injuries or other general medical services. A general hospital is located 1 block north of the proposed hospital site on Woodwinds Drive. We would not seek to duplicate the services provided there or branch into areas of medicine we do not specialize in.

If no primary medical care emergency department is provided, how and where will hospitalized patients suffering medical complications, acute injuries, medication errors, medical errors, or other untoward events receive emergency services?

First aid treatment will be administered by our staff until transfer to a more appropriate facility can occur. For life threatening injuries, an ambulance will be called to transport the patient to a nearby general medical hospital. See CC.000 section 5.5.9, PE.001, and CC.008

Will medically unstable patients be admitted to the facility? If not, how will medical stability be determined? How will patients that become medically unstable during their stay receive care, and where?

Patients with general medical conditions will not be admitted to the hospital unless deemed safe to be admitted given the level of medical care available at the facility. See CC.000_5.5.9 and PE.001_2.3

Patients that become medically unstable during their stay will be transferred to an appropriate facility for care. See CC.000 and CC.008

Will patients with both serious mental illness and chronic medical conditions be admitted to the facility?

Individuals with serious mental illnesses who also have co-occurring medical conditions will be admitted to the facility as long as their medical management needs are stabilized to a level manageable at the facility with routine nursing care. Examples of medical circumstances representing insufficient stabilization would include ongoing need for intravenous therapies, transfusions, telemetry, or ventilators.

General medical consultants will be on staff and available daily, and on call 24 hours a day, to help further evaluate and manage chronic medical conditions. Contracted laboratory services will be available daily to facilitate this evaluation and management.

Will alcohol and drug medical detoxification services be provided?

Yes, as long as the detoxification can be undertaken within the general medical limitations of the facility. Hemodynamically unstable delirium tremens or uncontrolled withdrawal seizures, for example, would be contraindicative to treatment at our facility (PE.001).

How similar is the proposed Woodbury hospital to Prairie St. John's existing hospital in Fargo? Please provide information on patient volumes (by diagnosis or groups of diagnoses), inpatient days, charges, adjustments, operating expenses, and payer mix for the Fargo hospital, for its most recently completed fiscal year.

The proposed Hospital is very similar to the Fargo facility. The Fargo facility is licensed for 91 beds and includes child, adolescent, adult MI and adolescent and adult CD and Co-occurring disorder programs, along with partial hospital and outpatient clinic programs for all ages. The following 2006 year end financial summary shows hospital patient days by service and charge/adjustment/expense data by site.

Location/Service	Pt Volumes	Charges	Contractual Allowances	Operating Expenses*
Fargo/Moorhead				
Fargo Inpatient	19,637 days			
Fargo Partial Hospital	8,421 days			
Fargo IOP CD Adult	1,232 days			
Fargo IOP MI Adult	733 days			
Fargo CD Residential Adult	2,828 days			
Fargo Hospital-All Pgms		\$40,792,396	\$19,973,305	\$12,951,460
Fargo Outpatient Clinic	26,492 visits	\$5,200,586	\$2,346,561	
Moorhead Outpatient Clinic	3,852 visits	\$539,551	\$238,864	
Twin Cities				
Mtka Partial Hosp. Ch_Adol	1,121 days	\$920,289	\$328,704	
Mtka Partial Hosp. Adults	260 days	\$174,112	\$57,270	
Mtka Outpatient Clinic	744 visits	\$271,521	\$96,936	
Wbry Partial Hosp Ch_Adol	100 days	\$76,923	\$25,385	
TOTAL		\$47,975,378	\$23,067,025	\$24,505,386

*Operating Expenses includes bad debt, charity care, interest, real estate taxes and Minnesota Care taxes. In an actual cost center analysis a significantly higher proportion of "operating expense" would likely be allocated to the inpatient services than is represented by this standard accounting.

