



# Regulating Hospital Bed Capacity in Minnesota

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- Minnesota regulatory approach to hospital capacity
- Minnesota's hospital bed moratorium and some context from work to date
- Licensed, but unused beds
- Overview of mental health and substance abuse treatment capacity in Minnesota

## Factors and Incentives Driving Investment in Medical Facilities

Minnesota Department of Health

February, 2007

 MINNESOTA  
MDH  
DEPARTMENT OF HEALTH

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# Minnesota Regulatory Approach to Hospital Capacity

# How Does Minnesota Regulate Hospitals?

- MDH has responsibilities to ensure they have the **required training, knowledge, experience, physical environment and services** necessary to protect life, safety, and welfare of the public
- MDH perform this work on behalf of Minnesota under a contract with the Centers for Medicare & Medicaid Services (CMS)
  - Conducts audits and performs validation surveys
  - Takes and follows-up on complaints from patients and others
  - Recertifies hospitals for compliance with CMS requirements to participate in Medicare
  - Annually processes licensure of hospital beds (and payment for licenses)
- Generally, MDH does not regulate business activities (what services are delivered at what volumes)
  - Hospitals must report closures/curtailing of services within 90 days if the closure will necessitate patient to be relocated (MN Statutes 144.555, Subd. 1)

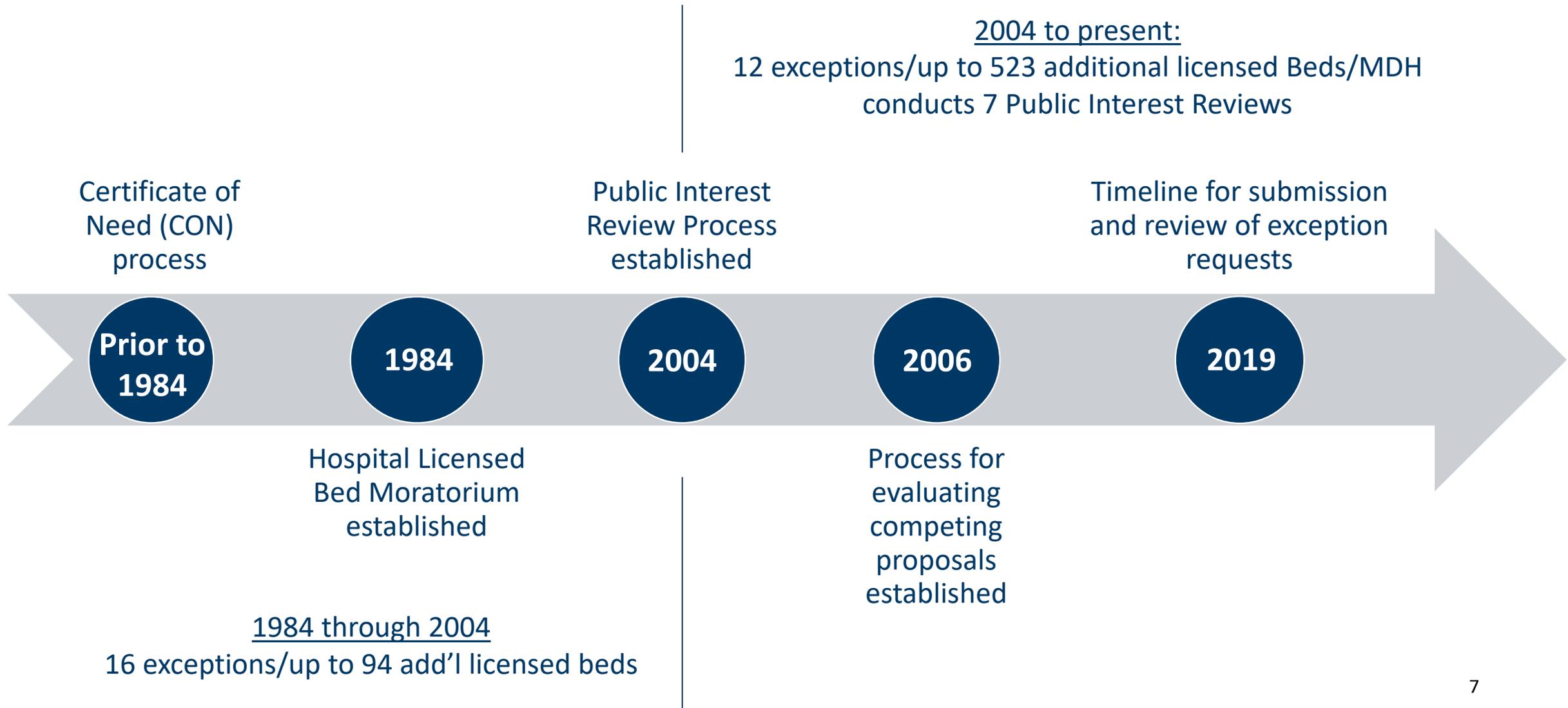
# MN Has Regulated Hospital Capacity in a Number of Ways

- Currently, MN operates under a hospital bed moratorium with a process for requesting exceptions (public interest review)
- 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.
- Prior to that “Certificate of Need” laws existed – they did not appear to control growth in medical facilities and health care investments
- Moratorium was seen as a more effective way of limiting investments in excess hospital capacity.

