

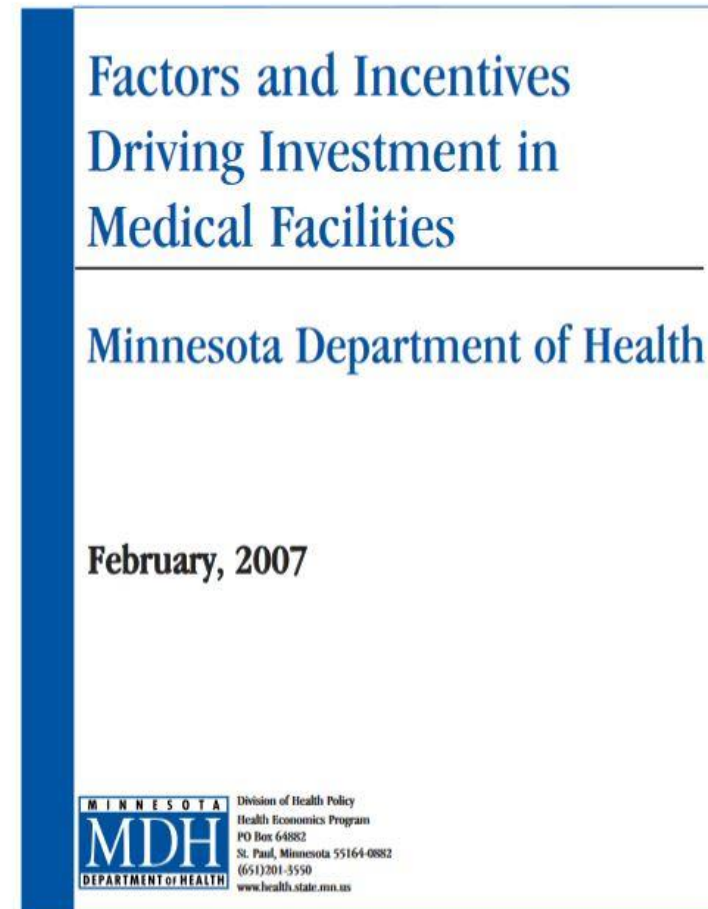


Minnesota's Hospital Moratorium Law

Senate, Committee on HHS Finance & Policy, February 27, 2018

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- Brief history of the MN Hospital Bed Moratorium
- Overview of:
 - Exceptions to date
 - Distributions of beds
 - Licensed vs. available beds
- Public Interest Review to request exceptions to the moratorium



Background

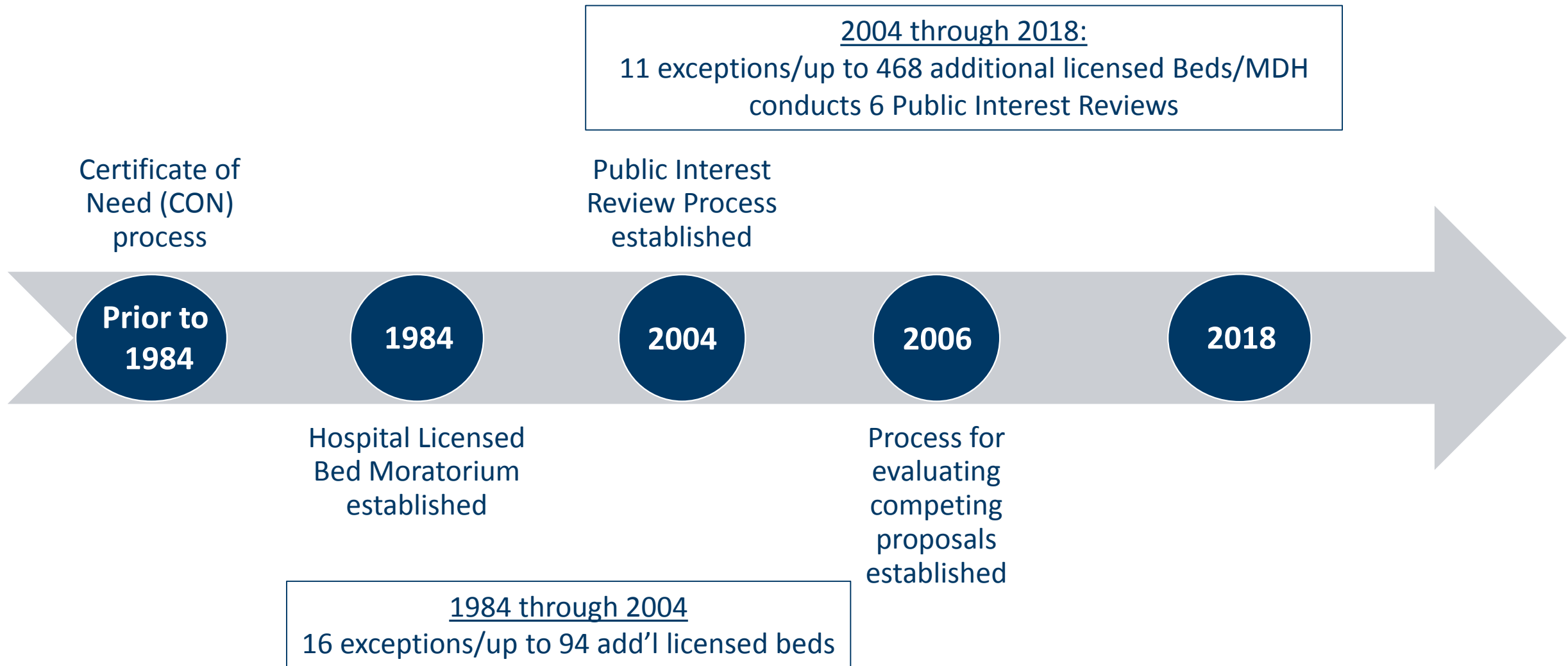
What is the MN Hospital Moratorium Law?

