



Preliminary Findings for Regions Hospital Public Interest Review

Joint HHS Committees, Minnesota Capitol, May 2nd, 2018

Jan Malcolm | Commissioner

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- Background on MN hospital bed moratorium
- HealthPartners/Regions proposal
- Results:
 - MDH Findings
 - Observations about the proposal
 - Further considerations for the Legislature
- Substantiation of MDH findings (access barrier/forecasted need; impact on nearby hospitals; low-income and non-paying patients)
- Views of affected parties and other public comments

Background About MN's Hospital Bed Moratorium

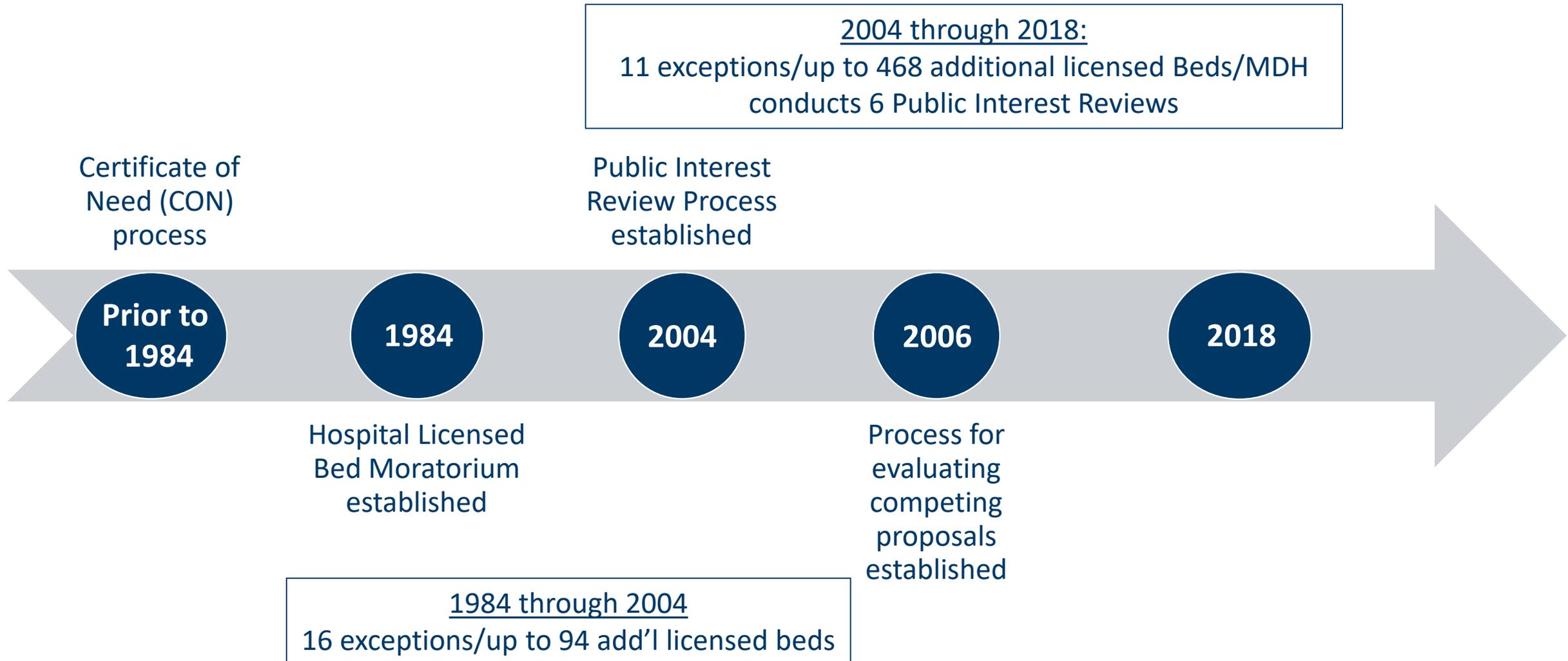
What is the MN Hospital Moratorium Law?

