



Protecting, maintaining and improving the health of all Minnesotans

April 18, 2014

The Honorable Tony Lourey
Chair, Health and Human Services Finance Division
Minnesota Senate
Room 120, State Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155-1606

The Honorable Tina Liebling
Chair, Health and Human Services Policy Committee
Minnesota House of Representatives
367 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155-1606

The Honorable Tom Huntley
Chair, Health and Human Services Finance
Committee
Minnesota House of Representatives
585 State Office Building
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The Honorable Kathy Sheran
Chair, Health, Human Services and Housing
Committee
Minnesota Senate
Room 120, State Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155-1606

To the Honorable Chairs:

Minnesota Statutes, Section 144.552, requires that any hospital seeking to increase its number of licensed beds or an organization seeking to obtain a hospital license submit a plan to the Minnesota Department of Health (MDH) for review and assessment as to whether the plan is in the public interest.

In January 2014, Sanford Health submitted a plan to establish a freestanding psychiatric hospital in Thief River Falls, MN. Sanford Health submitted additional information in response to a request by MDH in February 2014; the health system revised its proposal in early March to limit the initial proposal from 25 beds to a 16-bed psychiatric facility.

The purpose of this letter is to provide the Legislature with the Department's preliminary findings from its review. The findings are based on quantitative analyses of actual and projected capacity and demand for inpatient psychiatric services in the Thief River Falls service area; discussions with mental health experts, including with colleagues at the Minnesota Department of Human Services; and a preliminary review of the literature.

On the basis of the preliminary review, MDH finds that **the Sanford Health Thief River Falls proposal to establish a 16-bed psychiatric hospital, effectively extending available capacity from 10 to 16 beds, is in the public interest.**

A complete review, in which the agency fully analyzes all of the review criteria that are in statute and assesses whether a proposal is in the public interest, typically requires 90 days (or up to six months in extenuating circumstances). MDH anticipates completing its review by June 2014. While we do not expect this full review to materially change the findings submitted in this letter, the review will provide a detailed presentation of MDH's analysis and be informed by the following additional activities:

- Conducting analysis of utilization trends with more current hospital data;

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- Extending analysis to include utilization at Community Behavioral Health Hospitals operated by the Minnesota Department of Human Services (DHS), as well as certain outpatient services;
- Researching the trend in extended emergency department stays for patients with psychiatric conditions;
- Analyzing the relationship of available hospital beds and bed occupancy at facilities in the region, using data collected by the Minnesota Hospital Association;
- Estimating the service needs of psychiatric patients with complex service needs who would likely not be served by the facility; and
- Studying any public comments MDH might receive in response to requests for information.

MDH reached its conclusions that the proposal is in the public interest based on the following findings:

- The current 10-bed psychiatric unit in Thief River Falls Sanford Medical Center is remotely located and nearly 100 miles from other inpatient psychiatric services in the Northwest Region of Minnesota. In addition, a recent gap analysis conducted by the Department of Human Services indicates that there is a lack of other services that could help meet the acute need of people in the region with psychiatric conditions.
- The recent occupancy reported by Sanford Thief River Falls and historical analysis conducted by MDH indicate that the psychiatric unit has been operating at or near capacity for a significant portion of a calendar year. It has been functioning with one of the 10 highest average occupancy rates (79 percent) for psychiatric units in recent years outside of the Twin Cities Metro Area.
- Even though population projections for the area appear largely flat (about 1 percent growth over the next 10 years), MDH analysis indicates that current demand in the service area requires an inpatient psychiatric capacity of 13 beds at existing occupancy levels. At this level of capacity, the facility would be less often “near capacity,” and wouldn’t turn away as many patients who meet admission criteria as is currently the case. As noted, the most complex patients would still not be served by this proposal.
- Given the relative remoteness of the facility and its modest size, the impact on other hospitals with or without emergency rooms will be negligible.
- The proposal by Sanford Thief River Falls aims to be embedded into a broader community-based strategy to provide services to patients with psychiatric needs by maintaining existing crisis response partnerships with other hospitals, law enforcement, homeless shelters and other agencies that provide assistance to persons requiring assistance when a crisis arises. Letters of support from social services agencies, including those operated by counties in the area, underscore this.

