



## Minnesota Department of Human Services

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April 3, 2014

Stefan Gildemeister  
Director, Health Economics Program  
State Health Economist  
Minnesota Department of Health  
85 E. Seventh Place, Suite 220  
St. Paul, MN 55101

Dear Mr. Gildemeister:

I am writing on behalf of the Department of Human Services in response to your request for our agency's perspective on a proposed psychiatric hospital in Thief River Falls, Minnesota. I will address some of the specific questions that have been raised in discussions about this facility, as well as commenting more generally on our understanding of needed parameters for any addition of psychiatric beds to the mental health system.

First, our examination of data sources relative to access to and utilization of services, including a "gaps" analysis survey responded to by counties, indicates that there is limited availability of inpatient psychiatric beds in the region including Thief River Falls. This finding is certainly related to the total absence of other services which might meet the acute psychiatric needs of the population, including partial hospitalization services and Assertive Community Treatment (ACT), but nonetheless points to the need for this level of service.

Second, from a public programs perspective, including being conversant with Medicaid funding and the exclusion of that funding for Institutions for Mental Diseases (IMDs), we would like to be sure the developers of a psychiatric facility are familiar with the limitations which this definition could place on their ability to capture Medicaid reimbursement. While a free-standing psychiatric facility of up to 16 beds would not be categorized as an IMD, the situation is more complicated for a facility that integrates medical care and psychiatric services. In that case, "if mental illness is the principal cause of more than 50% of patient admissions to an institution, that institution is an IMD" (Rosenbaum, et. al., 2002). Thus, if a 20-bed hospital serving both psychiatric and general medical needs was to be established; only a maximum of 10 beds could be dedicated to inpatient psychiatric treatment for Medicaid reimbursement purposes. It should be noted that the IMD exclusion does not extend to ancillary services which might be provided by a hospital, such as partial hospitalization.

Third, from policy and capacity perspectives, we would welcome the addition of intensive service options to this area, but would be particularly appreciative of the development of programming which might serve an age range of adolescents through adults, since there are service gaps for both groups. Also needed are transition or alternative services which a hospital is uniquely qualified to provide, including partial hospitalization and outpatient services such as medication management.

If I can answer any further questions or provide additional information, please feel free to contact me at [dave.hartford@state.mn.us](mailto:dave.hartford@state.mn.us) or 651.431.2323.

Best regards,

Dave Hartford  
Assistant Commissioner  
Chemical and Mental Health Services Administration