



February 16, 2022

Minnesota Department of Health  
625 Robert Street North  
P.O. Box 64975  
St. Paul, MN 55164-0975

To the Office of the Commissioner of Health:

Fairview Health Services and Acadia Healthcare provide the enclosed responses to your additional requests for information on the proposed inpatient mental health hospital.

Sincerely,

A handwritten signature in blue ink that reads "Trudi Noel Trysla".

Trudi Noel Trysla

Executive Vice President and Chief Administrative Officer | General Counsel  
Fairview Health Services

## General Project Description:

- The project description states that Fairview and Acadia will jointly own and operate the new hospital. Please provide the following additional details about the business relationship:
  - Have Fairview and Acadia established a new business entity to govern the establishment or operation of the proposed new facility?
    - Response: Yes. An LLC called Acadia St. Paul JV, LLC was formed to own and operate the proposed new facility.
  - Will leadership of that new business entity or the proposed new facility be directly accountable to the Fairview board and concerning what issues?
    - Response: The leadership of Acadia St. Paul JV, LLC will report to a management board, which will include three board members appointed by each Fairview and Acadia. Fairview will oversee the entity via its appointed members on the management board.
  - What is the distribution of ownership of the new business entity or the new facility between Fairview and Acadia?
    - Response: Acadia owns 85% of the ownership interests in the LLC; Fairview owns 15%.
  - Does Fairview or Acadia, or a combined entity, expect to report capital expenditure other than transactions associated with to the demolition and construction of the facility under Minnesota Statutes, Section 62J.17?
    - Response: Acadia St. Paul JV, LLC will report any capital expenditures that may be required by 62J.17.
- The estimate capital cost for this project was reported as between \$57 to \$65 million for building, equipment, fees, etc.
  - What is the total estimated cost associated with establishing the new facility, including demolition of the existing plant, architectural costs, construction, legal fees, and staffing?
    - Response: \$62,000,000 - \$70,000,000
  - How will capital costs be split between Fairview Health Services and Acadia, or will those be borne by a new business entity?
    - Response: Capital costs will be paid by the parties in proportion to ownership interests.

- How will Fairview and Acadia each finance their share of these costs?
  - Response: Fairview and Acadia will finance their share of the costs through organizational contributions to the JV entity.
- The proposal clarifies that the facility is intended to replace and expand the inpatient mental health bed capacity previously served by St. Joseph’s Hospital. The proposal states that St. Joseph’s Hospital has had 105 staffed inpatient mental health beds historically; however, filings with MDH show that available beds for most years was closer to 70 bed.
  - Please provide the annual number of available beds for mental health services in 2018, 2019 and 2020.
    - Response: In 2018, there were an average of 92 available beds for mental health services; in 2019, the number was 85; in 2020, the number was 56, with capacity significantly impacted by staffing challenges experienced at hospitals nationally and locally related to COVID-19. These staffing challenges have continued in 2021 and 2022.
- If the Capitol Area Architectural and Planning Board does not approve the plan by Fairview and Acadia to locate the facility at the site of the former Bethesda hospital, the proposal indicates that the facility will be constructed at another East Metro location owned by Fairview.
  - What is the preferred alternative site option or options?
    - Response: 559 N Capitol Blvd, St. Paul, MN remains the preferred site for the new hospital. We continue to work with the Capitol Area Architectural and Planning (CAAP) Board and are confident we will meet the requirements for the hospital to be built on that site. In the unlikely event the CAAP Board does not approve the proposed plan for redevelopment, the alternative site option at this time is on undeveloped land that is owned by Fairview in the East Metro.
  - How will a change of location impact the cost of the project and the overall design of the proposal, including service profile, expected patient population, and emergency room access?
    - Response: A change in location could modestly reduce the cost of the project as demolition costs would be minimized. However, land development and parking relocation would be required, as would further environmental assessment. The overall design of the proposal would otherwise be unchanged as the new mental health hospital would be configured in a similar design and service a similar patient population.

