

Hospital
Mail Stop: 11902C
640 Jackson Street
St. Paul, MN 55101

healthpartners.com



August 1, 2025

Commissioner Brooke Cunningham
Minnesota Department of Health
P.O. Box 64975
St. Paul, MN 55164-0975

Dear Commissioner Cunningham,

On behalf of Regions Hospital, I am pleased to submit our Public Interest Review (PIR) application for an additional 85 licensed inpatient beds, consistent with Minnesota Statutes §144.552. This request reflects our commitment to expanding timely access to high-quality care for the East Metro community we have served for nearly 150 years.

Regions is currently operating at or near full capacity across its inpatient medical/surgical units. Even with the phased activation of the 100 new licensed beds authorized in 2018 and 2021, we are now approaching the limits of our inpatient licensed bed capacity. Our analysis, based on internal projections and supported by regional demographic data, indicates that we will face a shortfall of inpatient bed licenses by 2033 if we do not start planning to expand now. This request for 85 new bed licenses for medical/surgical use, is designed to address that projected need, restore lost capacity following recent closures at nearby facilities, and ensure timely care for patients who rely on Regions as a Level I Trauma Center, a major safety-net provider, and a regional center for complex care.

This proposal does not introduce new services but expands our ability to deliver existing services—such as trauma, critical care, cardiology, surgery, and hospital medicine—with greater reliability and fewer delays. The expansion would take place on our existing campus.

We are committed to ensuring this expansion meets the public interest and are prepared to support the Department's review process in any way needed. Thank you for your consideration of this proposal and for your continued stewardship of Minnesota's health system capacity planning.

Sincerely,

Emily C. Blomberg
President, Regions Hospital

Regions Hospital 2026 Public Interest Review Application – Proposed 85-Bed License Expansion

Background Information

Hospital Profile: Regions Hospital is a tertiary referral center and the largest safety-net hospital in the Twin Cities East Metro. Regions has served the community for 145 years and has the East Metro’s only Level I Adult and Pediatric Trauma Center and Burn Center. It is a principal provider of mental health care and charity care in the region as well. As a former public hospital (now part of the HealthPartners system), Regions continues its mission to care for all patients regardless of ability to pay, ranking among the top hospitals in Minnesota for charity care provided, and is recognized for delivering high quality care at below average cost. Regions also serves as a major teaching hospital, training hundreds of medical residents each year. This community-oriented mission and broad scope of services make Regions an indispensable healthcare resource for St. Paul and surrounding areas.

Current Licensed Capacity: Regions Hospital’s current licensed bed capacity is essentially fully utilized. Regions currently has a small surplus of 11 unused or “banked” licenses, but currently available space within the existing hospital footprint is optimized by 12 bed units. Regions is short one license to bring online another full unit. Following a 2017-2018 Public Interest Review (PIR) process, the Minnesota Legislature granted Regions an exception for 55 additional beds in 2018. Those beds brought Regions’ total licensed capacity to 509 beds, and nearly all were promptly put into operation to meet rising demand. In 2021, the legislature authorized another 45 bed licenses for Regions, for a total licensed capacity of 554 beds. Regions has been phasing in these beds as quickly as space and staffing allow – including accelerating the opening of a new 20-bed inpatient mental health unit four years earlier than planned, due to urgent need. Even after these expansions, demand has continued to outstrip capacity, with the hospital frequently operating at or above its optimal occupancy level. Therefore, to further expand inpatient capacity, Regions must seek a new exception to Minnesota’s hospital bed moratorium law.

Request Overview: Regions Hospital will be seeking legislative approval in 2026 for 85 additional licensed inpatient beds to use for medical/surgical care. The additional licenses will increase Regions’ capacity to treat patients with medical, surgical, cardiac, trauma, and other acute illnesses, who currently might experience delays in access to care due to capacity constraints. This application is submitted pursuant to Minnesota Statute §144.552. It provides background on the need for the project, a description of the proposed expansion, and analysis of how the plan meets the statutory public interest criteria.

Project Description

Project Scope: Regions Hospital proposes adding 85 inpatient beds to its existing licensed capacity. These beds will be used for patients receiving general medicine, surgery, cardiology, orthopedics, trauma, neurology, and intensive care services, as well as other acute care. The addition of beds will relieve overcrowding in our medical/surgical units and ICU, and enable Regions to accommodate growth in general acute-care demand.