- MN Statutes 144.551 prohibit the:
 - Establishment of new hospital licenses; and
 - The expansion of existing hospital licensed beds
- Related sections establish:
 - A process for reviewing proposals for exception to the moratorium (MN Stat 144.552);
 - A process for conducting reviews if competing proposals exist (MN Stat 144.553); and
 - Responsibilities for MDH to monitor implementation after an exception has been granted [MN Stat 144.552 (g)].
- MDH issues findings, MN Legislature retains the decision to grant an exception

Why was the Hospital Bed Moratorium Established?

- Leading up to establishing the hospital bed moratorium, the MN Legislature was concerned about:
 - Overcapacity in hospital licensed beds; and
 - The cost associated with potentially excessive inpatient capacity.
- Previous “Certificate of Need” laws did not appear control growth in medical facilities and health care investments
- Moratorium was seen as a more effective way of limiting investments in excess hospital capacity
- But, it was viewed as a temporary solution to the broader health policy issue concerning health care costs & investments in medical facilities

Timeline for Hospital Capacity Regulation in MN



MDH's role in the process:

- Is to bring objective analysis about the merits of proposals to the Legislature
- Focuses on broader interests, rather than individual business success

PIRs typically brings to the fore:

- Tensions about public/private decisions
- Unintended consequences of the moratorium law
- Potential shortcomings related to the episodic nature of the moratorium exception process

The Public Interest Review

The Public Interest Review Process (MN Statutes 144.552)

- Intended to provide policy-makers with evidence about the merit of a proposal and context, as they weigh granting an exception
- Applicants submit a proposal to the Commissioner of Health
- Once MDH has adequate information, the review process begins:
 - MDH has 90 days, or up to 6 months in extenuating circumstances, to complete the review
 - MDH places a notice of the review in the State Register to assist in gathering public comments
 - MDH reaches out to hospitals and other stakeholders affected by the proposal
- MDH determines whether the request is in the public interest and submits a report to the Legislature
- **Legislature retains the decision-making authority**

What is Evaluated in a Public Interest Review

MDH is directed to consider all relevant factors and, at minimum, five primary questions:

1. Are the new hospital/hospital beds needed to provide timely access to care or access to new or improved services?
2. What is the financial impact of the new hospital/hospital beds on existing acute-care hospitals that have emergency departments in the region?
3. How will the new hospital/hospital beds affect the ability of existing hospitals in the region to maintain existing staff?
4. What is the extent to which the new hospital/hospital beds will provide services to nonpaying and low-income patients relative to the level of services provided to these groups by existing hospital in the region?
5. The views of affected parties.

MDH Takes Primarily an Empirical Approach to the Review

- Data from hospitals:
 - Hospital Annual Report – financial and utilization filings from all Minnesota Community Hospitals
 - Minnesota Hospital Discharge Data – Discharge records from all Minnesota Hospitals, and for Minnesota residents in select neighboring states (North Dakota, South Dakota, and Iowa)
 - Additional data requested from the hospital who is requesting additional beds/entity requesting a new hospital
- Peer reviewed literature
- Input from other hospitals in the area/with the same specialized services
- Public comment, including information from stakeholders and the community

Public Interest Review is a Public Process

- All information related to a review is posted online including:
 - The initial proposal
 - Written correspondence with the applicant to clarify the proposal
 - Feedback from the public
 - Data on previous reviews
- Findings become public with submission to Legislature
- URL:
www.health.state.mn.us/divs/hpsc/hep/moratorium/index.html

The screenshot displays the Minnesota Department of Health (MDH) website page for the Hospital Public Interest Review. The page is titled "Hospital Public Interest Review" and provides information about the review process. The main content area includes a description of the 2004 Minnesota Legislature law, a list of issues the MDH considers during its review, and a section for "Public Interest Reviews" with links to various hospitals. The page also features a sidebar with navigation links and a search bar.

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Small Group and Individual Health Insurance Market Survey
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Provider Cooperative Review
Hospital Public Interest Reviews
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Division of Health Policy
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Hospital Public Interest Review

The 2004 Minnesota Legislature passed a law establishing a public interest review process for hospitals seeking exceptions to the state's hospital bed moratorium law (Minnesota Statutes Chapter 144.552). Under this process, a hospital seeking to increase its number of licensed beds or an organization seeking to obtain a hospital license must submit a plan to the Minnesota Department of Health (MDH). MDH is required to review the plan and issue a finding on whether the plan is in the public interest.