**Timely Access to Care or Access to New or Improved Services**

- The proposal describes that the new hospital would replace and, to an extent, add to lost inpatient mental health and substance abuse treatment services at St. Joseph’s Hospital and, more broadly, Fairview.
  - How would the delivery of care differ at the proposed new facility from units at St. Joseph’s Hospital for patients that have mental health and chemical dependency service needs, as well as other medical needs, given the new hospital is proposed to be a standalone facility without medical care capacity.
    - Response: The new hospital will be staffed by psychiatrists, certified nurse practitioners and other healthcare professionals trained to manage many medical conditions and day-to-day health needs in mental health units. In extreme medical crisis situations, patients would be transported and admitted to an appropriate acute care setting. The new mental health hospital would prepare for the patient to return as soon as they are medically stabilized. For patients with chronic conditions or other acute health needs that couldn’t be managed in a mental health unit, care will be managed much as it is today. For this select group of patients, care in a mental health unit typically isn’t safe for them or other patients. Instead, those patients would be admitted into an acute medical unit in the Fairview system or other system and served via our Consult Liaison service or another hospital as determined by the patient/family.
  - Please provide expected counts and proportion of patients in inpatient mental health units at St. Joseph’s Hospital were transferred to other units or hospitals for treatment of other health care needs for the past 36 months.
    - Response: In the 36 months between 2019 and 2021, of the 6,274 patients discharged from St. Joseph’s Hospital, only 71 patients – or about 1% – were transferred to another acute care hospital due to illness or increasing medical acuity.
  - Would you expect a similar proportion of transfer patients?
    - Response: Yes.
- As we understand it based on available data, there are three Fairview acute care hospitals in the East Metro that do not currently (or no longer) offer inpatient mental health services. At the same time, Fairview has participated in efforts to integrate mental and medical care to improve patient experience, ease access, and support care teams through the MN Health Collaborative sponsored by the Institute for Clinical Systems Improvement.
  - Please describe the reasoning for establishing a freestanding facility for inpatient mental health in place of co-locating these services at existing sites.
    - Response: This new, state-of-the-art mental health hospital will be purpose-built from the ground up with a specific focus on delivering the highest quality

specialty healthcare in the Twin Cities. The design will incorporate finishes that promote patient dignity; open sight lines for patient safety; wide hallways; elevated ceilings; abundant natural light; and open, flexible meeting spaces. Specially designed furnishings and fixtures will help aid patient safety in acute hospital environments while also providing a home-like setting and avoiding an institutional experience. Unlike primarily medical spaces, the new hospital will provide adequate space for patient privacy, noisy and quiet activity spaces, and unobstructed flow between areas within the same unit. Every detail of the facility design has been tested and refined to locate nursing stations, conference spaces, medication rooms, ingress, and egress into the most functional environment possible balancing the security of the environment with patient safety and comfort. Research has shown that team members working in purpose-built psychiatric spaces report a greater sense of safety, camaraderie and inclusion than those challenged by delivering care in repurposed units designed for primary medical services and inconsistent with modern design and treatment goals.

Additionally, it was not feasible to offer inpatient mental health services at the desired scale or level of specialized care in a co-located location with one of our existing facilities without greatly extending the development of the project or disrupting other important services in our system.

- The proposal includes inpatient demand projections for the next five years for this 15-county service area with a cumulative growth of 8.4 percent.
  - Please provide the projection model, so that MDH may review data, methods, and assumptions.
    - Response:

**15 County Inpatient Adult Mental Health & Addiction Discharge Projections**

<sup>1</sup> Actual discharges reported to MHA for patients residing in the 15 County Service Area. Includes adults 18+, Psychiatry or Chemical Dependency DRGs. See DRG Definitions tab for DRGs included.

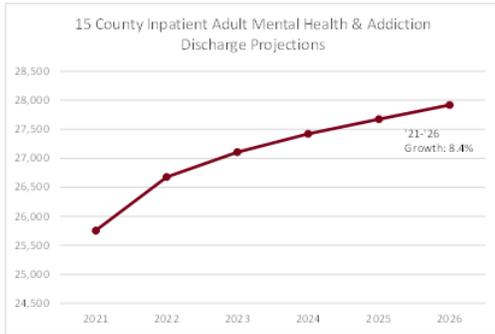
<sup>2</sup> Projection % provided by Sg2, a healthcare intelligence and analytics resource for Fairview. Sg2 projects market growth based on multiple impact factors such as population, epidemiology, economics, etc.