- MN Statutes 144.551 prohibit the:
 - Establishment of new hospital licenses; and
 - The expansion of existing hospital licensed beds
- It also establishes a process to inform the Legislature as it considers granting exceptions to the moratorium
- Related sections establish:
 - A process for reviewing proposals for exception to the moratorium (MN Stat 144.552);
 - A process for conducting reviews if competing proposals exist (MN Stat 144.553); and
 - Responsibilities for MDH to monitor implementation after an exception has been granted [MN Stat 144.552 (g)].

Why was the Hospital Bed Moratorium Established?

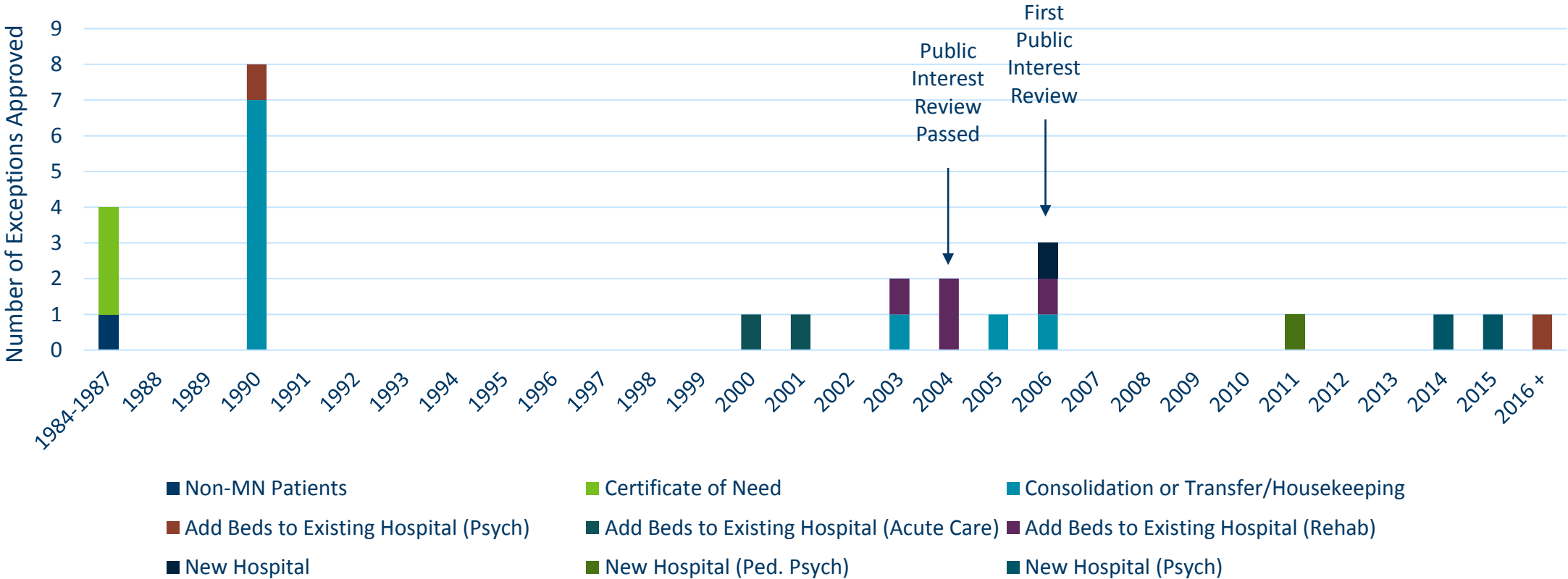
- Leading up to establishing the hospital bed moratorium, the MN Legislature was concerned about:
 - Overcapacity in hospital licensed beds; and
 - The cost associated with potentially excessive inpatient capacity.
- Previous “Certificate of Need” laws did not appear control growth in medical facilities and health care investments
- Moratorium was seen as a more effective way of limiting investments in excess hospital capacity.

