The purpose of this document is to help you prepare a Pre-Application for funds to preserve access to hospital services in rural areas through the Rural Hospital Capital Improvement Grant Program. Only applicants selected during the Pre-Application process are invited to submit a Final Application. This document has five sections:

I. The first section explains the funding source and background for the program.
II. The second section provides instructions on the preparation of the application.
III. The third section is a checklist to be used while preparing the application
IV. The fourth section is a description of the criteria to be used during the review process
V. The final section is a memo with observations from previous review committees

Section I – Background

BACKGROUND
The Rural Hospital Capital Improvement Grant Program assists small rural hospitals in undertaking needed modernization projects to update, remodel or replace aging hospital facilities, record systems, and equipment necessary to maintain the operations of the hospital. An eligible hospital is a general acute care hospital of 50 or fewer beds located in a community with a population of less than 15,000, according to United States Census Bureau statistics, outside the seven-county Twin Cities metropolitan area.

Fiscal Year 2016 funding will total approximately $1,755,000. Due to reduced program funding, the Minnesota Department of Health (MDH) is limiting the maximum award to $125,000. MDH expects to make approximately 20 awards. Applicant hospitals must certify that at least 25 percent of the grant funding will be matched with non-state resources. In-kind services may be included in the match.

Because the program usually receives about 45 applications, MDH is again using a two-stage application process. This Pre-Application is Stage 1. The strongest pre-applicants will be invited to submit a proposal for Stage 2. All pre-applicants will be notified of the decision at the end of Stage 1. A complete Stage 2 application (i.e., the Final Application) will be required for any applicant to secure funding.
TIMELINE

Pre-Application due to MDH no later than 4 p.m.: November 13, 2015
Pre-Application decisions and invitations: Approx. December 4, 2015
If invited, Final Applications due to MDH no later than 4 p.m.: February 5, 2016
Projects awarded: Approx. February 26, 2016
Contracts completed, funds available: Approx. March 25, 2016

For questions, please contact Lina Jau at (651) 201-3809, or lina.jau@state.mn.us.
Section II - Preparing the Pre-Application

2016 Rural Hospital Capital Improvement Grant
Minnesota Department of Health
Office of Rural Health and Primary Care

The following outline and instructions should be used to prepare the Pre-Application for the grant application. Proposals must be submitted using the WebGrants@MDH electronic grant management system, found at http://www.grants.health.mn.gov.

All forms for Pre-Application are electronic and must be completed online. Some documents, for example the Project Description, must be created separately and attached where required. Step-by-step instructions are available in the WebGrants@MDH system.

Applicants are required to complete and submit the following forms and documents in the Pre-Application:

- Application Form (electronic form)
- Hospital Description (document to be attached)
- Project Description (document to be attached)
- Budget (electronic form)
- Budget Narrative (document to be attached)
- Strategic Plan or Capital Budget (document to be attached)
- Signature Page (electronic form)

The rest of this section will give details about the information required in the forms and documents listed above:

A. Application Form

Complete the electronic application form in the WebGrants@MDH system. The form requires basic information about the applicant organization and contact information for key personnel associated with the grant.

B. Hospital Description (5 pages maximum, double-spaced and numbered)

Write and attach in WebGrants a description of the hospital, which details the history, geographic service area, services provided, patients served, community partnerships relevant to the grant project, ownership, administrative structure and budget. Include a description of the hospital’s financial condition, using information from the organization’s most recent audited financial statement.

C. Project Description (10 pages maximum, double-spaced and numbered)

Write and attach in WebGrants a description of the project to be funded with grant dollars from the state. Include, at a minimum, the following components:

1. Project description.
2. Objectives and goals of the proposed project.
3. Relationship of the proposed project to your strategic plan or capital improvement plan.
4. Plan to maintain or operate facilities or equipment included in the project.