The payor mix projected in the initial Application document was based upon the actual data for the Fargo facility, with the following pattern in round numbers over several years:

Inpatient Payer Mix

Medicaid (minors only due to Federal restrictions)	25%
Medicare	15%
Private Insurance	50%
Self-pay	10%

Prairie St. John's_Fargo inpatient diagnostic distribution averages as follows:

<u>Diagnostic Group*</u>	<u>%**</u>
Depression	45
Chemical Dependency	35
Bipolar Spectrum	30
Anxiety	20
Including PTSD, OCD	
Disruptive Behavior Disorders	15
Including ADD	
Psychosis	10
Including Schizophrenia	
Autistic Spectrum	5
Other	5

* Not necessarily reason for admission

** Total greater than 100% due to persons with multiple diagnoses.

What volume of admissions and patient days does Prairie St. John's expect to provide to each of the populations it proposes to serve within each service (mental health – children, adolescent, and adult; adult chemical dependency treatment; and adult co-occurring conditions)?

Woodbury
 Census Projections

Inpatient Population	Beds	Year 1		Year 2* & beyond	
		Admits	Days	Admits	Days
Child	14	341	3066	511	4599
Adolescent	28	613	6132	920	9198
Adult MI	21	575	4599	862	6899
Adult Co-occurring (MI/CD)	21	460	4599	690	6899
Adult CD	12	263	2628	394	3942

*assumes 90% occupancy.

What percentage of the patients hospitalized at the proposed Prairie St. Johns hospital in Woodbury are anticipated to be referred from Prairie St. Johns outpatient programs?

The outpatient programs are intended to reduce the amount of inpatient referrals. Our Fargo facility currently receives about 5% of its inpatient referrals from Prairie St. John's outpatient programs.

You have indicated that Prairie St. Johns currently operates outpatient programs in Woodbury and Minnetonka. When these patients need hospitalization, to which facilities are they currently referred? Please provide information on the numbers of patients referred for hospitalization and the facilities where patients were hospitalized, separately for children, adolescents, and adults (with and without chemical dependency) over the past one to three years.

The following table provides a list of all Twin Cities child and adolescent patients* referred to inpatient hospitalization during our 2 years of operation. Please note the Woodbury PHP program has only been in operation for one year.

Woodbury Partial Hospital Inpatient Referrals

Anonymous Pt. Number	Admitted to:	Home Zip	Distance from Home
1	Fargo	55122	249
2	Fargo	55016	261
3	Fairview	55406	8.3
4	Unknown	55119	
5	Fargo	55106	247
6	Fargo	55016	261
7	Fargo	55125	252
8	Fargo	55126	235
9	Fargo	55125	252
10	Fargo	55411	230
11	Fargo	55125	230
12	refused inpt	55016	N.A.
13	Fargo	55109	242
14	Abbott	55130	11
15	Fairview	55068	22.4
16	Fargo	55106	247
17	United	55128	10.3
18	Fairview	54022	48.7

Minnetonka Partial Hospital Inpatient Referrals

19	Fairview	55337	10.8
20	Abbott	55068	23.3
21	Fargo	55422	229
22	Fairview	55345	10.2
23	Fargo	55343	234
24	Fargo	55379	252
25	Fairview	55364	25.5
26	Fargo	55364	241
27	Abbott	55419	5
28	Fairview	55411	12.1
29	Abbott	55364	25.5
30	Abbott	55437	13.3
31	Abbott	55435	9
32	Abbott	55408	2.4
33	Fargo	55313	208
34	Fargo	55426	231

% Outside Metro 50%**

Average Distance 136 miles

*Data are not readily available on Adult referrals. The Woodbury Adult PHP has only been in operation since September, 2007 and volumes at the previous Minnetonka site were low. It is clear, however, that since the adult program primarily serves as a step-down or diversion from inpatient hospitalization, we have referred few, if any, adult patients to inpatient hospitalization from our Twin Cities PHP programs.

** Patients were admitted to Fargo in nearly all instances due to no available beds in the Twin Cities. In 2 or 3 cases there was parental preference for continuing within the Prairie St. John's system. It is our preference, especially when dealing with child and adolescent populations, to refer patients to hospitalization close to their family unless there is a compelling clinical reason for referring to a particular center.