In conducting its review, the MDH is required to consider certain issues, including the following:

- ▶ Whether the new hospital or hospital beds are needed to provide timely access to care or access to new or improved services;
- ▶ The financial impact of the new hospital or hospital beds on existing acute-care hospitals that have emergency departments in the region;
- ▶ How the new hospital or hospital beds will affect the ability of existing hospitals in the region to maintain existing staff;
- ▶ The extent to which the new hospital or hospital beds will provide services to nonpaying or low-income patients relative to the level of services provided to these groups by existing hospitals in the region; and
- ▶ The views of affected parties.

Under the statute, MDH must issue a finding within 90 days of receiving a complete proposal (or up to six months in extenuating circumstances).

Public Interest Reviews

- ▶ [Regions Hospital](#)
- ▶ [Tandem Hospital Partners](#)

Completed Reviews

- ▶ [PrairieCare Brooklyn Park](#)
- ▶ [PrairieCare Maple Grove](#)
- ▶ [Sanford Thief River Falls Psychiatric Hospital](#)

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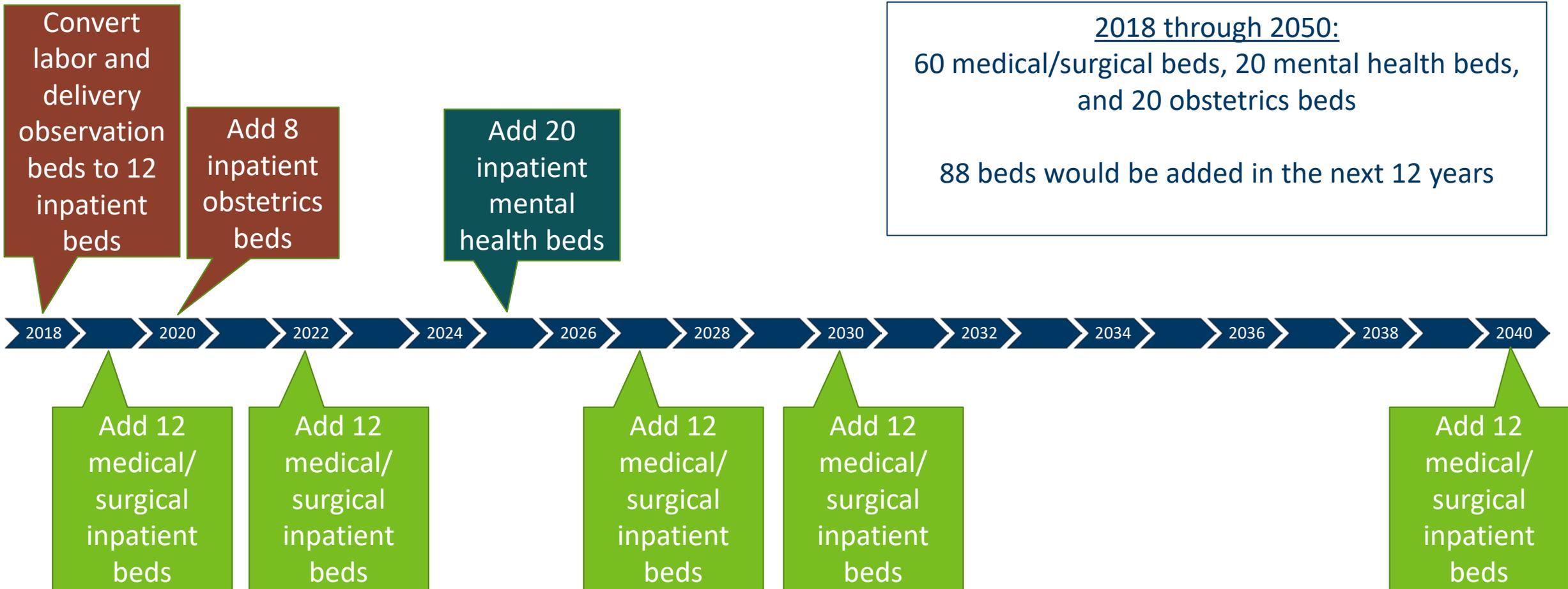
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Regions Proposal

