



**Park Nicollet Health Services**

6500 Excelsior Blvd.  
St. Louis Park, MN 55426  
952-993-5000  
www.parknicollet.com

*Mailing Address*  
PO Box 650  
Minneapolis, MN 55440

February 4, 2011

Dr. Ed Ehlinger, Commissioner  
Minnesota Department of Health  
625 Robert Street N  
PO Box 64975  
St Paul, MN 55164-0975

Dear Commissioner Ehlinger:

Please find enclosed an application from Park Nicollet Health Services requesting a public interest review of a proposal to add 39 hospital beds at Methodist Hospital in St. Louis Park. These 39 beds would be dedicated for and used at the Park Nicollet Melrose Institute as an off-site location of Methodist hospital. It is our intent to seek an exception to the moratorium law permitting these 39 beds to be used in replacement for residential beds as currently licensed. In the event the Melrose Institute closes, the 39 additional beds would be returned to the state.

Should your staff have the need for further information, please direct questions to Mark Skubic, our Vice President of Government Relations at:

[skubim@parknicollet.com](mailto:skubim@parknicollet.com)

Park Nicollet Health Services  
6500 Excelsior Boulevard  
St. Louis Park, Minnesota 55426

Phone: 952-993-6610

We intend to pursue this legislation during the 2011 session and appreciate your review.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Abelson".

David J. Abelson, M.D.  
Vice President and Chief Operating Officer



## **MDH Application for Transition of Park Nicollet Melrose Institute Residential Beds to Acute Care Beds**

### **Project Description**

The Park Nicollet Melrose Institute (PNMI), located at 3525 Monterey Dr., St. Louis Park, MN, opened on March 16, 2009 as a hospital outpatient facility of Methodist Hospital which is also in St. Louis Park. Prior to that, the program existed as the Park Nicollet Eating Disorders Institute, which was started at Methodist Hospital in 1985 as the first program in Minnesota for dedicated eating disorder treatment. The program has experienced incremental growth over the past 10 years in particular and has become a national leader in the treatment of eating disorders. PNMI is located offsite from Methodist Hospital and is Joint Commission accredited. Our most recent survey of December 2010 again resulted in full accreditation without a single recommendation. The facility has 39 beds dedicated solely to the treatment of patients with eating disorders. These beds are currently licensed as residential beds with the facility designated by the Minnesota Department of Human Services as an IRTS facility (Intensive Residential Treatment Services) and IMD (Institution for Mental Disease). This has created an access problem for Minnesota patients who have non-Minnesota-based health insurance coverage as well as for patients who are covered by Minnesota government health insurance plans and patients referred from elsewhere around the country.

We propose to transition these 39 beds over the next 6 months from residential status to acute care beds for the sole treatment of patients with eating disorders in order to resolve this access problem. The proposal is exclusively for a change of status from residential to acute care, with no change in intensity of care delivery, staff ratios, costs or rates, all of which will remain as they currently are. It is for this purpose PNMI seeks an exception to the hospital moratorium law. Park Nicollet is requesting that the 39 new mental health eating disorders treatment beds be attached to the existing Methodist hospital license.

Park Nicollet had sought alternative licensing for PNMI several years ago in the legislature. At that time the Department of Human Services met with Park Nicollet to review its program and objectives in meeting the needs of eating disorder patients. We worked with the Department to fashion an IRTS Variance that would meet the needs of patients, however, we eventually experienced challenges with insurance coverage due to the residential nature of the beds. PNMI was designed to create a more cost effective alternative to traditional acute care inpatient admissions.

Community benefit: There is a shortage of beds dedicated to eating disorder patients in Minnesota and in the entire country. At any given time PNMI has a list of approximately 30 patients waiting for assessments to enter the program with at least 30% of those individuals needing inpatient care. PNMI is the only non-locked facility in Minnesota and even the entire Midwest where individuals can find acute medical inpatient care and behavioral health services combined and dedicated only to eating disorder treatment. This is important as attempts to mix this population with patients with psychosis or other severe mental health disorders in locked psychiatric facilities are often not well-accepted by individuals or

families due to the unique aspects of eating disorders with body image issues, food issues and medical complications. For optimal treatment they need dedicated and focused treatment.

With the baby boomer population beginning to retire and require higher levels of medical treatment, Methodist hospital, currently licensed at 426 beds, expects to reach capacity in the near future. Transferring beds from Methodist which is primarily an acute care hospital to PNMI, which primarily treats patients with a mental health diagnosis, is not a preferred option as we have already seen a flux in our hospital census and fully expect admissions to grow beginning in 2011/2012 due to the heavy onset of the population reaching retirement age. See **Figure 1** for a demand analysis of acute care beds for Methodist Hosp/PNMI.