Physical Plan and Phasing: The hospital anticipates a phased implementation of the new beds. Approximately 12 of the beds could be opened in the near term (within 12 to 18 months of approval) by renovating existing space or converting areas currently used for other purposes. Opening these initial beds will address the most pressing capacity bottlenecks and can be staffed relatively quickly. The remaining beds will likely require capital construction – building out new inpatient units or vertical expansion of the hospital. Regions is currently evaluating design options to add these beds in the most cost-effective manner possible. The build-out will be aligned with demand growth and capital availability, potentially in multiple stages between 2026 and 2033. By phasing the expansion, Regions can ensure that staffing and operational resources scale up in step with the physical capacity.

Financing: The project will be financed through a combination of internal capital investment and debt financing, such as tax-exempt hospital revenue bonds, consistent with HealthPartners' capital plan. No public or state funding is requested for the expansion. The PIR bed license approval itself has no cost to the State and simply permits the hospital to invest its own funds in needed capacity. Regions has a history of careful financial stewardship; each phase of adding beds will undergo a detailed financial feasibility analysis. While increasing bed capacity will entail significant construction and operating costs, these costs are justified by the operational efficiencies and revenue from being able to care for more patients in need. In general, more beds will allow better management of patient flow and reduce costly bottlenecks such as emergency department boarding. Importantly, adding beds is demand-driven, not revenue-driven – the primary motivation is to meet community need and alleviate an access shortage, even though a large share of the growth will likely be in Medicare/Medicaid patients with below-cost reimbursement.

Project Location: All new beds will be located at Regions Hospital's main campus in St. Paul. The hospital is not proposing to build a new hospital or off-site inpatient facility. The expansion will leverage Regions' existing infrastructure, support services, and care teams. For example, new medical/surgical units would be integrated with the current hospital towers, ensuring proximity to diagnostics, operating rooms, the emergency department, and ICU resources. Keeping the expansion on the existing campus also minimizes duplication of services and allows efficient use of established programs such as the Level I Trauma Center and specialty ICUs.

Timeline: Regions intends to submit this proposal to The Minnesota Department of Health (MDH) by August 1, 2025, the deadline for 2026 legislative consideration. If legislative approval is obtained in the 2026 session, we would aim for initial bed openings as early as mid-2026 (for those 12 beds that can be readied in existing space). Subsequent construction for the remaining

beds could begin in 2026/2027, with additional new units opening incrementally in the years up to 2030, depending on the scale of construction required. Our goal is to have the majority of the 85 beds in operation by 2030-2031, in time to accommodate the forecasted growth in patient volume through 2033 (see need projection below). We will adjust the implementation schedule as needed based on actual community demand and workforce availability.

Compliance and Licensure: Regions Hospital will comply with all licensing requirements for the new beds. The hospital's physical plant and life-safety features will be reviewed and approved by MDH prior to occupancy of the beds. Staffing plans will ensure that each new bed meets nurse staffing and care standards. Regions is fully accredited by the Joint Commission and will extend that accreditation to the expanded bed capacity.

In summary, the project entails a strategic expansion of Regions Hospital's inpatient capacity by 85 med/surg beds on the existing campus, financed by the hospital, and executed in phases to match community needs. This expansion will increase Regions' licensed bed count (currently 554) to 639 beds. The primary purpose is to relieve current overcrowding and prepare for future patient demand, without altering the fundamental scope of services the hospital provides. Regions will continue to offer the same multidisciplinary acute services – the difference will be that we can treat more patients in a timely manner, maintaining access to care for the East Metro population.

Need for the Project

Regions Hospital is experiencing sustained high demand for inpatient services that has outpaced its current licensed capacity. Multiple converging factors demonstrate the need for 85 additional medical/surgical beds: growing patient volumes; persistent over occupancy and delays in patient admissions; increasing patient acuity leading to longer stays; recent reductions in available beds elsewhere in the region; and projected demographic trends including aging and population growth that will further boost demand. We have undertaken extensive analysis to model bed need through 2033, and these analyses consistently indicate a significant shortfall in capacity if new beds are not added. Below, we detail the key indicators of need:

Rising Utilization and Over-Occupancy: Internal census data shows that medical/surgical volumes continued to grow steadily through 2024–2025, even after new bed licenses were added in 2018 and 2021. Regions now treats over 90,000 Emergency Department (ED) patients annually, about 18,500 more than a decade ago, and the ED logged 101,000 visits in 2024. This increase outpaces overall population growth and spans service lines: admissions in cardiology, neurology and orthopedics are among the fastest rising. Despite efficiency measures, demand is predicted to remain strong through 2033.

At the same time, Regions operates well above industry occupancy targets. Best practice for Level I trauma centers recommends 80–85 % occupancy to maintain surge capacity. Our medical/surgical units have averaged 92–93 % occupancy since 2023, and some days every staffed bed is in use. Operating at these levels leaves little buffer for seasonal flu, COVID 19 or other illness surges, or mass casualty incidents. Persistent challenges with discharge delays

further back up patients throughout the hospital and increase staff strain and risk of adverse events.