Regions Hospital Proposal

- Between November 2017 and March 2018 Regions Hospital submitted proposal detail
- Proposal adds beds to meet current and future (through 2050) inpatient need
 - 60 medical/surgical beds
 - 20 mental health beds
 - 20 obstetrics beds
- Regions proposal emphasized
 - Current operation of hospital is at full capacity—affecting the provision of care
 - Efforts to reduce emergency department and hospital admissions are already in place
 - Market share is not expected to grow because patient demand elsewhere will also grow due to aging
 - Some of the needed investments in physical infrastructure have already been made

Timeline for Regions Hospital Bed Expansion



MDH's Preliminary Findings

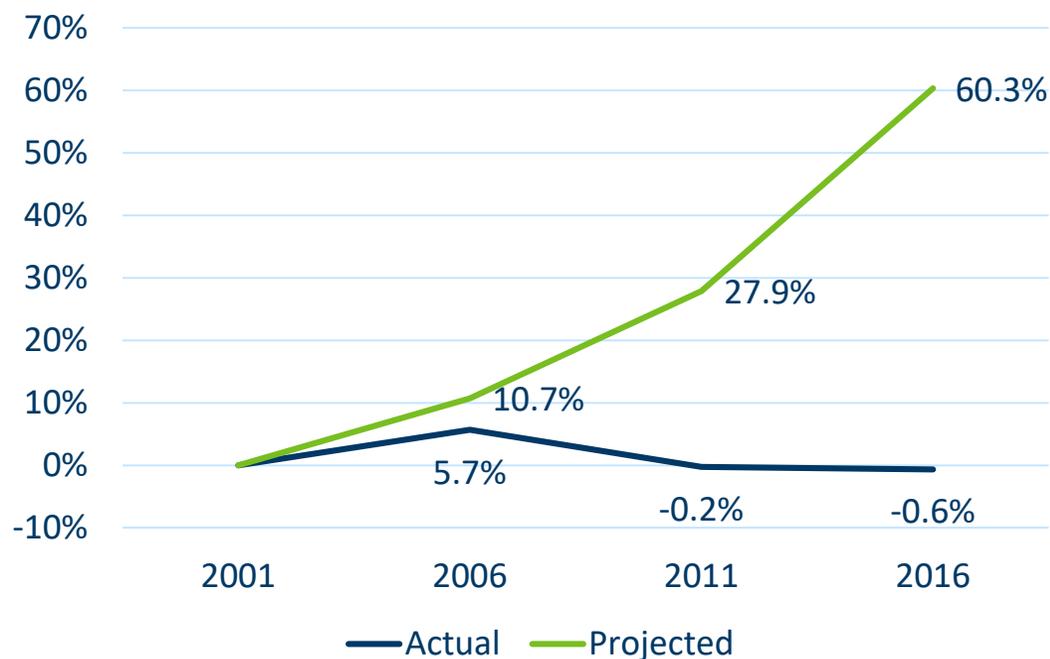
The HealthPartners proposal in its current form – to add 100 licensed beds to Regions Hospital in the next 22 years – is not in the public interest.

1. Proposal:

Appears to make optimistic assumptions about future inpatient growth spanning thirty years at a time of considerable uncertainty about the shape of future hospital care.

Projecting Need Primarily Based on Demographic Trends Likely Results in Overestimates

Cumulative Increase in Bed Days per 100,000 Population 65+ in East Metro



- Rates of hospitalizations have fallen across all age groups
- Simulating bed need for the elderly based just on demographic trends would have overestimated need in 2016 by about 60 percent.
- Instead of growing by 140 available beds, the actual number fell by 125 available beds.

Source: MDH/Health Economics Program analysis of hospital discharge data and population data from the US Census Bureau. Analysis based on trends at eight hospitals that primarily serve the east metro area.

