

April 2, 2018

Stefan Gildemeister, Director
Health Economics Program
Minnesota Department of Health
Submitted via email to Alisha Simon

Dear Mr. Gildemeister,

Thank you for your letter soliciting comments as part of the public interest review process for the Regions Hospital proposal to add 100 bed licenses through an exemption to Minnesota's hospital bed moratorium law.

First and foremost, we are supportive of the public interest review process as a way to provide lawmakers with additional perspective with which to evaluate the request of a single hospital within the context of a community's needs, as well as its existing capacity. While we understand that this process can be resource intensive for both the applicant and the Department, it creates an important dialogue among stakeholders and policy makers about the benefits and impacts of adding additional costly resources into the health care system.

The three main hospital providers in the east metro (Fairview, Regions and Allina Health) have a history of working collaboratively to meet the needs of the community. All three systems provide general hospital care but each system provides services that are unique such as level 1 trauma at Regions, high risk obstetrics at United/Children's and long term acute care at Fairview Bethesda. We appreciate the public review process as means to ensure that the needs of the community can be met in a way that is responsible from a long term perspective and supports the spirit of ongoing collaboration.

Our comments related to the Regions request center around two components. The first is the length of time covered by the current Regions request. Granting the bed licenses requested for over a 30 year term raises concerns as it is difficult in healthcare to predict bed need past 10 years. In addition, this long timeframe functionally denies future legislators and stakeholders the opportunity to revisit important questions around current needs, opportunities for collaboration and impacts of new beds. We think this has unintended consequences for the East side of the Metro, as well as the integrity of the public interest review process.

We are also concerned about the size of the request being 100 beds. The delivery of health care is evolving rapidly and the pace of change is only going to accelerate in the future. Allina Health utilizes the services of a highly reputed consulting firm called Sg2 to provide us with predictions of future patient volumes. Their analysis of the east metro shows a 2% growth in the need for inpatient beds over the next 10 years. The analysis does suggest a need for increased beds due to changes in population as well as epidemiological trends such as rising obesity, however, the increase is offset by other expected changes such as new technologies and changes to care models.

An example of care model changes has been the shift in patient status. Over the past 5 years, we have seen a significant move towards non-surgical patients being placed in "observation" status rather than being admitted. We have also seen a similar shift in surgical patients being placed in an extended outpatient recovery area or "short stay" unit from which they are discharged after less than a 24 hour stay having never been admitted. The trend towards moving patients from inpatient status to

observation or short stay is expected to accelerate. Sg2 is forecasting a 17% increase in observation days over the next 10 years. Recently, CMS/Medicare took total knee replacement patients off of their “Inpatient Only” list which is expected to lead to an additional shift to outpatient status. Five years ago, a majority of our hysterectomy or heart stent patients were admitted after their procedure. Today, only a minority are ever placed in inpatient status. It would have been impossible for us to have predicted this rapid rate of change ten years ago. Maintaining an incremental approach to granting bed license requests allows for a more accurate reflection of actual versus predicted community needs. This type of care reduces the need for licensed inpatient beds.

On a short-term basis, we do appreciate that Regions has regularly been running at high capacity which is not ideal for safe hospital operations or to provide needed surge capacity to the community. We support a more incremental approach to increased beds that would keep the hospital closer to an 80% occupancy rate. It is our understanding that Regions intends to operationalize any new bed capacity by bringing back into service nursing units that were closed when their new tower opened. The fact that they are not planning to build any new long term assets to add the capacity is supportive of using a more incremental approach to adding beds and a shorter time frame for evaluation. We believe this more measured approach to adding costly resources will support the strengths of all the St. Paul hospitals and allow us to further build on this strong foundation of collaboration to meet future changing needs of the community.

We are appreciative of the thoughtfulness in which all parties are approaching this important conversation and are confident that a solution can be found that prioritizes the needs of the community and balances the interests of all stakeholders. Please contact Kerri Gordon at kerri.gordon@allina.com or 612-262-4949 if you have any additional questions or would like further information. Thank you.

Sincerely,

Tom O’Connor
Senior Vice President, Allina Health
President, United Hospital