

May 31, 2022

The Honorable Tina Liebling, Chair
Health Finance and Policy Committee
Minnesota House of Representatives
477 State Office Building
St. Paul, MN 55155

The Honorable Jennifer Schultz, Chair
Human Services Finance and Policy Committee
Minnesota House of Representatives
473 State Office Building
St. Paul, MN 55155

The Honorable Joe Schomacker, GOP Lead
Health Finance and Policy Committee Minnesota
House of Representatives
209 State Office Building
St. Paul, MN 55155

The Honorable Tony Albright, GOP Lead
Human Services Finance and Policy Committee,
Minnesota House of Representatives
259 State Office Building
St. Paul, MN 55155

The Honorable Paul Utke, Chair
Health and Human Services Finance and Policy
Committee, Minnesota Senate
3403 Minnesota Senate Bldg.
St. Paul, MN 55155

The Honorable Jim Abeler, Chair
Human Services Reform Finance and Policy
Committee, Minnesota Senate
3215 Minnesota Senate Bldg.
St. Paul, MN 55155

The Honorable Melissa Wiklund, DFL Lead
Health and Human Services Finance and Policy
Committee, Minnesota Senate
2227 Minnesota Senate Bldg.
St. Paul, MN 55155

The Honorable John Hoffman, DFL Lead
Human Services Reform Finance and Policy
Committee, Minnesota Senate
2235 Minnesota Senate Bldg.
St. Paul, MN 55155

To the Honorable Chairs and Ranking Members:

On September 1, 2021, North Shore Health Hospital and Care Center in Grand Marais, Minnesota submitted a plan to the Minnesota Department of Health (MDH) that would increase licensed hospital bed capacity by nine beds to be used in the Medicare swing bed program for hospitals with skilled nursing facility (nursing home) beds. This expansion would bring the hospital from 16 licensed beds to 25, the maximum number of beds allowed for North Shore Health under their federal designation as a Critical Access Hospital.

The plan submitted was described as a ‘rearrangement’ of licensed beds where the number of nursing home beds operated by North Shore Health would decrease from 37 to 20 beds, while the number of licensed hospital beds would increase by nine beds. Furthermore, the plan noted that the hospital-based services would remain unchanged.

The purpose of this letter is to provide the Legislature with the findings from the public interest review required under Minnesota Statutes, section 144.552, and to provide notice that a full report will be released after internal department review is complete.

Based on the review MDH finds that the hospital bed expansion is in the public interest.

The MDH findings concerning the proposed expansion of hospital beds at North Shore Health are based on the following main observations from our public interest review:

- The proposal does not add new inpatient capacity as the beds would be used for skilled nursing care, one of the major concerns in the passage of the hospital bed moratorium.
- Though it aims to raise reimbursement through shifts in licensing, it does not substantially add costs to the system or duplicate existing care capacity. The changes in financing should be limited to the federal Medicare program.
- Because of its modest footprint, the proposal is unlikely to affect other health care providers, something that comments in support of the proposal from nearby hospital providers underscored.
- Furthermore, with the proposal, North Shore Health aims to protect critically important long-term care capacity in rural Minnesota that might otherwise be lost due to a lack of financial sustainability.

The full public interest review will be available shortly online:

<https://www.health.state.mn.us/data/economics/moratorium/northshore/index.html>. If you have questions or concerns regarding this review or the findings, please contact Stefan Gildemeister, Minnesota's State Health Economist, at 651-201-3554 or stefan.gildemeister@state.mn.us

Sincerely,



Jan K. Malcolm
Commissioner
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