Use this document to make a brief case for the project. As you describe the project, be sure to address the following questions:

1. What is the problem? (document and quantify, if possible.)
2. What is your proposed solution to the problem?
3. Why is the project important to your hospital and your community?
4. Who has been and will continue to be involved in the project?
5. Who will be the project beneficiaries? How will they benefit? How will you know?
6. Where will the project take place? Why here?
7. What is the timeline for the project and why now?
8. How much will it cost and why?
9. Why do you need grant funds to support/undertake the project?
10. How do you know there will be a demand for the service(s) to be supported by the project and how will the project be sustained after the grant funds are expended?

D. Budget
Complete the Budget form in WebGrants. Include budget details of requested grant funding by line item, including non-state funding.

E. Budget Narrative (3 pages maximum, double-spaced and numbered)
Write and attach in WebGrants a document that describes in detail the assumptions behind the numbers included in each line of the budget. Include a description of the source of non-state funds to be used for the project.

F. Strategic Plan or Capital Budget (original documentation)
Attach documentation that demonstrates the connection of the project to existing plans from the hospital. This may include a copy of the relevant portion of the current strategic plan, the current capital budget, or the most recent community needs assessment. Note: if the project is not a priority in the plans of the hospital, it is not likely a priority project for grant funding in the eyes of reviewers.

G. Signature Page
WebGrants@MDH accepts electronic signatures. This form must be signed by an authorized representative of the hospital.

Submission for the Pre-Application:
All forms and documents must be entered into the WebGrants@MDH system no later than 4:00 p.m., November 13, 2015. WebGrants@MDH will not allow any changes or submissions after the designated time – plan accordingly!
Section III – Checklist for the Pre-Application

2016 Rural Hospital Capital Improvement Grant
Minnesota Department of Health
Office of Rural Health and Primary Care

I. Required Forms in WebGrants:
   - Application Form
   - Budget Form
   - Signature Page

II. Documents to be Written and Attached in WebGrants
   - Hospital Description (5 pages max)
   - Project Narrative (10 pages max)
   - Budget Narrative (3 pages max)
   - Strategic Plan or Capital Budget (original documentation)

Note: there is space in WebGrants where other documents may be attached, but optional attachments should be directly relevant to the grant project.
Section IV – Review Criteria

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Pre-Applications will be scored using the following criteria:

- 40 points: Project Description
  Is the project description complete and understandable? Is the problem to be addressed by the project clearly defined? Are the goals and objectives clear and measurable? Was a strong case made for the project?

- 40 points: Adequacy and Sustainability of the Project
  Has the application detailed adequate staffing, funding, and resources to complete the project? Will the hospital be able to maintain the project after the grant period? Are the budget and budget narrative clear, reasonable, and appropriate for the project? Was a strong case made of the need for grant funding?

- 20 points: Alignment with Hospital Plans
  Does the project align with the hospital’s strategic plan, capital budget, and/or community needs assessment? Does the submitted documentation show that the project is a priority for the hospital?
Section IV – Observations from Previous Review Committees

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<th>Rural Hospital Capital Improvement Program</th>
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<td><strong>Issue</strong></td>
<td><strong>Comment or suggestion</strong></td>
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<td>1. Need for funds</td>
<td>In the past, applicants who documented a clear and specific need for funds for their proposed projects fared better than others. Being competitive usually included a narrative discussion of the hospital’s financial condition supported by financial statement data. If there is a local government contribution to the operation of the hospital and/or to the proposed project, it is important to note. Some applications included projects that had already started or were already scheduled to begin soon. These applications raise questions about whether grant funds are needed, since it can appear they will happen anyway (without grant funds). Applicants may want to explain these situations. Some applications have requested a grant contribution to a multimillion dollar capital campaign or project. Reviewers have asked whether the grants typically made by this program, averaging historically in the $85,000 to $125,000 range, are truly critical to the success of such large projects. Applicants may want to discuss such cases in detail, including details about the funding sources for a large project. The grant program regularly receives requests from hospitals that recently completed a multimillion dollar major renovation, update or addition project. If the project was not included in the major renovation, it raises the question of how high a priority the proposal is to the hospital. For major reconstruction projects or upgrades to a building, pictures can be very helpful in illustrating the current condition of the facility, and thus the need for funds.</td>
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2. **Collaboration, coordination and/or partnership**
   A number of projects propose new equipment or new uses of facilities that would be shared and/or coordinated with other facilities or providers. Being competitive on this issue includes presenting details of the collaboration and attaching letters of commitment and support from proposed partners.