Patient Impact and Bottlenecks: Sustained high occupancy at Regions has created ripple effects across the care continuum, leading to delayed admissions, boarded patients, and unmet demand across the East Metro. When inpatient units are full, patients are boarded in the Emergency Department until a bed becomes available. Total boarding hours at Regions have nearly doubled – from approximately 34 hours per day in 2021 to nearly 70 hours per day by mid-2025. The hospital's post-anesthesia care unit has also absorbed 1,600 to 1,700 surgical patients per year awaiting beds, limiting elective surgical throughput.

Transfer activity illustrates this strain in more acute terms. Patients referred to Regions often face waitlists due to full units, even after being clinically accepted by a provider. In 2022, 2,818 patients were placed on the transfer waitlist. While approximately 23% of those patients were ultimately not admitted, this does not necessarily mean that Regions was unable to accommodate them. Some patients improved while waiting, were treated at the referring hospital, or were transferred elsewhere. However, every one of these patients had already been accepted for transfer – placement on the waitlist occurs only after a clinical acceptance, and only when no bed is immediately available.

The underlying issue is that demand regularly exceeds available bed supply. From January 2023 to June 2025, Regions admitted 87% of patients placed on the waitlist, demonstrating that beds eventually become available – but often only after care has been delayed. These delays can pose serious clinical risks, especially for patients needing specialized, time-sensitive care.

Regions has implemented every operational fix available to mitigate these issues – expedited discharges, expanded observation units, surge and hallway beds – but these remain stopgap measures. Without additional capacity, transfer delays, boarding, and surgical backlogs will persist and will likely worsen over time.

Transfer and Direct Admission Constraints: HealthPartners Direct (HP Direct), HealthPartners' 24/7 Access Center that manages consults, direct admissions, and ED transfers into HealthPartners hospitals, offers a clear view of this role and its current limitations.

Between January 2023 and June 2025, HP Direct logged 11,708 direct admission requests to Regions Hospital. Of these:

- 2,196 requests (18.8%) were declined by Regions due to capacity status – meaning no inpatient bed was available at the time of request.
- 5,882 patients were accepted by a provider but placed on the waitlist because a bed could not be immediately assigned.

Taken together, this means 69% of direct admission requests (8,078 of 11,708) were not immediately placed in a bed at the time of the request but instead were either declined outright or waitlisted. While many waitlisted patients were later admitted, the data confirm that Regions frequently lacks the bed capacity to provide timely access at the moment it is clinically needed.

Importantly, these data reflect only direct admission requests. If Emergency Department (ED) transfers were included, the total number of transfer-related admission requests to Regions would rise to 28,635 during the same period. However, the analysis here focuses on non-ED direct admission activity, which is more directly tied to inpatient medical and surgical bed availability.

From January 2023 to July 2025, 93% (2196/2369) of Regions declined admission requests were due to lack of capacity. Although capacity-related decline rates improved somewhat – from 96% of declines in 2023 to 87% in 2024, and we are at 86% for the first half of 2025 – hundreds of patients continue to face barriers to transfer due to full units.

Adding 85 new licensed beds would help reduce both declines and waitlisting, strengthening the regional referral system and improving timely access to care for complex cases throughout the East Metro.

Increasing Acuity and Length of Stay: Not only are more patients seeking care at Regions, but they are also sicker and staying longer. The hospital's case mix index (CMI) – a measure of clinical complexity – has climbed from the mid 1.9 range in the early 2010s to 2.14 in 2022, 2.10 in 2023 and 2.13 in 2024–2025. Patients now often present with multiple serious conditions, such as trauma with co morbidities or advanced chronic diseases. Lower acuity admissions have remained flat or declined, signaling that Regions increasingly serves as the referral center for complex trauma, neurosurgery, stroke, and oncology cases.

Rising acuity drives longer hospital stays. A decade ago, the average inpatient stay at Regions was about 4.7 days. During the peak of the COVID 19 pandemic in 2022, the average length of stay climbed to roughly 6.1 days and has since settled at around 5.5 days in 2024–2025. Even after receding from the pandemic peak, this represents nearly a full day increase over the pre COVID baseline. Higher severity patients stay approximately twice as long as lower severity patients, so bed occupancy rises even if admissions remain stable. With an aging population, growing comorbidity burden and fewer discharge options, there is no indication that length of stay will return to earlier levels.

In summary, rising utilization, over occupancy, transfer bottlenecks, and increasing acuity/length of stay all point to a sustained shortfall in bed capacity. Adding 85 licensed medical/surgical beds will help Regions operate closer to the 85 % occupancy benchmark, reduce boarding and transfer delays, and ensure that high acuity patients receive timely, appropriate care.