Despite our finding, MDH notes some significant concerns with the proposal: (1) the available budget for the rehabilitation of a building that was once considered to be unsalvageable seems low, particularly considering the small portion dedicated to the psychiatric floor; (2) the physical layout of the facility appears to be poorly aligned with needs of patients with psychiatric conditions – addressing it will likely require careful consideration in the design phase including separation of pediatric and adolescent units; (3) as is the case with psychiatric capacity currently operated by the facility, patients more likely to be aggressive or who present with complex psychiatric and medical needs will not be served by this facility; and (4) the model of establishing freestanding psychiatric capacity potentially represents a move toward lower care capability and lower cost effectiveness, because of the physical delinking between psychiatric and medical care provision.

Should the Legislature approve the exception to the moratorium for the Sanford Health Thief River Falls proposal, MDH, through its Compliance Monitoring division, will monitor the implementation activities, as they do with similar projects, to ensure compliance with all relevant licensure and certification standards, as well as requirements under Minnesota Statutes, Section 144.552 (g).

The preliminary findings in this letter are related exclusively to the proposal submitted by Sanford Health for the Thief River Falls facility. However, in the process of reviewing this and two other proposals to establish freestanding psychiatric hospitals in the past six years, MDH has identified several broader issues that the legislature may wish to consider when weighing future proposals to expand inpatient mental health capacity, or considering approaches to broader analysis of the health care delivery system for psychiatric care:

- Significant advances have been made through work by the advocacy community, mental health providers, and the Minnesota Department of Human Services to document the relative scarcity of services available for patients before they receive inpatient care, and for on-going support after they leave the hospital. However, there is still limited data available to help identify reasons for bottlenecks in the provision of mental health services throughout the state, which would be helpful for developing more comprehensive analyses of current and future demand for services.
- Public interest reviews are conducted on a case-by-case basis based on a range of criteria that are outlined in statute, and result in findings that are specific to a given health care market associated with the provision of hospital services. These findings may not extend to other regions of the state, and the focus on a specific proposal minimizes the interconnectedness of services and the fact that regional changes often have ripple effects that reviews of this type cannot adequately capture. For example, the recent sudden closure of sub-acute and residential mental health services in Central Minnesota may lead to increased stress on other ambulatory care providers, existing inpatient services, the justice system, and care for substance abuse in the region.
- Because of regulatory constraints and compelling business cases for economic development, small, freestanding facilities appear to be evolving in place of greater inpatient capacity within existing facilities that offer a broad range of services, including for medically complex cases. As noted in this review, providing inpatient psychiatric care in a separate facility from medical services poses certain challenges that attached units of an acute care facility do not face, often resulting in the inability to serve complex or aggressive patients or those with medical needs alongside psychiatric needs. Ultimately such a model may segregate rather than integrate medical and psychiatric services when reducing fragmentation in the health care system may be a policy goal. It also misses the opportunity to reduce barriers to care for some of the most vulnerable patients with psychiatric health care needs.

In conclusion, recent public interest reviews of proposals for freestanding inpatient psychiatric services assess care capacity expansions that represent short term remedies – but the patients served by these proposals may, because of systems failures, be lacking longer-term solutions to their needs. While the scarcity of data about break-points in the system and a lack of service-mix standards in the community make a broader analysis of investment needs for mental health service capacity challenging at this time,

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continuing anecdotal evidence about patients not being able to access acute psychiatric inpatient capacity indicates that such an analysis may be necessary in the future.

Please let me know if you have any questions about this letter or the findings presented in it. If it would be helpful, I would be happy to talk you through the aspects of the analysis, assumptions that we considered and the data sources that were used. I can be reached at 651-201-3564 or diane.rydrych@state.mn.us. Stefan Gildemeister, who directs the Department's Health Economics Program that conducts hospital public interest reviews, is available at 651-201-3554 or stefan.gildemeister@state.mn.us.

Sincerely,

A handwritten signature in black ink that reads "Diane Rydrych". The signature is written in a cursive style with a long, sweeping horizontal line at the end.

Diane Rydrych
Director, Division of Health Policy
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