	Mental Health & Addiction Adult Inpatient Discharges
2020 Actual <sup>1</sup>	23,086
2021 Projected	25,757
2022 Projected	26,679
2023 Projected	27,108
2024 Projected	27,423
2025 Projected	27,676
2026 Projected	27,920

Sg2 Growth Projections <sup>2</sup>	
2020 - 2021	11.57%
2021 - 2022	3.58%
2022 - 2023	1.61%
2023 - 2024	1.16%
2024 - 2025	0.92%
2025 - 2026	0.88%

20-21 high % increase due to rebound from Covid (19-20 market declined -10.9%)

2021 - 2026 Growth Rate	8.4%
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DRG Code	DRG Title
897	ALCOHOL/DRUG ABUSE OR DEPENDENCE W/O REHABILITATION THERAPY W/O MCC
896	ALCOHOL/DRUG ABUSE OR DEPENDENCE W/O REHABILITATION THERAPY W MCC
895	ALCOHOL/DRUG ABUSE OR DEPENDENCE W REHABILITATION THERAPY
894	ALCOHOL/DRUG ABUSE OR DEPENDENCE, LEFT AMA
887	OTHER MENTAL DISORDER DIAGNOSES
886	BEHAVIORAL & DEVELOPMENTAL DISORDERS
885	PSYCHOSES
884	ORGANIC DISTURBANCES & MENTAL RETARDATION
883	DISORDERS OF PERSONALITY & IMPULSE CONTROL
882	NEUROSES EXCEPT DEPRESSIVE
881	DEPRESSIVE NEUROSES
880	ACUTE ADJUSTMENT REACTION & PSYCHOSOCIAL DYSFUNCTION
876	O.R. PROCEDURE W PRINCIPAL DIAGNOSES OF MENTAL ILLNESS

**Financial Impact on Existing Acute-care Hospitals with Emergency Departments**

- The proposal notes that medical-surgical acute care hospitals typically provide mental health services at a financial loss by providing inpatient mental health care.
  - Please describe if Fairview/Acadia expects to operate the facility at a loss and, if not, how the business model at this site would differ from other arrangements such that it may generate revenue in excess of expenses or a profit.

Response: Unfortunately, reimbursement of mental health services is insufficient to cover the cost of inpatient mental health care. The new hospital is designed

specifically to transition mental health and addiction units from the high cost of general acute care medical-surgical facilities to freestanding behavioral health centers, specifically to reduce the total cost of care; increase access for patients in need of specialized care and treatment; and deliver safer, higher quality care. Purpose-built, state-of-the-art psychiatric facilities that will be built by Acadia and Fairview provide operational efficiencies and ease of supervision, maximize patient safety, and reduce the stigma associated with access to services.

As an example, a specialized psychiatric hospital can focus all its attention and staff time to treating one service line, which inherently makes the model more efficient than a traditional medical-surgical facility with a full complement of MDs and support staff for all various modalities of medicine. Unlike acute care medical-surgical hospitals, psychiatric hospitals have a lower fixed cost burden owing to the less medically intense services provided (i.e., freestanding psychiatric hospitals do not have the extensive clinical infrastructure required of medical-surgical hospitals). Providing a single service line, psychiatric treatment, makes the cost structure highly predictable, without the cost and operating expenses that occur in complex tertiary and quaternary care medical hospitals.

- By reducing the number of patients at facilities with adequate treatment modalities, the new hospital would potentially improve the financial status of other hospitals by accepting transfers from emergency departments.
  - What are the criteria for planned admissions for the various units noted in the proposal including age, severity, and other factors?

Response: No patient will be denied access to care based on their ability to pay. Access to care will be granted at the new mental health hospital to any adult or geriatric patient based on their medical necessity and capacity of the hospital. Hospitalization should only be used in the most acute situations when there are no other options to keep the patient safe stabilized. If the best medical option for a patient is hospitalization, they will be transferred to an inpatient mental health and addiction unit at UMMC or the new mental health hospital.
  - What would the criteria be for accepting transfers from hospital emergency department patients at the new hospital, and would the admissions criteria for transfers be different from planned admissions?
    - Response: Most mental health and addiction admissions are emergent and unplanned. Further, limited bed availability currently requires a medical screening and triage process for admission that generally starts in one of our 11 EDs or those of other systems around the region. Access to care will be granted to any patient based on their medical necessity as evaluated by ED staff – including licensed mental health professionals who are on-site at our ED locations 24/7 – and capacity of the hospital.