Hospital-based services to be provided: PNMI provides inpatient, partial hospitalization and other outpatient treatment services. This proposal however only impacts the current eating disorder inpatient and residential programs at PNMI. There are no PNMI-based imaging, surgical or dialysis services on site but x-rays are frequently needed and occasionally surgical or other consultative specialty services such as gastroenterology or cardiology are needed urgently. Patients are transported to Park Nicollet Clinic or Methodist Hospital for those services. There is no onsite Emergency Department. For a list of PNMI billing codes see **Figure 2**.

Affiliated provider group: PNMI is currently an outpatient hospital-based facility of Methodist Hospital. The affiliate provider group is Park Nicollet Clinic although PNMI provides services to providers throughout the state of Minnesota and even nationally.

Cost of this project: Our intention is that the per diem charge for these beds will not change as the actual services do not change. Our incremental expense for this bed transition is negligible as we have already built our inpatient (ISL or Intensive Structured Living) program on the needed intensity of service regardless of whether the beds are licensed as residential or acute care. The services we currently provide for inpatient care are as intensive as any inpatient program for eating disorders in the country. Additionally, staffing will not become an issue for PNMI as we already have a staffed facility in place and will not need to hire externally in the market.

### **Site description**

PNMI is a 62,000 square foot three story structure with a parking ramp located at 3525 Monterey Dr. in St. Louis Park, MN. The facility is located adjacent to the Bass Lake Preserve south of Highway 7, north of Excelsior Blvd. and one mile east of Highway 100. See **Figure 3** for an aerial view of the site.

### **Need for Project**

PNMI provides services to a population that is underserved, particularly from the standpoint of eating disorder inpatient treatment services. These services are highly specialized and intensive, treating both

the emotional health and medical complications of individuals with eating disorders including anorexia nervosa and bulimia nervosa. The fact that eating disorders involve serious and even life-threatening medical complications makes them unique among mental health illnesses. Many patients who are admitted to our eating disorder inpatient (ISL) unit are at critically low body weights and/or have severe medical complications or extremely disabling eating disorder symptoms requiring maximum structure and monitoring. Typical eating disorder inpatient treatment includes careful refeeding of patients that often develop cardiac problems, life-threatening electrolyte imbalances, liver and kidney dysfunction, and severely abnormal pulse and blood pressure issues. At times frequent electrocardiograms, feeding tubes and intravenous fluids are needed. Once the patient's cognition has improved with refeeding, intensive behavioral services ensue with psychiatric evaluations and psychotherapy due to distorted body image and many comorbid mental health issues including severe anxiety disorder, obsessive compulsive disorder and depression. Physical therapy is also utilized for compulsive exercise issues and mental health occupational therapy services are provided to integrate newly learned skills into their lifestyle.

PNMI is the only facility within the state of Minnesota and Midwest that provides dedicated eating disorder inpatient (as opposed to residential) treatment exclusively for eating disorder patients. Patients are routinely transferred to PNMI from both mental health and medical facilities in the Twin Cities and around the state for this dedicated treatment that is not possible in their facilities due to the specialization of services needed.

Primary service area: PNMI provides services primarily to Minnesota residents however approximately 10% of our patients are outside of Minnesota yet within the 5 state region and 5% are from elsewhere around the country. . PNMI's unique focused programs for individuals with eating disorders who are athletes or have eating disorders with diabetes or infertility are all programs that are not found anywhere else in the country making them highly sought after.

Utilization estimates: Current utilization of the 39 residential beds reflects a consistent 80% occupancy rate with 50% of individuals being between the ages of 15 and 30. Additionally 25% of our patients are 14 and younger while 25% are over age 30. We are treating an increasing number of boys and young men in our program such that approximately 5-10% of our patients are males.

Due to insurance and payer preference for inpatient hospital beds versus residential beds, we would expect to receive coverage from non-Minnesota insurers who now deny because of the residential bed status. With these barriers eliminated we would expect to be near capacity as there is pent up demand for eating disorders programs offering the services we provide.

Current access for services: Because we are the only program in a multistate area to provide eating disorder inpatient care in a non-locked psychiatric unit setting, our services are highly sought after. Unfortunately, despite a wait list for assessments of approximately 30 patients at any given time, at least 20-30% of potential inpatient admissions are turned away following assessment due to insurer issues with our residential licensing (which covers all 39 beds, both inpatient and residential). Increasingly we are finding that many health insurance benefit plans based outside the state of Minnesota exclude residential treatment leaving many individuals without any coverage for these services. Non-Minnesota-based

businesses within our state frequently provide health coverage for their employees through insurers based in other states.