Timeline for Hospital Capacity Regulation in MN



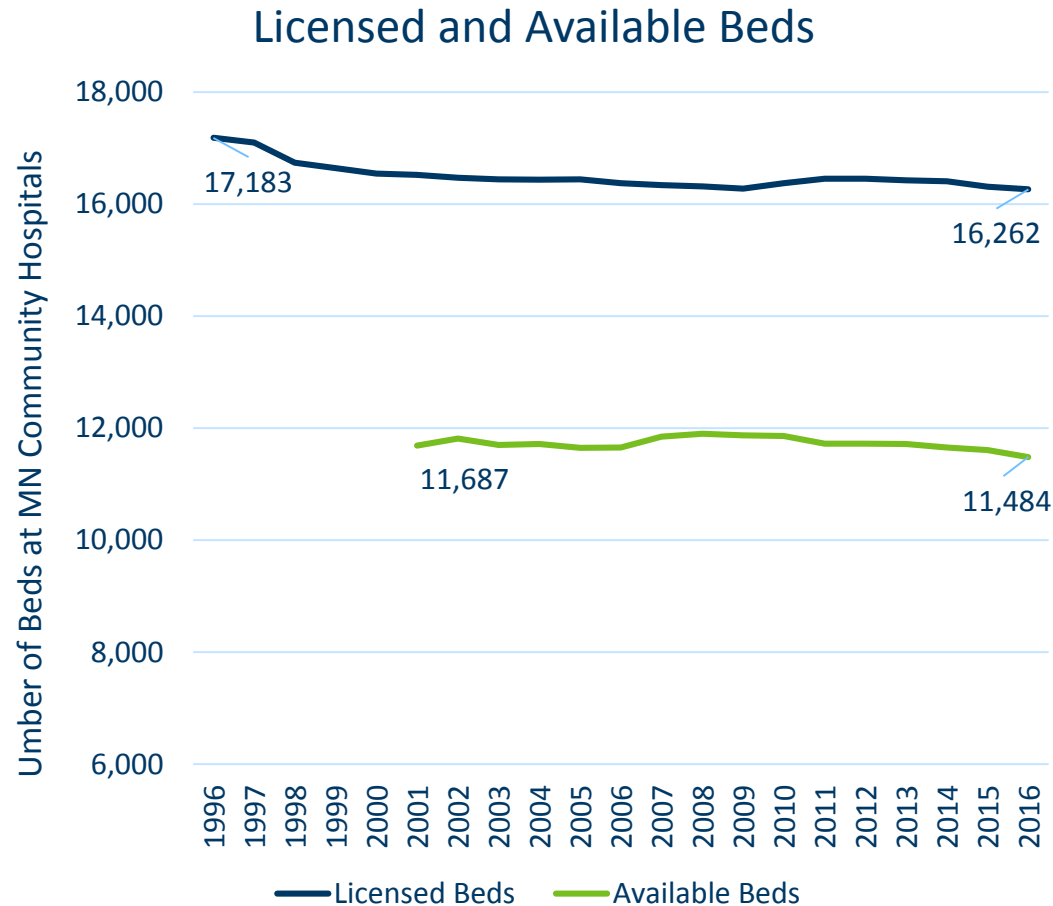
There are Currently Twenty-Seven Exceptions to Minnesota's Hospital Bed Moratorium