As this new hospital comes online, our process for admission to inpatient care will be the same as it is today. As we do today, staff at the new mental health hospital will work closely with EDs in our system and at other area hospitals to ensure admission into inpatient care for patients who need it, no matter where they seek care.

- How do you expect the source for transferred patients at the new hospital to be different from St. Joseph's Hospital?
  - Response: There is not expected to be any difference.

### **Ability of Existing Hospitals to Maintain Staff**

- The staffing plan submitted indicates that 200 full-time equivalent staff would be employed at the new hospital.
  - Please provide detailed information on classifications for these employees (i.e., psychiatrists, nursing aides, registered nurses, social workers, etc.).
    - Response: The below figures are estimated full-time employees and contractors based on census for the facility. If census fluctuates, the number of FTEs required will also fluctuate accordingly.
      - Registered Nurses – 55
      - Mental Health Technicians – 55
      - Social Workers – 15
      - Recreation Therapy – 6
      - Outpatient Clinicians – 3
      - Psychiatrists/PAs/NPs – 10
      - Intake/Admission Clinicians – 14
      - Medical Records/HIM – 5
      - Nurse Administration – 5
      - QI/PI – 1
      - Utilization Review – 6
      - Administration/Support Staff – 25
  - If the staffing plan changed since the letter of intent was submitted to MDH in November of 2021, perhaps as a result of the COVID-19 related operational challenges, please describe those changes.
    - Response: No change.

### **Provision of Services to Nonpaying or Low-income Patients**

- Patients experiencing mental health crises, including nonpaying and low-income patients, often present at hospital emergency departments and have other unplanned admissions.

- How will the new facility serve low-income or non-paying patients without a pre-planned admission absent the availability of an emergency department? What specific efforts will be made to admit such patients from settings other than emergency departments?

Response: Building the hospital without an ED will not create barriers for patients in need of inpatient mental health care, including low-income or non-paying patients. Most inpatient mental health and addiction admissions are emergent and unplanned. As this new hospital comes online, our process for admission to inpatient care will be the same as it is today to provide for as seamless a transition as possible. As we do today, staff at the new mental health hospital will work closely with EDs in our system and at other area hospitals to ensure admission into inpatient care for patients who need it, no matter where they seek care.

Additionally, the new hospital will collaborate across the Fairview system to provide mobile assessments not only in EDs but also on medical/surgical floors. Mobile assessments are provided by our team of clinicians either in person or remotely through telehealth. Our team of experienced mental health professionals provide consultation and liaison services to link patients to the appropriate providers, ensuring timely access, diagnosis and treatment.

In addition, the new hospital will have a 24/7/365 intake and assessment process using dedicated patient flow procedures to transition patients from emergency departments, medical services and other referring programs to expedite admissions and reduce length of stay (LOS) in referring services. Referral flow, decision turnaround time and other intake metrics are constantly evaluated and overseen by joint venture local leadership teams.

- Will the hospital be able to accept patients from law enforcement, or awaiting transfer to MN State Operated Services?
  - Response: The new mental health hospital will not change how our system works with law enforcement or the crisis response systems in the communities where they operate. Law enforcement and ambulances will still be advised to bring patients experiencing a mental health crisis to any of our 11 EDs in the state. If a patient needs hospitalization, they'll be transferred to an appropriate mental health unit and admitted there, as is our current practice. The same is true for patients awaiting transfer to MN State Operated Services, as their patient status allows for appropriate treatment in our system.
- How will service at the new hospital recognize the role of economic or social disadvantage in the treatment patients?

Response: Through the joint venture, the new mental health hospital will operate in furtherance to Fairview's tax-exempt status. For example:

- In its management of the new hospital, Acadia will comply with Fairview’s financial assistance policy and the attorney general’s agreement on payment and collections.
- Access to care will be granted to any patient based on their medical necessity. No patient will be denied access to care based on their ability to pay.
- There will be no distinctions or qualifications for admission relative to patients on Medicaid and Medicare.

Moreover, both partners believe they have an obligation to ensure that all patients have access to care regardless of their ability to pay. With those principles in mind, the new hospital will partner with the community and other healthcare providers to provide patients with treatment options, including inpatient services, without consideration of ability to pay.