Care for the low income and uninsured: The state of Minnesota government-based health plans (PMAP Plans) mostly cover these services today, with one exception for care provided in either our ISL (intensive structured living ie. eating disorder inpatient treatment) program or our ESL (extended structured living ie. residential eating disorder treatment) program both of which provide services twenty-four hours a day and seven days a week. Eating disorders have become increasingly prevalent and given the large number of individuals enrolling in Minnesota government health insurance programs through Medicaid and PMAP (commercial health insurers as an intermediary for state funds), many individuals on these plans are excluded from this much needed care. This is secondary to the fact that PNMI has over 16 residential-licensed beds (we have 39) and is therefore designated as an IMD by the state and not eligible for reimbursement. Medicaid patients who do not have government program coverage for these services are then typically admitted to acute medical hospitals that have no eating disorder treatment services for rapid medical stabilization and subsequent discharge to outpatient programs. The outpatient programs usually don't meet the individual's needs and that often leads to life-threatening complications resulting in recurrent acute care hospitalizations. This vicious cycle of retrenchment and instability recurs over and over again since the intensive eating disorder treatment services are never provided. This increases state government expenses however more importantly it denies desperate individuals with eating disorder the means to be treated in an appropriate setting for the intensity of their illness. If we transition our current beds from residential to acute care beds as an offsite unit of Methodist Hospital the problems of access associated with the IMD designation would be removed and we could provide these much needed services to Minnesota government assistance patients who currently don't have coverage that is provided through most of our PMAP contracts. See **Figure 4** for a 2010 payer mix chart for PNMI inpatient (ISL) and residential (ESL).

### **Market Analysis**

PNMI has no competitors for dedicated inpatient eating disorder services (as defined by the American Psychiatric Association Guidelines for eating disorder treatment – see **Figure 5**) within the entire state of Minnesota. Because PNMI is already fully staffed with trained professionals who are dedicated only to eating disorders work and located onsite we would not need to hire additional staff nor would we need to divert staff from Methodist Hospital. The onsite disciplines include psychiatrists (adult and child/adolescent), psychologists, primary care physicians, dietitians, physical therapists, mental health occupational therapists, RN's, chaplains, health educators, etc. The closest competitor, the Emily Program, provides eating disorder treatment services in a residential facility with 16 beds in St. Paul however they refer patients requiring eating disorder inpatient treatment services to PNMI. In 2010 the Emily Program referred 53 patients to PNMI. Psychiatric hospitals throughout the state occasionally treat a patient with eating disorders but they do not have dedicated eating disorder treatment services including intensive medical services and they often transfer those patients requiring dedicated eating disorder inpatient treatment services to PNMI. Likewise other acute care hospitals do not have the intensive

monitoring and psychological services needed for eating disorder treatment and so most eating disorder patients requiring the most intensive services are transferred to PNMI within 24 to 48 hours. These patients usually continue to require intensive medical services at PNMI for medical stabilization as well as intensive monitoring to control their eating disorder symptoms. Traditionally other facilities have indicated that they do not wish to treat individuals that are actively refusing to eat or who use volitional vomiting (purging) even on the hospital unit, to control their weight. This complex of symptoms simply rises to a level of complexity where most other facilities are unable to handle the care of these individuals. Since there are no other dedicated eating disorder inpatient treatment facilities in the state, the impact on Minnesota hospital staffing outside of PNMI is negligible.

### **Summary**

A transition from residential beds to acute care beds will provide much needed access for many Minnesota residents that currently are excluded from eating disorder inpatient services due to private and government payer exclusions secondary to residential licensing or IMD status. At the same time, as PNMI grows its reputation, we expect our out-of-state referrals to continue to grow and we need appropriate access for those patients as well.

Given the severity of illness of patients transferred to and treated at the Melrose Institute and consistent with the American Psychiatric Association Guidelines for eating disorder inpatient services, PNMI qualifies and is appropriate for a designation of acute care beds. Suicidal or psychotic patients would continue to be transferred to locked psychiatric facilities.