Please describe the credentialed workforce needed to staff the proposed hospital in both Phase 1 and Phase 2. For example, how many psychiatrists, advanced practice registered nurses, pharmacists, physician assistants, psychiatric registered nurses, psychologists, social workers, and occupational therapists will likely be employed?

Position	Phase 1 FTE	Phase 2 FTE
RN	24	36
APRN	2	3
LPN	8	12
Social Worker	12	18
Activity Therapist	8	12
Psychiatrist	6	9
Psychologist	5	7
Pharmacist	3	4
Pharmacy Tech	2	3
Physician's Assistant	1	2

*Pharmacy services to be provided by outside contractor

**Minimum staffing levels based on all units being operational.

How will this workforce be recruited?

The initial workforce will be recruited through a combination of temporary transfer of personnel from our Fargo facility, local advertising, and national recruitment.

What steps, if any, has Prairie St. John's taken to address potential concerns about the impact that self-referral of patients may have on other hospitals in the region?

We do not expect to reduce the average daily census of other hospitals providing inpatient psychiatric care due to self-referral. Our hospital may reduce the volume of Twin Cities patients seen at our Fargo facility, or Duluth and Rochester, but we do not believe any metro area hospitals will see a decline in patient days due to our facility. Psychiatric patients are currently overwhelming the system. Adding 96 or even the eventual 144 beds will not reverse this trend. Given that only 5% of patients in our Fargo facility are referred from our own outpatient services, we do not expect a large portion of our Woodbury patients will be referred from Prairie St. John's outpatient programs.

Your application states that Prairie St. John's is a "private, Catholic affiliated psychiatric health care organization." Please clarify whether the proposed facility will be operated as a for-profit or nonprofit entity.

Prairie St. John's_Woodbury is a Limited Liability Company and as such is not tax exempt. The LLC's Member Owners are all physicians. Prairie St. John's does not enjoy the benefits of nonprofit status or being tax exempt.

On page 14 of your application, you state that Prairie St. John's Fargo hospital providers 12% of gross revenues in charity care. Page 19 of the application states that Prairie St. John's provided 12% of its net revenues in the form of charity care.

The number provided represented 12% of Net Revenues; this 12% represents the total amount of "uncompensated care" (including Charity, Bad Debt, and Administrative Adjustments) for services provided.

Please provide a copy of the charity care policy of the Fargo hospital, and a copy of the proposed charity care policy at the Woodbury hospital if one is available.

The charity care policies for the Fargo facility are attached (PA.009, 008, and 007). Woodbury charity policies will be drafted prior to licensure application, but will be equivalent to the Fargo policies.

Is the \$2 million cited based on charges, or has it been adjusted to reflect the cost of providing charity care? Please provide information for the Fargo hospital's most recent fiscal year on 1) charges for charity care services; 2) total charges; 3) total operating expenses; 4) revenue; 5) net revenue; and 6) net income.

The uncompensated care number represents the Net Revenues expected to have been collected based on the patients financial disclosure – this number is not based upon gross charges, but rather an agreed upon discounted self-pay rate which approximates the cost of care of providing each level of service. See the following summary:

Prairie St. John's_Fargo
 Free Care Provided

Year	Charity Care**	Bad Debts	Total	Cumulative Total
1997		305,751	305,751	305,751
1998		475,807	475,807	781,558
1999		338,277	338,277	1,119,835
2000	62,777	529,351	592,129	1,711,964
2001	105,476	437,690	543,166	2,255,130
2002	430,670	575,856	1,006,526	3,261,656
2003	593,647	1,126,293	1,719,940	4,981,595
2004	576,986	1,317,423	1,894,409	6,876,004
2005	891,828	1,447,486	2,339,314	9,215,318
2006	345,137	2,999,907	3,345,044	12,560,362
Total	3,006,521	9,553,841		

*Source: Financial statements audited by EideBailly

**Care delivered under formal "Financial Assistance" policies.

Will the proposed hospital accept patients whose services are reimbursed by county governments?

Prairie St. John's_Fargo currently accepts patients whose services are reimbursed by county governments, and we plan to provide the same service in Woodbury.