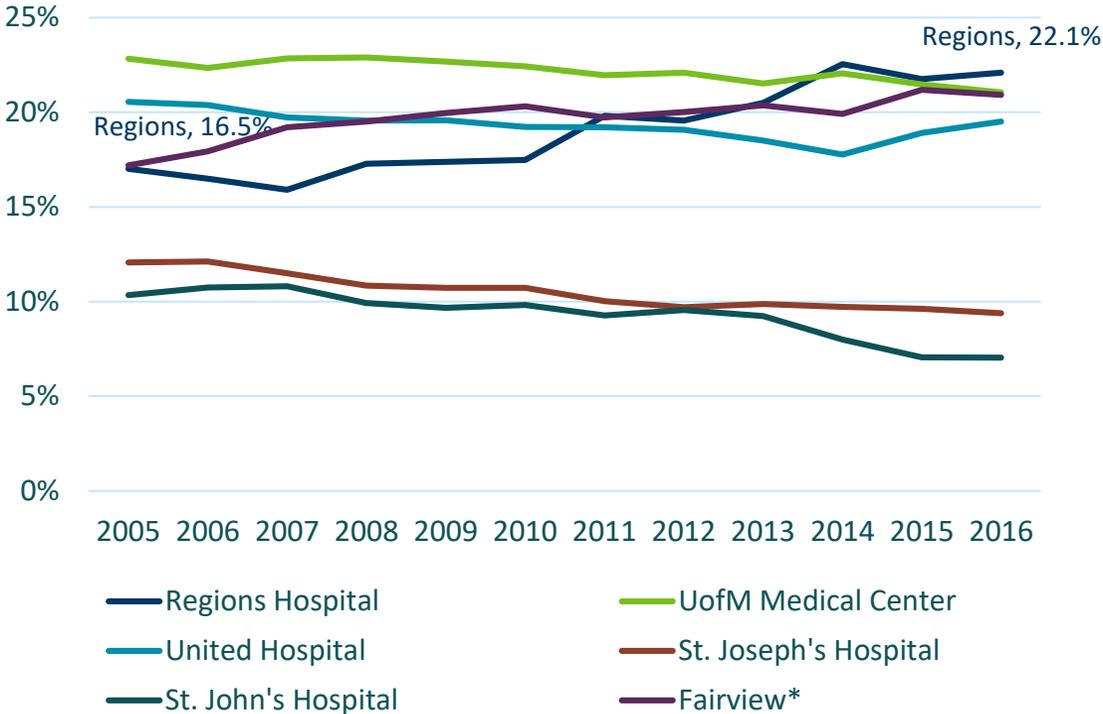
2. Proposal:

Has the potential to create negative financial impact on hospitals in the East Metro, possibly resulting in an institutional arms race and divestments from certain lower-revenue services

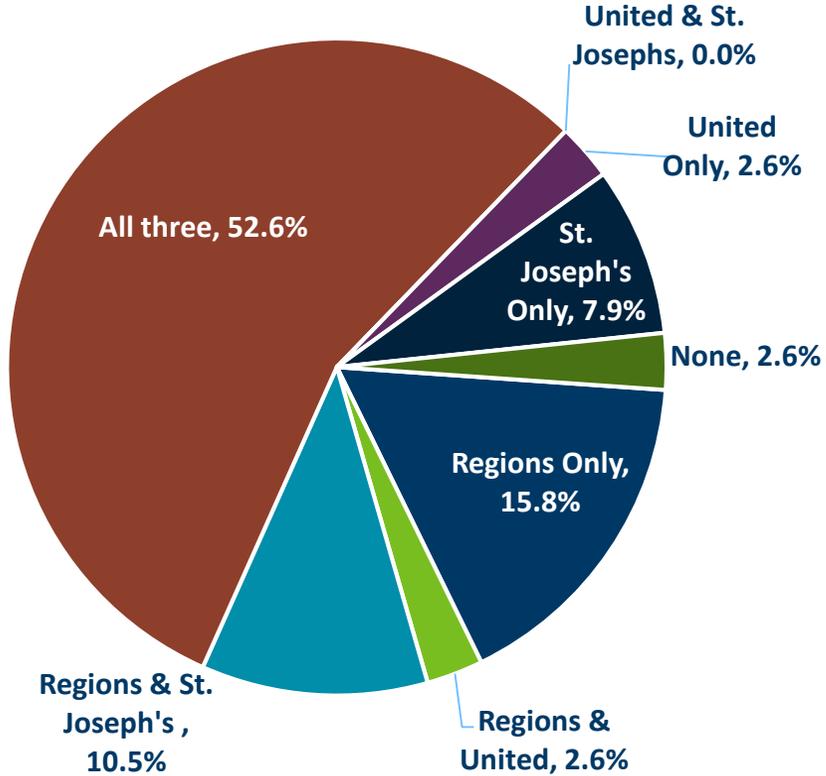
- Growth in share of medical/surgical procedures
- Revenue shifts induced by single-hospital networks and evolution of referral networks