East Metro Capacity Reductions: The need for more beds at Regions is heightened by the loss of inpatient capacity in St. Paul in recent years. Two significant facilities in our vicinity have closed or downsized, which has shifted more demand onto remaining hospitals, especially Regions:

- **St. Joseph's Hospital Closure:** St. Joseph's Hospital, located only a few blocks from Regions in downtown St. Paul, had historically been an acute care hospital serving the same community. Between 2019 and 2020, St. Joseph's (operated by a different health system) underwent major service changes. In December 2020, St. Joseph's permanently closed its Emergency Department, which had over 24,000 visits in 2019, and shut down

all of its general medical/surgical inpatient units. Essentially, St. Joseph's is no longer functioning as a general hospital – it transitioned to a new model focused on specialty outpatient and wellness services, with no ER and very limited inpatient beds. This represents a significant loss of capacity for the city of St. Paul. According to Minnesota Hospital Association data, St. Joseph's Hospital was caring for approximately 8,600 to 9,300 medical/surgical inpatients each year as recently as 2014 to 2019, excluding mental health and OB. Of those patients, more than 50% were residents of the East Metro core (inside the I-694/I-494 belt), and about 15% were from the immediate neighborhoods around Regions. With St. Joseph's no longer providing that care, a large portion of those several thousand patients per year must now seek beds at other facilities – primarily Regions, United Hospital, also in St. Paul, or St. John's Hospital in Maplewood. Regions has seen a rise in emergency visits and admissions attributable in part to St. Joseph's closure. The closure of one of St. Paul's three major hospitals means the same number of sick patients are now competing for fewer beds citywide. This dynamic puts intense pressure on Regions to absorb as much of the unmet need as possible, since we are the largest remaining hospital in the service area.

- **Bethesda Hospital Closure:** In November 2020, Bethesda Hospital, a long-term acute care (LTAC) hospital in St. Paul, was closed and later repurposed as a mental health only hospital with no emergency department. Bethesda had provided ~50-90 beds (fluctuating) for patients needing extended hospital-level care (e.g. ventilator weaning, complex wound care) beyond a typical acute care stay. Its closure reduced discharge options for patients in need of long-term acute care, putting additional pressure on existing inpatient beds in the area. In practical terms, some patients who would have transferred from Regions to Bethesda for ongoing care had to either stay at Regions longer or be transferred to LTAC facilities much farther away. This has caused longer lengths of stay at Regions for certain complex cases (because placing them in the appropriate post-acute setting is harder without a local LTAC). It also means other acute hospitals have fewer places to send their patients who need specialized long-term care, potentially keeping those patients in regular hospital beds longer. The ripple effect of Bethesda's closure is a subtler reduction in effective capacity, but a real one as it ties up acute care beds with patients who are hard to discharge due to lack of step-down facilities.

The combined impact of St. Joseph's and Bethesda closures is that the East Metro has seen a net loss of well over 150 hospital beds, including both acute and post-acute, since 2020. St. Joseph's alone likely had around 100+ licensed acute beds that are no longer in service for general patients. These changes have intensified the need for additional bed capacity at Regions.

It's important to highlight that no new hospital has opened in our area to offset these closures. Regions and one or two others must carry the load of the entire community. While United Hospital (Allina Health) remains an important provider in St. Paul, United also faces capacity limits and, to our knowledge, has not significantly expanded inpatient capacity since St. Joseph's closed. In fact, at times both Regions and United have been completely full, leaving patients in St. Paul with nowhere local to go. The proposed 85-bed expansion at Regions is essentially a

replacement for some of the capacity the community lost when St. Joseph's and Bethesda closed – except that instead of opening a new hospital, we will integrate the beds into Regions where economies of scale and existing services can best support them. This is a cost-effective way to restore needed capacity in the public interest. If these beds are not added, the gap left by the recent closures will persist, manifesting as chronic overcrowding at Regions and unmet health needs in the East Metro.

Demographic Trends and Future Projections

Our analysis of population health trends indicates that demand for inpatient services at Regions will continue to grow into the next decade, driven largely by an aging population and overall population growth in our service area. We have modeled bed need through the year 2033, and the data support proactively adding 85 bed licenses now to meet both current and forthcoming demand.