**Additional information – Figures 1-4***Figure 1- Acute care bed demand Methodist/PNMI***Bed Estimates for Melrose Application**

Current Licensed Beds:	426
Additional Beds Needed:	39
Total Bed Need to Justify Application:	465

<b>Current State -- Most Recent Year</b>				
Age Group	Thomson Reuters Population Est. 2010, 96-ZIP Market Area	Park Nicollet Market Share: 13.5%	Utilization (Calculated = Pt Days/Pop.)	Patient Days, Actual
0-17	423,457	57,167	0.209	11,923
18-44	601,883	81,254	0.258	20,950
45-64	460,458	62,162	0.357	22,188
65+	168,599	22,761	1.667	37,936
	1,654,397	223,344		92,997
Avg Daily Census (Pt Days/365):				255
Bed Need at 80% Occupancy:				<b>318</b>

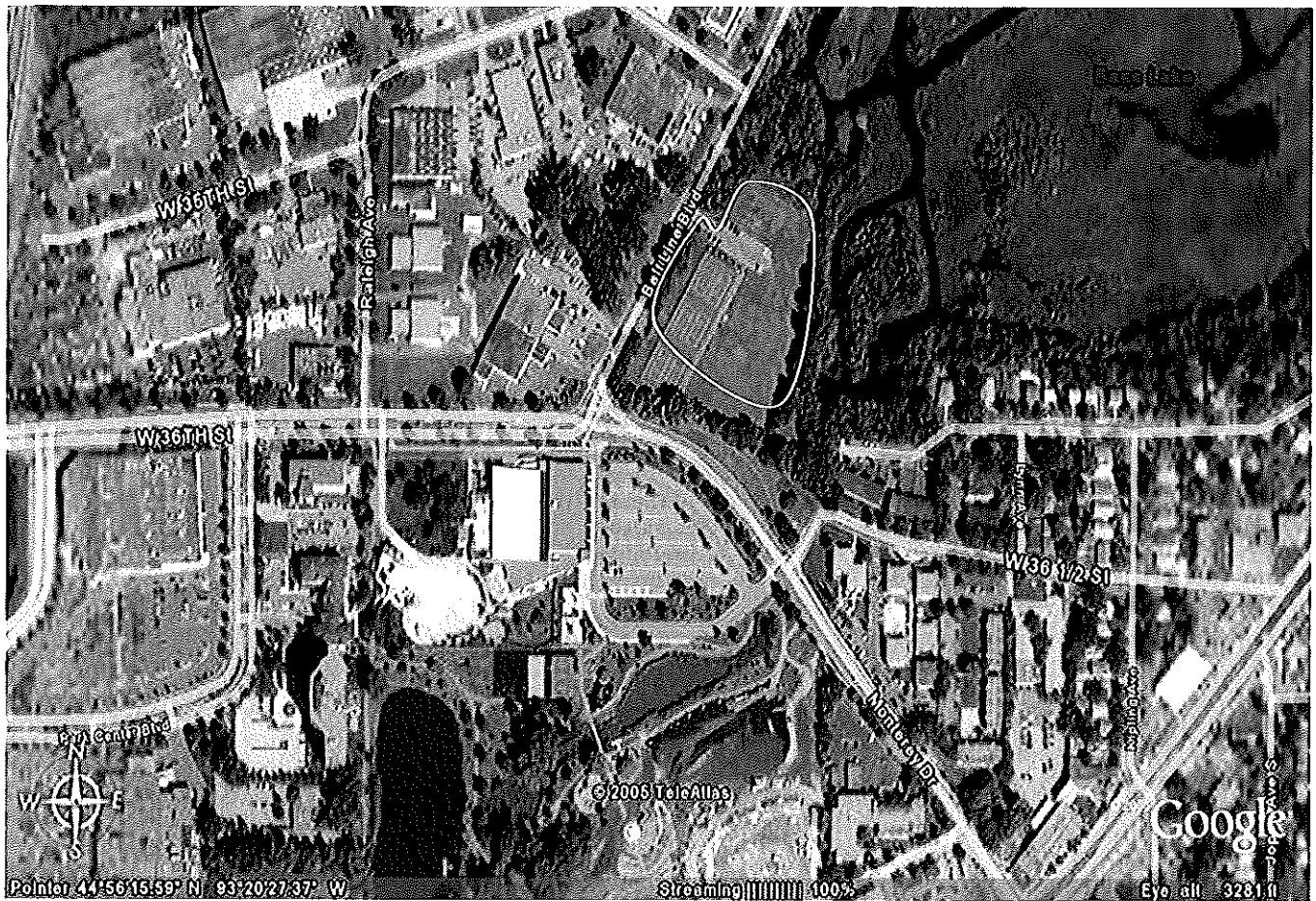
<b>Projected -- 2015</b>					
Age Group	Thomson Reuters Population Est. 2015, 96-ZIP Market Area	Park Nicollet Market Share: 14.5%	Utilization (Applied fr. 2010)	Patient Days (Projected)	Pop. Growth %, 2010 - 2015
0-17	437,149	63,387	0.209	13,220	3.2%
18-44	578,598	83,897	0.258	21,631	-3.9%
45-64	494,254	71,667	0.357	25,581	7.3%
65+	206,961	30,009	1.667	50,017	22.8%
	1,716,962	248,959		110,449	3.8%
Avg Daily Census (Pt Days/365):				303	
Bed Need at 80% Occupancy:				<b>378</b>	