Nearby hospitals will face additional financial pressure due to losing their share of profitable services

Share of East Metro Hospital Stays with Major Operating Room Procedures, 2006-2016



Hospital Access from Provider Networks in Small Group and Individual Market, 2018



Source: MDH/Health Economics Program analysis of hospital discharge data.
* Includes Ridges, Lakeview, Woodwinds

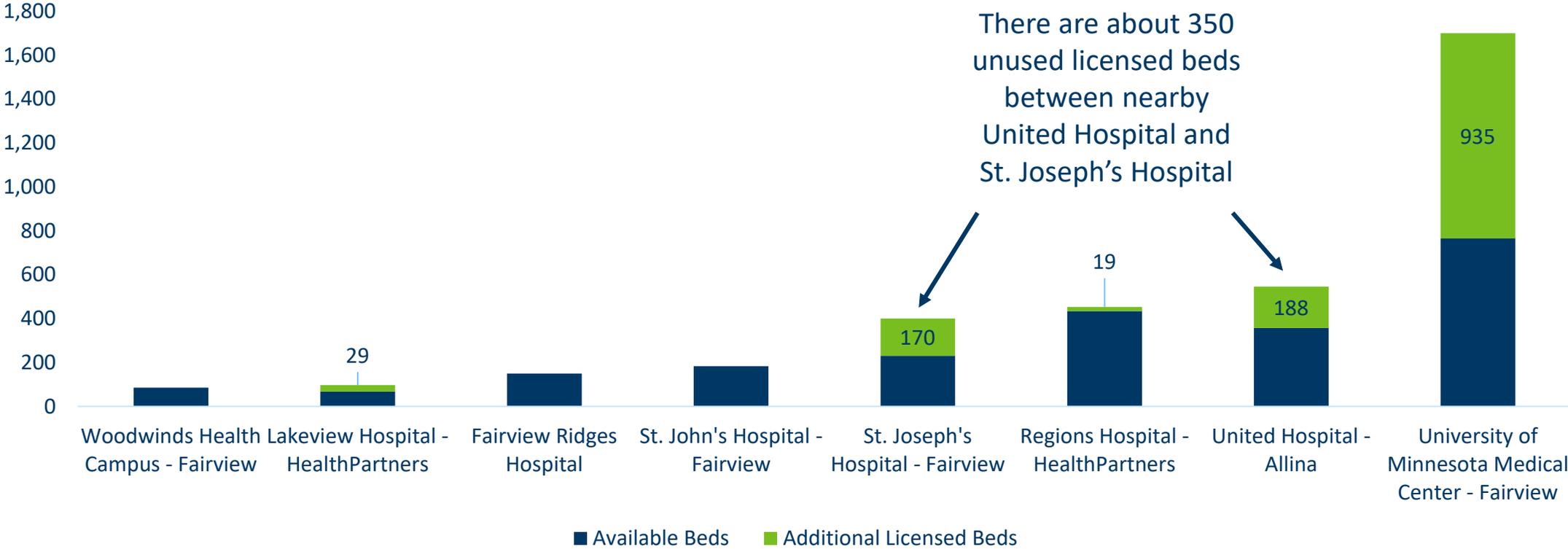
Source: MDH/Health Economics Program analysis Individual and Small Group Market 2018 provider networks.

3. Proposal:

Makes significant (although not fully enumerated) financial investments in a market with existing over-capacity over a thirty-year period without further legislative ability to adjust the approval.

Most Licensed Beds Not in Service Are Located at Hospitals Affiliated With Other Health Systems

Available and Licensed Beds Not in Service at Hospitals Serving East Metro Patients (2016)



Source: MDH/Health Economics Program analysis of Hospital Annual Report data.