Aging Population (“Silver Tsunami”): Minnesota, like the rest of the country, is experiencing a dramatic rise in its senior population as Baby Boomers enter the 75 to 85 year age range and life expectancy continues to improve. According to the Minnesota State Demographic Center, the number of Minnesotans aged 65 and older is projected to double between 2010 and 2030, and by 2030 more than one in five Minnesota adults will be seniors. Furthermore, the Center notes that “the number of older adults turning 65 this decade will be greater than the past four decades combined.”¹

Older adults utilize hospital services at much higher rates; they are more likely to require admission and typically have longer hospital stays. Regions is already seeing this effect: over the past 10 years, Medicare patients accounted for a large portion of our inpatient growth (a 16% increase in Medicare discharges from 2012 to 2017). Our payer mix and case mix reflect an aging cohort with multiple health needs. As the over 65 population increases between now and 2030, we can expect a significant uptick in hospitalizations in this region for cardiac conditions, strokes, orthopedic issues, cancer, and other illnesses associated with advanced age. Preparing for that demographic reality is a key reason we need to expand capacity at Regions. Without additional beds, the growing senior population may face delays in inpatient care access, potentially leading to worsened outcomes or need to seek care far from home.

East Metro Population Growth: In addition to aging, the overall population of the Twin Cities metro, including the East Metro, is growing. The Metropolitan Council's latest forecast (2025) projects the seven-county Twin Cities region will gain about 650,000 people by 2050.² Regions home city, St. Paul, is expected to grow by roughly 27,000 residents by 2050, and suburban areas of Ramsey, Washington, and Dakota counties (Regions' broader service area) are also expanding.³ Communities such as Woodbury, Lino Lakes, Cottage Grove, and others in our

¹ Minnesota Demographic Center. *Data by Topic: Aging*. Minnesota Department of Administration, accessed July 30, 2025. <https://mn.gov/admin/demography/data-by-topic/aging/>.

² Metropolitan Council. “Met Council releases final local forecasts,” news release (Jan. 7, 2025), <https://metrocouncil.org/News-Events/Planning/Newsletters/Met-Council-releases-final-local-forecasts.aspx> (accessed July 30, 2025).

³ Ibid.

secondary service area are among those with notable growth.⁴ While projected growth in St. Paul proper is modest, even a ~10% increase in the city's population over 30 years means thousands more people who may rely on East Metro hospitals. When combined with aging (since younger families moving in eventually age as well), we foresee steady incremental growth in demand year-over-year.

Historically, immigrant and undocumented adult populations in our region have experienced significant barriers to care, including limited insurance access. While a 2023 law briefly expanded MinnesotaCare eligibility to undocumented adults, leading to rising enrollment, those changes will be repealed effective January 1, 2026. While coverage will end for adults who are undocumented, children who are undocumented will remain eligible. As a safety-net hospital, Regions may continue to see high demand from undocumented residents who lose insurance, especially for emergency and complex care. Additionally, non-insurance barriers, such as language access, transportation, and health literacy, persist in immigrant communities and underscore the importance of ongoing outreach and culturally responsive services. Regions has long been a trusted provider for these communities, and as demand continues or intensifies post-coverage repeal, expanding bed capacity is essential to ensuring continued access for all patients, regardless of background or insurance status.

Projected Bed Need to 2033: In 2025, HealthPartners conducted a detailed forecast of future inpatient demand at Regions Hospital through 2033. This modeling incorporated population growth, demographic shifts (particularly aging), illness burden trends, expected programmatic growth, and projected changes in average length of stay (LOS). Based on this modeling, Regions Hospital is projected to need approximately 85 additional staffed licensed inpatient beds by 2033 to maintain access and meet rising demand. This estimate assumes an optimal target occupancy rate of approximately 85% – a level that balances operational efficiency with the flexibility needed to accommodate daily fluctuations, seasonal surges, and emergency situations. It also reflects an expected 4% increase in LOS over the coming decade, consistent with rising patient complexity.

While the calculated need based on our model is 84 beds, and Regions currently holds 11 unused licenses, Regions is seeking approval for 85 new licenses to ensure that the hospital can responsibly meet actual patient care needs across a dynamic environment – essentially creating a 12 bed (one full unit) margin of safety if the 85-bed request is granted. The 85-bed request is not intended to overbuild capacity, but rather to:

- **Ensure adequate flexibility for a Level I Trauma Center:** As the only Level I Trauma Center and Burn Center in the East Metro, Regions must maintain readiness for future pandemics, mass casualty incidents, and unpredictable spikes in demand. The 85-bed request supports the ability to respond to these pressures while preserving access for routine care.
- **Account for volatility in discharge options and post-acute care availability:** The COVID-19 pandemic revealed how shifts in long-term care, rehabilitation, and home

⁴ Ibid.

health availability can abruptly extend hospital stays. Future Medicaid eligibility changes or workforce shortages in post-acute care could have similar effects, effectively increasing acute care bed need.

- **Avoid capacity bottlenecks that would disrupt care access:** Even a temporary shortfall in bed availability can delay transfers, lengthen emergency department boarding times, and contribute to emergency care bottlenecks. Having a modest margin of safety ensures Regions can sustain throughput even under strain.