3. **Strategic plan, and capital improvement or facilities plan**
   Projects that were not related to the strategic direction (a documented high priority activity) of the hospital or strategic plan, or were not connected to the overall facilities improvement plan, have experienced difficulty being selected for funding. Include sufficient documentation from a current strategic or capital plan, and make sure reviewers can easily deduce where the project falls specifically within the plan.

4. **Matching funds issues**

   **4a. Affiliate Systems**
   Reviewers invariably ask about the perceived role of large systems with which many hospitals have an affiliation. Systems receive value from the referrals and other relationships they have with small rural hospitals. Reviewers have expressed an expectation that systems should be contributing to the capital improvement projects of their affiliates. I understand this is not always a realistic expectation, and communicate this to the reviewers. That said, hospitals should directly address this issue in the application. Applicants may wish to discuss the nature of the affiliation (in addition to noting it on the application form), to contact their system to ask for support of the project, to discuss the system’s response, and to document the system’s position with an exchange of letters in the attachment section.

   **4b. Other match issues**
   Some applicants have defined match dollars as only existing staff costs and related overhead for current activities they would already be doing. In-kind match is allowed, but this approach to meeting the program’s match requirement can send a message that the project is not important enough to commit new resources. An undefined in-kind match can
also raise the question of how the project will be completed if project is not fully funded. For budget purposes, include any salary under the “Other” category, and include a full description in the budget justification narrative.

| 4c. | Identifying the source of matching funds | Specify the source of match funds. Some applicants have listed the required amount of local match without identifying the source. This can lead reviewers to question whether the match is truly available and committed. Likewise, suggesting that matching funds will only be raised after securing grant funding is likely to be scored lower by reviewers. | Budget Form | Budget Narrative |

| 5. | Proposals related to specific service lines and/or equipment | Adding or upgrading a service line is a common proposal for this grant, and frequently funded. However, for service expansions, redesigns, or related equipment purchases, it is important to include a rational estimate of the anticipated volume for the new service and/or equipment. Reviewers will expect sufficient strategic planning for the new service and/or equipment that includes a plan for sustainability – based on reasonable volume assumptions. Include these assumptions in the project description. Some proposals that have sought to create a new service line did not include sufficient information about staffing or contracting necessary to implement the change. Include at least a plan for how medical staff and/or contracted professionals will use the equipment. | Project Description | Goals/Objectives | Strategic Plan |

| 6. | Recipients of prior grant awards from the MDH Office of Rural Health and Primary Care | Receipt of a previous grant is not a factor in future grant selection – each proposal is weighed in the context of that year’s pool of applications. That said, previous grantees should address their experience in successfully administering grant awards from the Office of Rural Health and Primary Care. Grantees who have failed to complete current and previous grant funded projects in a timely and professional manner (including submission of required progress and final reports) may expect reviewers to assess their application regarding administrative capacity during the course of the application review. | Project Narrative | Key Staff Qualifications |
| 7. | HIT or EHR projects related to Meaningful Use requirements | HIT projects are specifically defined in statute as eligible for funding by this grant, so these projects will not be excluded based on the receipt of Meaningful Use dollars. However, reviewers consistently point out that HIT and EHR projects related to obtaining Meaningful Use requirements receive funding from other sources. Discuss how Meaningful Use dollars will or will not be spent in relation to the proposed project. The discussion should at least assure reviewers that no “double dipping” would occur using funds from the Capital Improvement program. | Project Narrative Budget Narrative |
| 8. | Ambulance projects | In the last few years, MDH has received multiple projects requesting a new ambulance. This is an eligible project for grant funding, but reviewers have commented that it is difficult to know the true state of a vehicle. If requesting funding to replace an ambulance, the application should include, at a minimum, documentation from an independent third party who has inspected the vehicle and recommends replacement. | Project Narrative Optional Attachments |