Exceptions to the Hospital Bed Moratorium, by Year



Source: MDH/Health Economics Program analysis of MN Statutes 144.551, February 2018

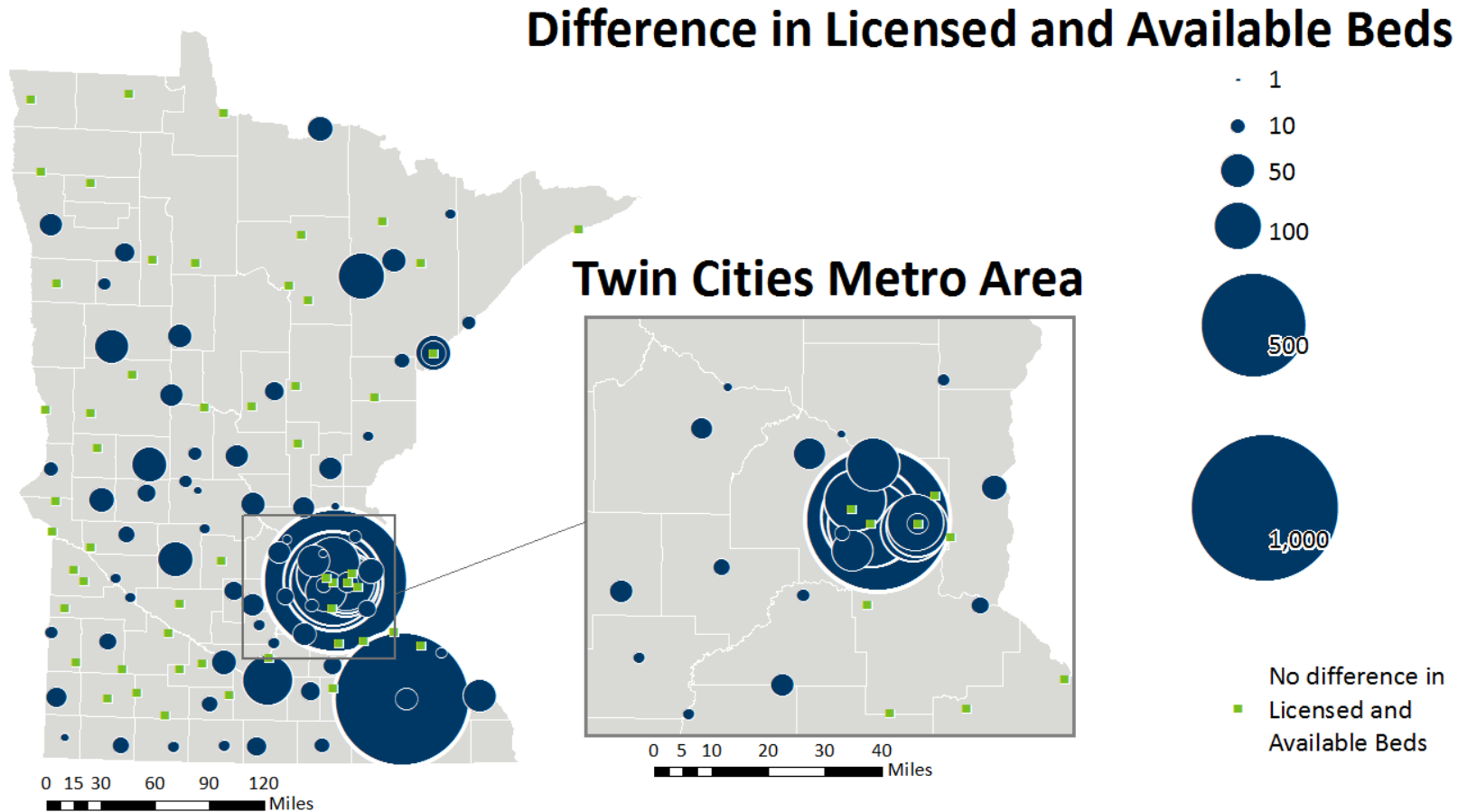
Change in Overall Inpatient Beds in Minnesota



- Licensed beds have **decreased** modestly since 1996 (by 921 beds)
- Approximately 70% of beds as are designated as “available”
- The share of licensed beds made available varies by hospital (from 40% to 100%);