Importantly, this request is not predicated on immediately staffing all 85 beds. Regions will phase in bed activation over several years, based on observed demand, staffing levels, and capital availability. This approach ensures the hospital can remain around the 85% occupancy target while avoiding overutilization of staff or resources.

In summary, demographic and utilization forecasts clearly show that the status quo capacity will not suffice for the coming years. The East Metro will have more residents, significantly more seniors, and likely higher per-capita hospital use due to that age shift (even as we continue preventive care efforts). Regions' request for 85 additional licensed beds is rooted in a rigorous modeling of anticipated demand through 2033, tempered by practical considerations of system flexibility and patient safety. The proposal reflects a prudent, data-informed plan to meet the East Metro's inpatient care needs and uphold Regions' core mission of timely, high-quality care access for anyone that comes through our doors.

Consequences of Not Expanding Capacity

If Regions Hospital is not allowed to expand inpatient capacity, the repercussions for patients and the community would be significant and detrimental. The hospital would continue to operate under extremely strained conditions, and as demand increases, the situation would worsen. Key negative impacts of a "no expansion" scenario include:

- **Patient Access Delays and Strained Transfers:** Without new beds, Regions would continue to experience high occupancy that delays patient admissions and constrains access. While statewide policy no longer permits ambulance diversion for capacity reasons, emergency departments can still become congested, making timely transfer and intake more difficult. In time-sensitive emergencies (heart attacks, strokes, traumas), these delays can have serious consequences, especially given the limited number of Level I Trauma Centers in the region. Routine transfers from smaller hospitals could be turned away more often due to lack of beds. In house, patients would increasingly be stuck in the Emergency Department for long hours (or even days) waiting for an inpatient bed. Elective surgeries that require post-op beds might be postponed or capped. Essentially, patients in the East Metro would struggle to get timely hospital care, defeating the purpose of a community hospital system. This reduced access can lead to worse health outcomes, as conditions go untreated longer or care is fragmented across distant facilities.
- **Deferred Care and Health Risks:** When a hospital is perpetually full, it must sometimes defer or decline admissions that are not immediately life-threatening. For example, a

patient needing a scheduled surgery (say a cancer surgery or cardiac procedure) might have their procedure delayed because no ICU bed is available for post-op care that week. Or a patient with worsening heart failure might wait at home longer than is safe because they believe there are no available beds. These scenarios are already happening occasionally; without expansion they could become common. Delaying necessary care can allow diseases to progress and complicate, leading to higher eventual mortality or more intensive treatment needed later. Our goal is to provide world class care to any patient that comes through Regions' doors – failing to expand would increasingly force us to say “not now” or “go elsewhere” to patients who trust us for their care.

- **Strain on Healthcare Staff:** Chronic overcapacity has a direct impact on our healthcare workers. Nurses, physicians, and support staff are stretched thin trying to care for more patients than our units were designed for, often juggling makeshift arrangements. Burnout and moral distress become more prevalent when caregivers cannot accommodate patients who need help and are forced to board a patient in the hallway. If we do not add beds, and corresponding staff, the intense workload and overcrowded environment will continue to erode colleague well-being and could lead to higher turnover. In a time when healthcare workforce is at a premium, failing to alleviate this strain would undermine our ability to retain talent and maintain high quality of care. Staff shortages could then create a vicious cycle, where even existing beds can't be fully utilized due to lack of personnel.
- **Financial and Operational Sustainability:** From an operational standpoint, running at constant overflow is inefficient and costly. We incur expenses for surge staffing, overtime, diversion coordination, etc., without being able to admit all the patients who need us. This hurts our financial sustainability, as we effectively turn away revenue opportunities (patients) because of capacity limits, while bearing the costs of an overstressed system. Losing achievable volume, especially complex cases, can weaken our financial base that supports all our community services. Not expanding threatens to undermine our long-term viability as a safety-net provider. It is worth noting that Regions has relatively low operating margins due to our payer mix; we rely on a certain volume to cover fixed costs. If we are forced to cap volume, our finances could degrade, jeopardizing services such as mental health and trauma care that are so vital but costly to run. Conversely, expansion will help ensure we can serve both emergent and elective cases to remain financially sound.
- **Compromised Mission and Community Trust:** Fundamentally, failing to expand means failing our community. A core goal of Regions is to be both a safety-net and destination hospital in the East Metro. If we are forced to routinely turn patients away or cannot accept referrals that we are uniquely qualified to handle, we are not living up to that mission. Our community partners including EMS, clinics, and other hospitals, and the public at large depend on Regions to be the “hospital of yes”, always ready to provide care. Without added capacity, we risk a scenario where more and more often we have to say “no” due to lack of beds. This undermines community trust and forces patients and families into difficult situations (traveling farther for care, etc.). It would also likely push

us to cut back on certain services over time; for instance, if no new med/surg beds are allowed, we might have to consider repurposing existing specialty beds by converting mental health beds to medical use or vice versa, just to triage needs. In 2017 we noted that without the ability to grow, we would have to reconsider the scope of services as needs increase. That remains true – no expansion could eventually mean a less capable Regions Hospital, which would be a loss for the community.