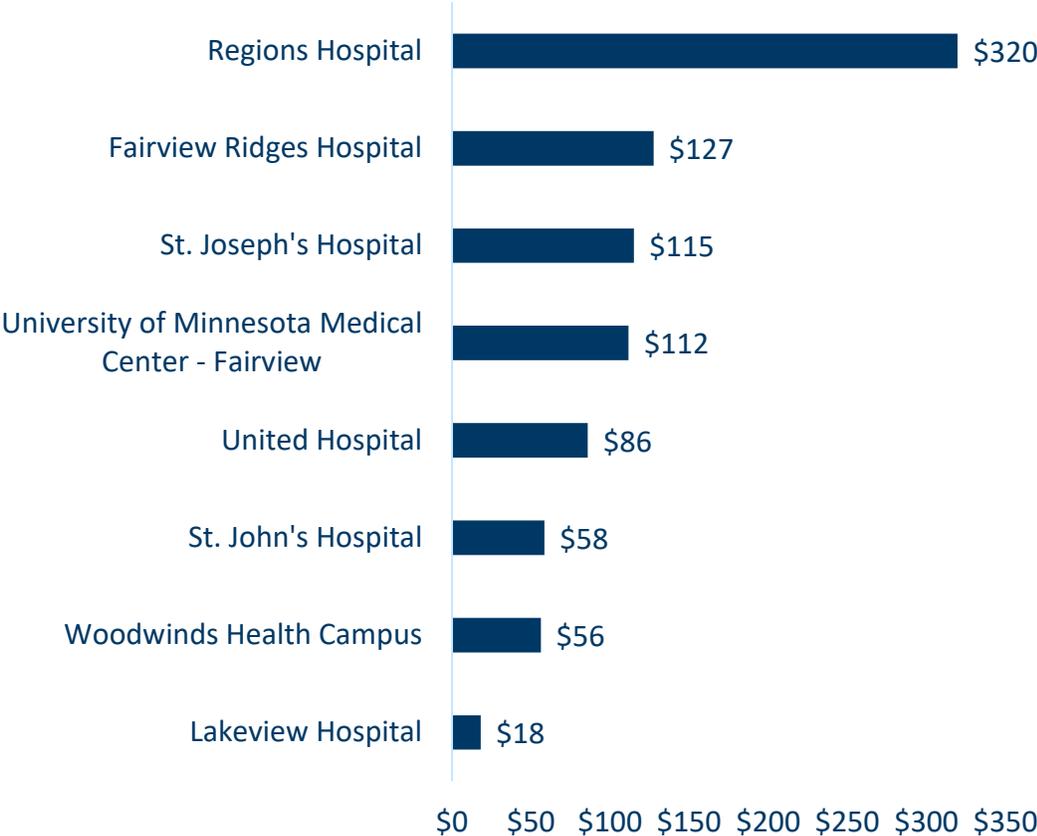
4. Proposal:

Public Comments:

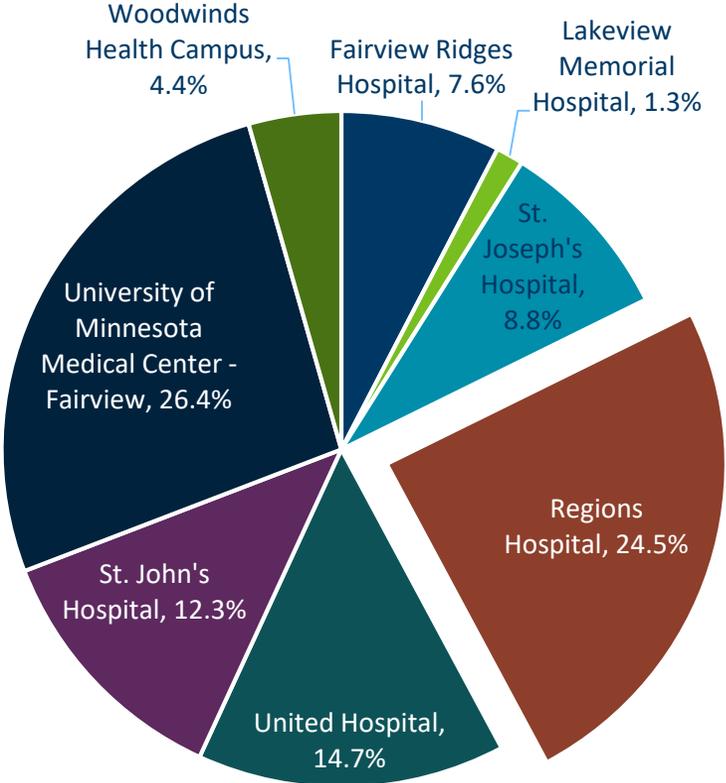
- Support from a broad range of stakeholders, including elected city and county leaders, health care providers, labor unions, and community organizations
- Some skepticism from other hospital operators
- As of April 23, 2018, MDH had received 47 public comments

