

February 3, 2022

Ms. Trudi Noel Trysla
Chief Administrative Officer and General Counsel
Fairview Health Services
2450 Riverside Avenue
Minneapolis, MN 55454

Submitted via email

Dear Ms. Trysla,

Thank you for submitting the proposal on behalf of Fairview Health Services and Acadia Healthcare to establish a freestanding 144-bed licensed hospital in Saint Paul for the provision of inpatient mental health services. As is the Minnesota Department of Health (MDH) practice concerning such proposals, we have posted the submitted material online at:

www.health.state.mn.us/data/economics/moratorium/

After reviewing the proposal, we request that Fairview Health Services (“Fairview”) and Acadia submit the following additional information, so that MDH may appropriately consider in our review factors specified in Minnesota Statutes, Section 144.552 subpart c, and subpart d, as well as other pertinent issues. As you know, recent changes to the statute require that the **additional information be made available within 14 days of receipt of this request, which would be no later than February 16, 2022**. This request, as well as summary data from your response, will be posted online as well.

General Project Description

- The project description states that Fairview and Acadia will jointly own and operate the new hospital. Please provide the following additional details about the business relationship:
 - Have Fairview and Acadia established a new business entity to govern the establishment or operation of the proposed new facility?
 - Will leadership of that new business entity or the proposed new facility be directly accountable to the Fairview board and concerning what issues?
 - What is the distribution of ownership of the new business entity or the new facility between Fairview and Acadia?
 - Does Fairview or Acadia, or a combined entity, expect to report capital expenditures other than transactions associated with to the demolition and construction of the facility under Minnesota Statutes, Section 62J.17?
- The estimate capital cost for this project was reported as between \$57 to \$65 million for building, equipment, fees, etc.

- What is the total estimated cost associated with establishing the new facility, including demolition of the existing plant, architectural costs, construction, legal fees, and staffing?
- How will capital costs be split between Fairview Health Services and Acadia, or will those be borne by a new business entity?
- How will Fairview and Acadia each finance their share of these costs?
- The proposal clarifies that the facility is intended to replace and expand the inpatient mental health bed capacity previously serviced by St. Joseph's Hospital. The proposal states that St. Joseph's Hospital has had 105 staffed inpatient mental health beds historically; however, filings with MDH show that available beds for most years was closer to 70 beds.
 - Please provide the annual number of available beds for mental health services in 2018, 2019 and 2020.
- If the Capitol Area Architectural and Planning Board does not approve the plan by Fairview and Acadia to locate the facility at the site of the former Bethesda hospital, the proposal indicates that the facility will be constructed at another East Metro location owned by Fairview.
 - What is the preferred alternative site option or options?
 - How will a change of location impact the cost of the project and the overall design of the proposal, including service profile, expected patient population, and emergency room access?

Timely Access to Care or Access to New or Improved Services

- The proposal describes that new hospital would replace and, to an extent, add to lost inpatient mental health and substance abuse treatment services at St. Joseph's Hospital and, more broadly, Fairview.
 - How would the delivery of care differ at the proposed new facility from units at St. Joseph's Hospital for patients that have mental health and chemical dependency service needs, as well as other medical needs, given the new hospital is proposed to be a standalone facility without medical care capacity?
 - Please provide expected counts and proportion of patients in inpatient mental health units at St. Joseph's Hospital were transferred to other units or hospitals for treatment of other health care needs for the past 36 months.
 - Would you expect a similar proportion of transfer patients?
- As we understand it based on available data, there are three Fairview acute care hospitals in the East Metro that do not currently (or no longer) offer inpatient mental health services. At the same time, Fairview has participated in efforts to integrate mental and medical care to

improve patient experience, ease access, and support care teams through the MN Health Collaborative sponsored by the Institute for Clinical Systems Improvement.

- Please describe the reasoning for establishing a freestanding facility for inpatient mental health in place of co-locating these services at existing sites.
- The proposal includes inpatient demand projections for the next five years for this 15-county service area with a cumulative growth of 8.4 percent.
 - Please provide the projection model, so that MDH may review data, methods, and assumptions.

