PrairieCare
A Division of Newport Healthcare

April 3, 2023

Rep. Tina Liebling, Chair
Committee on Health Finance and Policy
477 State Office Building
St. Paul, Minnesota 55155

Dear Chair Liebling,

I'm writing on behalf of PrairieCare to express concern about H.F. 402 (Bierman). PrairieCare is one of the region's largest providers of child and adolescent mental health services, with a 76-bed psychiatric hospital in Brooklyn Park and eight outpatient locations including Brooklyn Park, Rochester, Woodbury, Edina, Chaska, Maplewood, Maple Grove and Mankato. The Rochester and Mankato locations provide necessary access to Partial Hospitalization Services (PHP) for Medical Assistance enrollees in 13 southeastern Minnesota counties, and the inpatient location provides access to Medical Assistance enrollees from across the entire state.

PrairieCare is unique as it is one of just two for-profit hospitals in Minnesota. The other one is Regency Hospital in Golden Valley, a long-term care hospital for medically acute, ventilator dependent patients. Both are specialty hospitals with services other hospitals are reluctant to provide because of low reimbursement rates from public and private payers.

Last year, due to circumstances beyond its control, PrairieCare needed to find a buyer willing to invest in mental health in Minnesota. Failing to find a buyer would have been devastating for the thousands of youths we serve each year. Thankfully, Newport Healthcare stepped up and bought PrairieCare. Newport is a national provider of outpatient and residential mental health services for adolescents and young adults. Newport recently had established a presence in Minnesota through its redevelopment of the former St. Cloud Children's Home as a state-of-the-art residential treatment center for adolescents and the development of two smaller young adult residential treatment programs in Buffalo and Monticello, representing a combined capital investment in the state of approximately $40 million.

Continued investment and expansion at a time of critical provider shortages is good for Minnesota's mental health and chemical dependency patients! If the financial transaction provisions in H.F. 402 were law last year, Newport Healthcare likely would have reconsidered its investment in PrairieCare due to the burdensome, timely and ultimately uncertain review and approval process proposed in H.F. 402. Further, the broad-reaching provisions of H.F. 402 would impact Newport's operations in other states as it would make it more difficult for Newport as a whole to raise capital or secure bank financing. Any legislation in Minnesota should be carefully drafted to avoid these types of unintended and detrimental consequences.

There is not a stampede of investors rushing to Minnesota to invest in our mental health system. Poor public and private payor reimbursements guarantee that any inpatient or outpatient mental health facility will face significant and ongoing financial challenges.

In a partial response to these challenges, the 2022 Legislature passed H.F. 2725. This legislation waives the hospital moratorium law from August 1, 2022 to July 31, 2027 for expanding mental health services in an effort to encourage new mental health investments by reducing regulatory barriers. That bill amended Chapter 144.551 to specifically exempt the acquisition of an existing psychiatric hospital, the construction of a new psychiatric hospital or the expansion of an existing inpatient mental health unit.

H.F. 402 would reverse the course H.F. 2725 set less than 12 months ago. It takes a step backward from expediting new mental health investments without state regulatory processes to creating a new regulatory process for mental health investments. I fear that this sends a negative signal to potential Minnesota and out-of-state organizations considering beginning or expanding mental health services in Minnesota.

I appreciate the time Rep. Bierman has taken to meet and talk about PrairieCare's and Newport's joint concerns. I hope we can reach an agreement that provides the greater oversight he seeks without harming current and future mental health patients.

One option could be to exempt Minnesota's two existing for-profit hospitals licensed today from the bill. Our challenge, given low public and private payment rates, is to keep existing providers in operation. Exempting the two for-profit hospitals currently licensed in Minnesota would allow the Attorney General to step in if a new entrant decided they want to come to Minnesota without creating new hurdles for existing mental health investments. Another option would be to specifically target the general hospitals and specialties the legislature feels need this level of oversight. No one is trying to create a monopoly in Minnesota's psychiatric or long-term care hospital sectors. This would be similar to the now expired Medicare specialty hospital ban, which focused on specialties where consolidation threatened community hospitals or the interests of consumers.

Thank you for your consideration.

Sincerely,

Todd Archbold, LSW, MBA
Chief Executive Officer
PrairieCare

cc: Health Finance and Policy Committee members