Regions Hospital is a predominant safety-net hospital in the East Metro area

Charity Care Cost per Adjusted Admission, 2016



Hospital Stays with Medicaid or Government Program Expected Payer for East Metro Residents, 2016



Source: MDH/Health Economics Program analysis of Hospital Annual Report and hospital discharge data.

Most comments were supportive of the Regions proposal, yet some expressed concerns

- As of April 23, 2018, MDH had received 47 comments from a variety of community groups, competing health systems and hospitals, local public officials, patients, professional and labor organizations, and Regions Hospital clinical leadership
- Comments in favor of the proposal emphasized that the expansion supports
 - Regions Hospital as a safety-net and teaching hospital
 - Unique services for level 1 trauma and burn care
 - Relieving pressure from operating at full inpatient capacity
 - Potential for new jobs and community development
- Concerns about the proposal observed that the proposal
 - Overlooks licensed capacity at other hospitals
 - Has inpatient demand assumptions beyond 10 years that are usually used and overly optimistic
 - Jeopardizes viability of nearby hospitals through patient steering

Considerations for the Legislature

In light of the findings on access barriers at Regions Hospital and potential constraints to competition in the market, the Legislature may wish to consider the following observations:

1. A moratorium exception that added a certain number of limited licensed beds for medical/surgical care beds and obstetrical care would relieve capacity bottlenecks and permit the hospital to effectively compete in a critical revenue area
2. A condition on the exception that ensured the addition of new licensed inpatient mental health beds to the system before 2025 would help address the related constraints felt across the market.
3. A number of approaches exist to reduce or eliminate the competitive inequities established by the moratorium between hospitals with and without the ability to “bank beds” after consolidation.

Some Closing Thoughts

Hospital Bed Moratorium: Closing Thoughts

- By fixing in place historic capacity, the moratorium:
 - Effectively freezes in place market share & geographic distribution
 - Gives competitive advantage to large systems with “spare” licensed bed capacity
- Moratorium promotes a proposal/site-specific, one-off approach, rather than systematic consideration for how capacity aligns with inpatient needs and public policy goals
- For all reviews, there is a tension between:
 - The business case for adding beds
 - The public interest in adding beds
- For complex investment decisions, there can be insufficient empirical information to answer key questions

Hospital Bed Moratorium: Closing Thoughts, cont'd

- There are a range of options across the spectrum of greater regulation or less regulation that could address the competitive disadvantage some hospitals experience
- We have an incomplete understanding of access and capacity needs for inpatient beds
 - Ensuring service-line capacity (mental health, obstetrics)
 - Explore alternatives to capacity arms race
- There may be conflicting public policy at the intersection of economics – health care costs – payment reform – access - competition

Thank you!

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Addendum/About the Review

MDH Takes Primarily an Empirical Approach to the Review

- Data from hospitals:
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- Peer reviewed literature
- Input from other hospitals in the area/with the same specialized services
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Full Timeline and Next Steps

- November 20, 2017 – Regions Hospital sends confidential proposal to MDH
- January 31, 2018 – MDH requests additional information
- February 28, 2018 – Regions Hospital sends additional information
- March 1, 2018 – MDH begins public interest review
- **April 30, 2018** – Preliminary findings letter will be issued
- **May 31, 2018** – Full report will be completed

MDH Solicitation of Public Comments

- MDH determined on March 1, 2018 that Regions had supplied sufficient information to begin the public interest review.
- On March 13, 2018 a letter was sent to 24 Twin Cities Metro Area hospitals to ask for comments on the proposal in general, and any other views on the future need of inpatient hospital care in the East Metro.
- On March 19, 2018 notice was given in the *Minnesota State Register* that a public interest review had begun and MDH was seeking public comments on the proposed Regions Hospital expansion.
- On April 2, 2018 e-mails were sent to community organizations in and around the Regions Hospital area to notify them of the opportunity for public comment.