Financial Impact on Existing Acute-care Hospitals with Emergency Departments

- The proposal notes that medical-surgical acute care hospitals typically provide mental health services at a financial loss by providing inpatient mental health care.
 - Please describe if Fairview/Acadia expects to operate the facility at a loss and, if not, how the business model at this site would differ from other arrangements such that it may generate revenue in excess of expenses or a profit.
- By reducing the number of patients at facilities with adequate treatment modalities, the new hospital would potentially improve the financial status of other hospitals by accepting transfers from emergency departments.
 - What are the criteria for planned admissions for the various units noted in the proposal including age, severity, and other factors?
 - What would the criteria be for accepting transfers from hospital emergency department patients at the new hospital, and would the admissions criteria for transfers be different from planned admissions?
 - How do you expect the source for transferred patients at the new hospital to be different from St. Joseph's Hospital?

Ability of Existing Hospitals to Maintain Staff

- The staffing plan submitted indicates that 200 full-time equivalent staff would be employed at the new hospital.
 - Please provide detailed information on classifications for these employees (i.e., psychiatrists, nursing aides, registered nurses, social workers, etc.).
 - If the staffing plan changed since the letter of intent was submitted to MDH in November of 2021, perhaps as a result of the COVID-19 related operational challenges, please describe those changes.

Provision of Services to Nonpaying or Low-income Patients

- Patients experiencing mental health crises, including nonpaying and low-income patients, often present at hospital emergency departments and have other unplanned admissions.
 - How will the new facility serve low-income or non-paying patients without a pre-planned admission absent the availability of an emergency department? What specific efforts will be made to admit such patients from settings other than emergency departments?
 - Will the hospital be able to accept patients from law enforcement, or awaiting transfer to MN State Operated Services?
 - How will service at the new hospital recognize the role of economic or social disadvantage in the treatment patients?
- Under the proposal, Fairview and Acadia expect to see admissions for patients enrolled in one of Minnesota's state health care programs at the same level as other general acute care hospitals.
 - Please provide an estimate of the percent of Medicaid or MinnesotaCare admissions the facility is expected to serve.
 - Given federal restrictions on federal Medicaid payment to stand-alone mental health hospitals with more than 16 inpatient beds for individuals age 21-64 (Medicaid institute for mental disease exclusion),¹ how do Fairview and Acadia expect care for these patients to be financed?

The Ability to Maintain the Same Hospital Community Benefit Level as Existing Facility

- Per Minnesota Statutes, Section 144.552 (d) (1), the new hospital will be expected to have the same level of community benefit as St. Joseph's Hospital.
 - What will the charity care policy be for this facility, and will it mirror other Fairview hospitals?
 - Will the new hospital, like other hospitals in Minnesota, enter into an agreement with the Minnesota Attorney General related to hospital billing and collection practices for patients without health insurance?

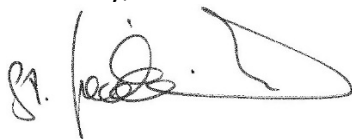
¹ Social Security Act Amendments (1965) 42 U.S.C. § 1396d (a)(29)(B).

Impact of the Proposal on the Staff at the Existing Facility

- Per Minnesota Statutes, Section 144.552 (d) (2), MDH must consider the impact of a new facility on the workforce of an existing facility (St. Joseph's Hospital). St. Joseph's Hospital had as many as 2,105 employed staff in 2019 and 1,951 employed staff in 2020. As stated in the proposal, Fairview and Acadia would jointly own and operate the new hospital with the intention of "retaining all of the staff currently working at St. Joseph's Hospital".
 - What was the number of full-time equivalent staff for the 105-bed inpatient mental health unit at St. Joseph' Hospital and how many of these individuals in these positions have been offered and accepted positions at the new hospital?
 - Since there is a commitment to retain all staff, is there a similar commitment to maintain compensation for these employees at levels equivalent to what they would be earning at other Fairview hospitals or as they transition to this new facility?
 - How many of St. Joseph's Hospital employees have been laid off due to the closure of the hospital and how many have been retained at other Fairview hospitals?

If you have any questions about this request, please contact Alisha Simon by phone at 651-968-6048 and email at alisha.simon@state.mn.us or Nathan Hierlmaier by phone at 651-201-3541 and by email at nathan.hierlmaier@state.mn.us.

Sincerely,



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