Source: MDH/Health Economics Program analysis of annual hospital reporting

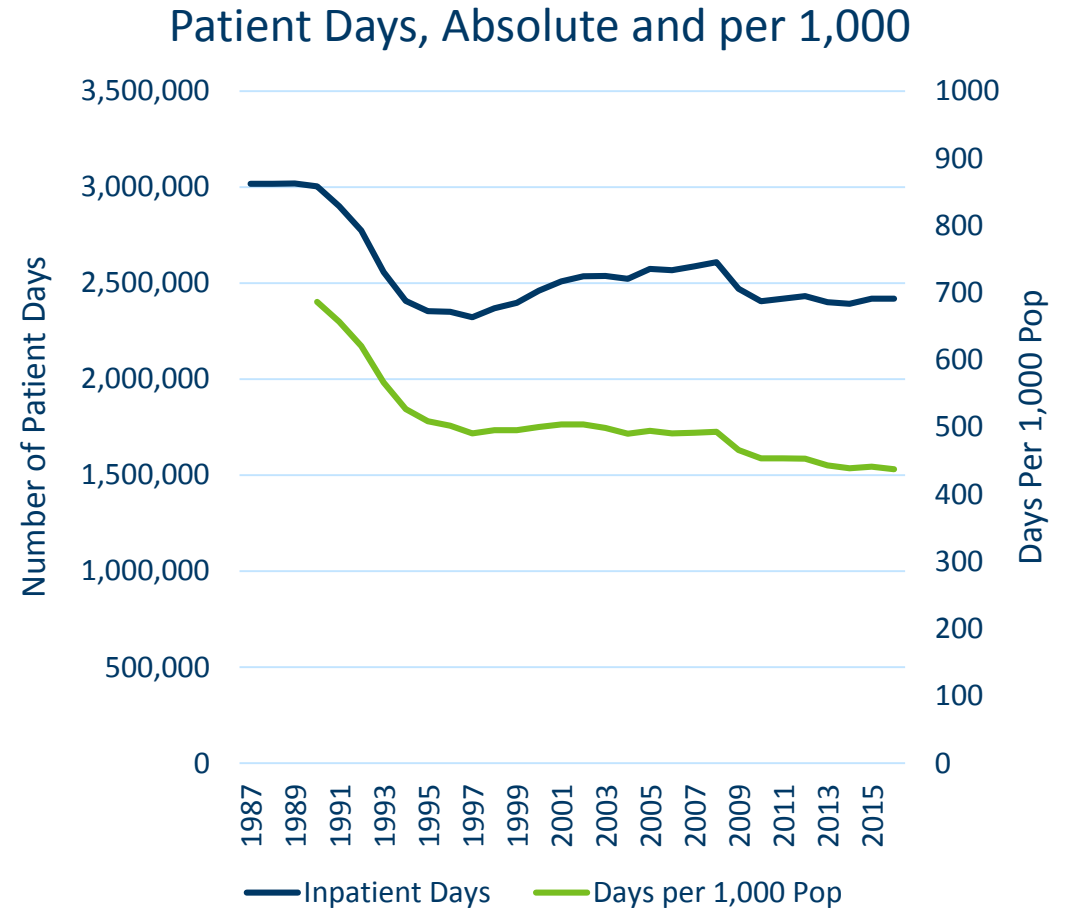
Where are “Unused” Licensed Beds?



Source: Minnesota Department of Health analysis of Hospital Annual Reports.

Trend in Inpatient Use in Minnesota

- Decline in inpatient care in MN coincides with the introduction of the moratorium process
- Likely not a causal relationship
- Some inpatient care (e.g., surgery) moves to outpatient settings
- Recent trends show slight uptick in the length of stays



Source: MDH/Health Economics Program analysis of annual hospital reporting

The Public Interest Review

The Public Interest Review Process (MN Statutes 144.552)

- Intended to provide policy-makers with evidence about the merit of a proposal and context, as they weigh granting an exception
- Applicants submit a proposal to the Commissioner of Health
- Once MDH has adequate information, the review process begins:
 - MDH has 90 days, or up to 6 months in extenuating circumstances, to complete the review
 - MDH places a notice of the review in the State Register to assist in gathering public comments
 - MDH reaches out to hospitals and other stakeholders affected by the proposal
- MDH determines whether the request is in the public interest and submits a report to the Legislature
- **Legislature retains the decision-making authority**

What is Evaluated in a Public Interest Review

MDH is directed to consider all relevant factors and, at minimum, five primary questions:

1. Are the new hospital/hospital beds needed to provide timely access to care or access to new or improved services?
2. What is the financial impact of the new hospital/hospital beds on existing acute-care hospitals that have emergency departments in the region?
3. How will the new hospital/hospital beds affect the ability of existing hospitals in the region to maintain existing staff?
4. What is the extent to which the new hospital/hospital beds will provide services to nonpaying and low-income patients relative to the level of services provided to these groups by existing hospital in the region?
5. The views of affected parties.