In short, the status quo is not sustainable. The “do nothing” alternative – keeping Regions frozen at its current bed count – would lead to increasingly unacceptable consequences: patients experiencing harmful delays, staff overstretched, and the hospital potentially forced into undesirable trade-offs, such as reducing elective surgeries or reducing transfers from outlying areas to cut volume. The situation is already challenging today, and in a few years, as population and acuity continue to rise, it could reach a crisis point. As one internal analysis succinctly put it, “Failing to expand bed capacity prohibits our ability to meet current and future needs of the aging and more complex patient base and will compromise our mission by turning more patients away”. It would also become “difficult to accommodate a mix of elective and emergent patients” if we remain capped – meaning we might have to cancel elective cases whenever a surge of emergent cases comes, a no-win situation. For all these reasons, proceeding with the 85-bed expansion is not only justified, but imperative to protect the health of our community.

Regions has carefully considered alternatives to requesting more bed licenses. We have expanded outpatient programs; implemented care coordination to avoid unnecessary admissions; increased the use of home care and observation status; made creative use of every available bed, room, and hallway; and partnered with other hospitals to utilize any spare capacity they have. While these efforts help on the margins (and we will continue them), they cannot substitute for core inpatient bed capacity when a patient truly needs hospital care. We also evaluated whether other hospitals in the East Metro could absorb the excess demand. However, with St. Joseph’s Hospital closed and others often near capacity, there is no substantial excess bed capacity in the region to rely on. In fact, some hospitals hold unused licenses but lack the staffing, capital, or space to use them. Those beds are not “immediately available” for use in under 48 hours (see Minnesota Statutes § 144.552, subd. 3(c)(1)), so they do not solve the immediate access problem. Furthermore, while we know that all of our regional hospital partners would step up in an emergency, current and expected demand requires permanent capacity increases, not just temporary surge capacity. Regions is committed to being as efficient and innovative as possible, but at this juncture, the only feasible way to meet the community’s need is to increase the licensed bed capacity at Regions Hospital.

Public Interest Considerations

Minnesota’s Public Interest Review process requires evaluation of how a proposed hospital bed expansion will serve the public and affect the healthcare system. The Commissioner will consider, among other things, five key factors outlined in Minn. Stat. §144.552. We address each of these criteria below, demonstrating that the proposed 85-bed expansion at Regions Hospital clearly meets the public’s interest:

1. **Timely Access to Care:** The new hospital beds are needed to provide timely access to care for the East Metro population. As detailed above, Regions currently operates at very high occupancy and frequently has no beds available, resulting in patients waiting longer in ED, boarding, or being forced to seek care further from home. This is particularly problematic for time-sensitive cases coming through our Level I Trauma Center and busy Emergency Department. By increasing capacity, we can ensure that hospital care is available when patients need it, without long delays. Eighty-five additional beds will reduce ED boarding and shorten wait times for admission. It will also accommodate the influx of patients who previously would have gone to now-closed facilities (e.g. the 24,000 annual ED visits from St. Joseph's closure) so that those patients are not left without local options. In summary, the expansion will directly improve timely access by alleviating the current bed shortage, meaning fewer patients boarding in EDs, fewer surgeries postponed, and prompter placement of patients in appropriate beds – all of which are indisputably in the interest of the community we serve.
2. **Impact on Other Hospital's Finances:** The financial impact of these new beds on other hospitals in the region is expected to be neutral to positive. Regions' expansion is primarily responding to unmet demand caused by recent capacity losses, not poaching patients from neighboring hospitals. In fact, the 85 beds we plan to add represent only a fraction of the capacity that was removed from St. Paul's hospital system in the last few years. Competing hospitals such as Allina's United Hospital or M Health Fairview St. John's, may actually benefit from Regions expanding, because it helps absorb community need that might otherwise overwhelm their EDs or lead to uncompensated care if patients have nowhere to go. In our 2021 PIR, we noted that a 45-bed expansion was only a small fraction of the beds St. Paul lost due to closures – the same logic holds for 85 beds in 2026. We do not anticipate any significant revenue loss for other hospitals; all East Metro providers are generally at capacity with their own patients, and the demand is such that there is plenty of volume to fill new beds without undercutting others. Moreover, Regions serves a somewhat distinct role with higher-acuity and safety-net patients that might not otherwise go to other facilities. By expanding at Regions, the overall system capacity is right-sized, which should reduce systemic inefficiencies and potentially save costs on a regional level (through better allocation of patients to the appropriate facility). No evidence suggests that our expansion would lead to closure or reduction at any other hospital. On the contrary, it likely prevents negative financial scenarios region-wide by ensuring patients receive care in a timely manner (preventing uncompensated emergency care or worsened conditions that are costlier).
3. **Impact on Other Hospitals' Staffing:** We likewise do not foresee a detrimental impact on staffing at other hospitals as a result of Regions opening new beds. The healthcare workforce shortage is a broad challenge that all systems are addressing; Regions adding beds will create new healthcare jobs (approximately 150 full-time equivalent [FTE] staff per 45 beds, or roughly 280–285 FTEs for 85 beds, across nurses, physicians, technicians, support staff, etc.). These jobs will be filled over several years in phases, giving time for recruitment and training pipelines to supply the personnel needed. Regions is committed