<b>Projected -- 2020</b>				
Age Group	Population Est. 2020, 96-ZIP Market Area (Applied 2010-2015 Growth %'s)	Park Nicollet Market Share: 16.0%	Utilization (Applied fr. 2010)	Patient Days (Projected)
0-17	451,284	72,205	0.209	15,060
18-44	556,214	88,994	0.258	22,946
45-64	530,531	84,885	0.357	30,299
65+	254,052	40,648	1.667	67,749
	1,792,080	286,733		136,053
Avg Daily Census (Pt Days/365):				373
Bed Need at 80% Occupancy:				<b>466</b>

Figure 2 – List of PNMI billing codes

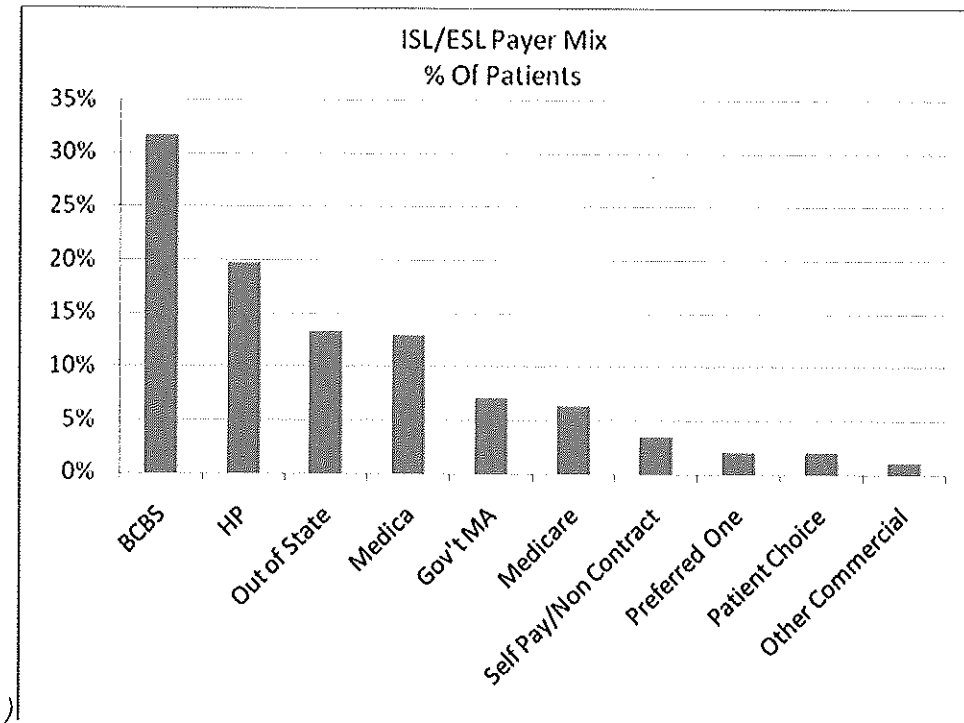
Melrose Institute 2011 Pricing and Payment Rates				
	Payment Methodology	Bill Type	Rev Code	CPT Code
Intensive Structured Living (ISL)	Per diem	11x	019x	n/a
Extended Structured Living (ESL)	Per diem	11x	101	n/a
Outpatient Level 4	Per diem	013x	913	H0035
Outpatient Levels 2-3	Per hour	013x	905	H2012
Outpatient Level 1	Per hour	013x	900	H2012

Figure 3- Aerial photo of PNMI site circled with white line





**Figure 4 - Payer mix for PNMI inpatient and residential 2010 (Medicare/Medicaid from PMAP)**



**Figure 5 - APA Practice Guidelines, Treatment of Patients with Eating Disorders, Third Edition, 2006**

*“As a general rule, patients who weigh less than approximately 85% of their individually estimated healthy weights have considerable difficulty gaining weight outside of a highly structured program that includes inpatient care; such a program may be medically and psychiatrically necessary even for patients above that weight level”.*