- Under the proposal, Fairview and Acadia expect to see admissions for patients enrolled in one of Minnesota’s state health care programs at the same level as other general acute care hospitals.
  - Please provide an estimate of the percent of Medicaid or MinnesotaCare admissions the facility is expected to serve.
    - Response: 69% of patients currently admitted to inpatient mental health and addiction care in the Fairview system are on government payor healthcare plans. We expect these admissions to the new hospital to be consistent with the above rate.
  - Given federal restrictions on federal Medicaid payment to stand-alone mental health hospitals with more than 16 inpatient beds for individuals age 21-64 (Medicaid institute for mental disease exclusion)<sup>1</sup>, how do Fairview and Acadia expect care for these patients to be financed?
    - Response: All patients will have access to care at the new hospital based on their medical necessity, not on their ability to pay.

The federal government has provided several mechanisms for states to finance IMD services for non-elderly adults through Medicaid in certain situations. Minnesota has in place several of these mechanisms, including section 1115 demonstration waivers for SUD services, managed care “in lieu of” authority, additional state-funded coverage for fee-for service medical assistance patients who received services in an IMD, and coverage for individuals on a managed care plan with stays longer than 15 days in a month under Minn. Stat. Section 256B.055 subd. 13. We anticipate that the majority of the adult medical assistance patients will be covered and financed through the above mechanisms and will

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<sup>1</sup> Social Security Act Amendments (1965) 42 U.S.C. § 1396d (a)(29)(B).

continue to work together with the Department of Human Services to ensure the proper mechanics for financial support for the care of these patients are in place.

### **The Ability to Maintain the Same Hospital Community Benefit Level as Existing Facility**

- Per Minnesota Statutes, Section 144.552 (d) (1), the new hospital will be expected to have the same level of community benefit as St. Joseph’s Hospital.
  - What will the charity care policy be for this facility, and will it mirror other Fairview hospitals?
    - Response: The facility will have the same charity care policy as other Fairview hospitals.
  - Will the new hospital, like other hospitals in Minnesota, enter into an agreement with the Minnesota Attorney General related to hospital billing and collection practices for patients without health insurance?
    - Response: The facility intends to follow the terms of the Minnesota Attorney General Agreement in the same manner as other Fairview hospitals.

### **Impact of the Proposal on the Staff at the Existing Facility**

- Per Minnesota Statutes, Section 144.552 (d) (2), MDH must consider the impact of a new facility on the workforce of an existing facility (St. Joseph’s Hospital). St. Joseph’s Hospital had as many as 2,105 employed staff in 2019 and 1,951 employed staff in 2020. As stated in the proposal, Fairview and Acadia would jointly own and operate the new hospital with the intention of “retaining all of the staff currently working at St. Joseph’s Hospital.”
  - What was the number of full-time equivalent staff for the 105-bed inpatient mental health unit at St. Joseph’s Hospital and how many of these individuals in these positions have been offered and accepted positions at the new hospital?
    - Response: As of February 2022, there are approximately 40 staffed inpatient mental health beds. There are approximately 204 FTEs related directly to the delivery of inpatient mental health care at the site. Our priority is to retain all staff and keep every employee and provider in a new or similar role in our system at one of our existing care sites. We are actively working with employees to place them into permanent roles within our system. Hiring of staff for the new hospital has not begun pending regulatory approval.
  - Since there is a commitment to retain all staff, is there a similar commitment to maintain compensation for these employees at levels equivalent to what they would be earning at other Fairview hospitals or as they transition to this new facility?

Response: It is the intention of both Fairview and Acadia that employees currently working within the psychiatric service lines at St. Joseph's will be offered employment with the new hospital should they choose to apply and meet applicable screening requirements.

Acadia intends that the new hospital will offer employees a competitive compensation and benefit package that includes medical, dental and vision insurance; company-paid and supplemental life insurance; flexible spending accounts; health savings accounts; short- and long-term disability; a 401(k) plan; and paid time off. Acadia intends that employee who accept positions at the new hospital will retain their original hire date and years of service to determine benefits such as vacation accrual rates and 401(k) vesting. Professional clinical services will be provided by Fairview.

- How many St. Joseph's Hospital employees have been laid off due to the closure of the hospital and how many have been retained at other Fairview hospitals?
  - Response: None.