MDH Takes Primarily an Empirical Approach to the Review

- Data from hospitals:
 - Hospital Annual Report – financial and utilization filings from all Minnesota Community Hospitals
 - Minnesota Hospital Discharge Data – Discharge records from all Minnesota Hospitals, and for Minnesota residents in select neighboring states (North Dakota, South Dakota, and Iowa)
 - Additional data requested from the hospital who is requesting additional beds/entity requesting a new hospital
- Peer reviewed literature
- Input from other hospitals in the area/with the same specialized services
- Public comment, including information from stakeholders and the community

Recent Public Interest Reviews

Year	Project	Description	In the public interest?	Beds Requested (Actual)
2005	Maple Grove Hospital, Maple Grove, MN	3 competing proposals, acute care hospital with mental health beds	Yes	284 (180)
2006	Cass County Hospital, Cass County	New Critical Access Hospital	Yes	25 (0)
2007	Prairie St. John's, Woodbury, MN	New psychiatric hospital	No	144 (50)*
2012	Perham Health – Sanford, Perham, MN	Create new free-standing geriatric psychiatric hospital	No	12
2014	Sanford Health – Thief River Falls, Thief River Falls, MN	Create new free-standing psychiatric hospital	Yes	16 (16)
2017	Prairie Care, Brooklyn Park, MN	Add additional beds to pediatric psychiatric hospital	Yes	21 (21)

2 Proposals were withdrawn from consideration: Park Nicollet Methodist Hospital in 2011 and PrairieCare Maple Grove (with DHS – Exception 26) in 2015.

* An exception for an alternative project in NW Hennepin County was approved by the legislature without review (Exception 24, which was amended twice). PrairieCare established a 20-bed facility in Maple Grove, and then replaced it with a 50-bed facility in Brooklyn Park; 21 beds were added through a public interest review in 2017.

Public Interest Review is a Public Process

- All information related to a review is posted online including:
 - The initial proposal
 - Written correspondence with the applicant to clarify the proposal
 - Feedback from the public
 - Data on previous reviews
- Findings become public with submission to Legislature
- URL:
www.health.state.mn.us/divs/hpsc/hep/moratorium/index.html

The screenshot displays the Minnesota Department of Health (MDH) website page for the Hospital Public Interest Review. The page is titled "Hospital Public Interest Review" and provides information about the review process for hospitals seeking exceptions to the state's hospital bed moratorium law. The page includes a navigation menu with links for "HOME", "TOPICS", and "ABOUT US". The main content area is divided into several sections: "Health Economics Program", "Special Projects", "Related Sites", "Public Interest Reviews", and "Completed Reviews". The "Public Interest Reviews" section lists several hospitals, including "Regions Hospital", "Tandem Hospital Partners", "PrairieCare Brooklyn Park", "PrairieCare Maple Grove", and "Sanford Thief River Falls Psychiatric Hospital". The "Completed Reviews" section lists "PrairieCare Brooklyn Park", "PrairieCare Maple Grove", and "Sanford Thief River Falls Psychiatric Hospital". The page also features a search bar, a "Share This" button, and a "Contact Us" section with contact information for the Health Economics Program.

Some Closing Thoughts

Hospital Bed Moratorium: Closing Thoughts

- By fixing in place historic capacity, the moratorium:
 - Effectively freezes in place market share & geographic distribution
 - Gives competitive advantage to large systems with “spare” licensed bed capacity
- Moratorium promotes a proposal/site-specific, one-off approach, rather than systematic consideration for how capacity aligns with inpatient needs and public policy goals
- For all reviews, there is a tension between:
 - The business case for adding beds
 - The public interest in adding beds
- For complex investment decisions, there can be insufficient empirical information to answer key questions

Thank you!

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