

# Regions Hospital

## RESPONSE TO STAKEHOLDER CONCERNS

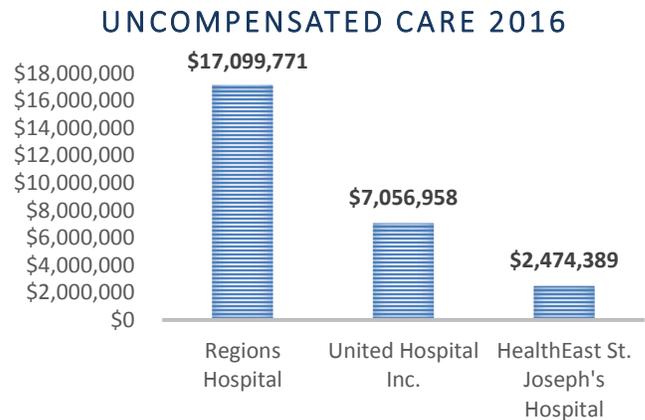
On March 13, 2018, MDH solicited comments from Minnesota hospitals as required by the public interest review process on Regions Hospital’s application for 100 new beds. Listed below are concerns from other health systems and our responses to them.

**1. “Both the scope and extended timeline of the request also are concerning. To justify such a large request, Regions projects patient needs out to 2050 – far longer than the 5 to 10 years that is more typical in our industry.”**

- Our analysis extends to 2050 to match state demographer data. Our projected timeline anticipates all 100 proposed beds would be staffed by 2040, and over 75 percent of those beds would be staffed within the next 10 years. Unlike other St. Paul hospitals, Regions has a lease agreement with Ramsey County to operate the hospital and maintain its safety-net legacy. That lease was recently extended to the year 2100. This unique arrangement with the county necessitates a longer term view around capital planning and financing. Ten years is far too short of a planning window considering it can take 1-2 years to plan a building remodel, another 1-2 years to remodel or build a building, and 30 years to pay for it. Many financing vehicles typically have a 30-year debt repayment window. Timing our request to 30-plus years seemed prudent, given the long range planning, campus construction, and financing necessary to add additional hospital beds.

**2. “Long-term, we are concerned that this request would put at risk the financial viability of the other St. Paul and surrounding area hospitals. The expansive Regions proposal would likely result in consumers with HealthPartners insurance being steered to Regions.”**

- As the largest provider of uncompensated care in the region, we take concerns around financial viability very seriously. Our projected need for 100 additional bed licenses is based on the current percent of the population Regions serves today and maintaining that proportion as the population in our service area grows and ages. Our proposal does not factor in an increased market share at the expense



of other area hospitals. We think other east metro hospitals will need to bring additional beds online to meet the projected demand.

- Regions is not a closed system serving only HealthPartners members. It is a community hospital serving patients with a variety of commercial insurance plans, government sponsored plans, and individuals with no insurance. In 2017 only 13 percent of Regions' inpatients had HealthPartners commercial insurance. Likewise, HealthPartners members receive care from a wide variety of providers. Regions' primary medical group, HealthPartners Medical Group, is an active partner and admitter to other hospitals across the community – to Allina's Abbott and Mercy Hospitals, to Fairview Ridges in the south metro and to Mayo or Fairview University for transplant services.

**3. “Analysis [by consulting agency Sg2] 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.”**

- Sg2 impact factors are based on national trends that are applied to the local level. Minnesota has been a leader in reducing inpatient days, but those changes in admission rates are now slowing. Minnesota has fewer admissions that are still likely to move to outpatient since our rates are among the lowest in the country. Regions Hospital's facts speak to these very issues. For example, we have far fewer inpatient chest pain cases than we did only five years ago, as some of these are observation, and some have been treated more completely in the emergency room. New cases have arrived, such as continuous renal replacement therapy and cardiac Watchman devices that save lives that otherwise would be lost. Based on these facts, the analysis shows that inpatient use will decline, but not dramatically since Minnesota has less room to decline than most other states.
- The number of people aged 65 and older will increase an astonishing 69% from 2015 to 2050. We know the market capacity is constrained already, proven with a growing number of hours our hospital emergency departments go on ED divert (turn-away) status. In 2013 east metro hospitals logged a combined 120 hours on divert status. In 2017 that number was over 900 hours.
- Sg2 projects an increase in beds over the next 10 years. Regions Hospital is already at 100% bed license capacity and Sg2 forecasts 2.5% increase in demand across all service lines in the next 10 years. Areas with particularly high inpatient demand include orthopedics (4% increase over 2016-2026), neonatology (6%), and neurosciences (19%).
- New technologies allow hospitals to save lives that we couldn't in the past. Because of this, we are seeing an increase in hospitalizations or multiple hospitalizations for some conditions. This is particularly true in cardiology and neuroscience specialties.

**4. “We are concerned that this creates unneeded overall inpatient bed capacity in St. Paul without meeting the most critical need for mental health services.”**

- As specified in our application, Regions requests 100 beds for the following services:
  - 20 for maternal health
  - 20 for mental health
  - 60 for medical, surgical and intensive care services.
- There are no known objections over the need for increased maternal and mental health beds to serve our community. The support for these investments are in part dependent on the financial performance of the other proposed service lines which require additional beds to meet current and future capacity for the only east metro level 1 trauma facility.
- The east metro needs more capacity today. The three hospitals in the Twin Cities with the highest incidents of emergency departments going on divert status are Regions Hospital, United Hospital, and St. Joseph’s Hospital- all in St. Paul.