to mitigating workforce impacts by investing in our own employee development and partnering with educational institutions to grow the labor pool. For example, we have nursing residency programs and alliances with local nursing schools to increase graduates. All area hospitals are hiring and training simultaneously; Regions expanding will not “steal” staff from others so much as it will attract new talent to the region and possibly bring back some nurses who left due to high stress (knowing that improved staffing levels and capacity could make for better working conditions). In the 2021 PIR, we stated that we constantly recruit and work with educational partners to expand the pipeline of healthcare professionals – this approach will continue for the 85-bed expansion. We anticipate staffing roughly 3 to 3.5 FTEs per new bed (consistent with industry norms and our prior PIR data). Given the phased timeline and our targeted training programs, we believe we can staff the new beds without negatively affecting the workforce at neighboring hospitals. In fact, by easing the extreme overload at Regions and across St. Paul, this project may improve overall workforce retention: staff at Regions will have a better work environment with more capacity, and EMS crews will spend less time searching for open beds, etc., thereby reducing burnout in the system.

4. **Service to Low-Income and Underserved Patients:** Expanding Regions’ capacity will greatly benefit low-income, uninsured, and medically underserved patients, aligning with our safety-net mission. Regions already provides a disproportionate amount of charity care and serves a high percentage of patients on Medicaid compared to other hospitals in our area. These populations often rely on Regions because of our inclusive policies and programs. By adding 85 beds, we will be able to serve more of these vulnerable patients who otherwise might have difficulty accessing care. In recent years, the number of uninsured patients has slightly risen (partly offsetting Medicaid gains), and we have maintained our commitment to treat all, absorbing those costs. That will continue unabated. Many of our medical patients are indeed low-income, and by expanding medical beds, we prevent those patients from being left untreated or sent to hospitals further from their homes and families. In summary, Regions will continue to provide a high level of uncompensated and public-program care with the new beds – the percentage of non-paying or Medicaid patients served is expected to remain as high or higher than it is today, thereby maintaining our role as the East Metro’s principal safety-net hospital. This project thus advances equity in healthcare access.

Conclusion

Regions Hospital’s proposed 85-bed expansion is a carefully planned, data-driven response to a documented and growing need for inpatient capacity in the East Metro. This project will enhance timely access to medical and surgical care, help offset capacity lost through recent hospital closures, and position the region’s healthcare system to meet the demands of an aging and increasingly complex patient population.

The proposal aligns directly with the Minnesota Department of Health’s Public Interest Review criteria:

- **It expands access** for high-acuity and underserved populations, including Medicaid and uninsured patients.
- **It addresses a capacity shortfall** at an existing Level I Trauma Center and Burn Center with no remaining licensed beds.
- **It avoids harm to other hospitals** by filling an unmet need rather than shifting volume.
- **It supports a phased, financially responsible approach** using internal capital rather than public funding.
- **It reflects Regions' continued mission commitment** as a safety-net and high-value provider in the East Metro.

Regions has nearly exhausted its existing licensed capacity in service to the community. Without additional licenses, the hospital will increasingly face untenable decisions: delaying care, or turning away referrals that it is uniquely equipped to handle. This would compromise access, strain other providers, and undermine the region's overall health system resilience.

We respectfully request that the Minnesota Department of Health find this proposal to be in the public interest.

This proposal is cost-neutral to the State and reflects a long-term commitment by HealthPartners to invest in the community's health needs. We appreciate MDH's thorough review and thoughtful evaluation. Approving this request will help ensure that the East Metro continues to have timely access to high-quality hospital care – now and for years to come.