# 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
- In 2004, it established a process to inform the Legislature's deliberations 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)].

# Timeline for Hospital Capacity Regulation in MN



# 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
- Process:
  - Applicants submit a proposal to the Commissioner of Health
  - MDH takes an empirical approach to reviewing the proposals
  - We perform analysis, conduct interviews, and obtain public input focused on key relevant factors
  - In a report to the Legislature we make a determination as to whether a proposal is in the public interest
- **Legislature retains the decision-making authority**

# 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)
2018	Regions Hospital, St. Paul, MN	Add additional medical surgical and psychiatric beds	Yes	100 (55)

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](http://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. The main content area includes a description of the 2004 Minnesota Legislature law, a list of issues the MDH considers during its review, and a section for "Public Interest Reviews" with links to various hospitals. The page also features a sidebar with navigation links and a search bar.

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## Hospital Public Interest Review

The 2004 Minnesota Legislature passed a law establishing a public interest review process for hospitals seeking exceptions to the state's hospital bed moratorium law (Minnesota Statutes Chapter 144.552). Under this process, a hospital seeking to increase its number of licensed beds or an organization seeking to obtain a hospital license must submit a plan to the Minnesota Department of Health (MDH). MDH is required to review the plan and issue a finding on whether the plan is in the public interest.

In conducting its review, the MDH is required to consider certain issues, including the following:

- ▶ Whether the new hospital or hospital beds are needed to provide timely access to care or access to new or improved services;
- ▶ The financial impact of the new hospital or hospital beds on existing acute-care hospitals that have emergency departments in the region;
- ▶ How the new hospital or hospital beds will affect the ability of existing hospitals in the region to maintain existing staff;
- ▶ The extent to which the new hospital or hospital beds will provide services to nonpaying or low-income patients relative to the level of services provided to these groups by existing hospitals in the region; and
- ▶ The views of affected parties.

Under the statute, MDH must issue a finding within 90 days of receiving a complete proposal (or up to six months in extenuating circumstances).

**Public Interest Reviews**

- ▶ [Regions Hospital](#)
- ▶ [Tandem Hospital Partners](#)

**Completed Reviews**

- ▶ [PrairieCare Brooklyn Park](#)
- ▶ [PrairieCare Maple Grove](#)
- ▶ [Sanford Thief River Falls Psychiatric Hospital](#)

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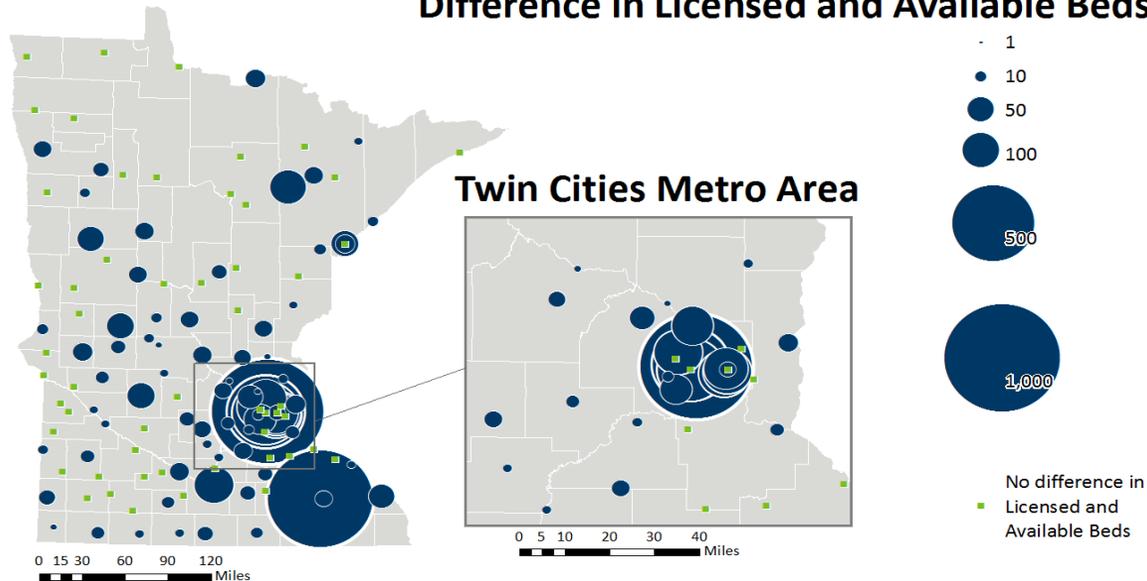
# Some Thoughts on the Impact of the Moratorium

- Moratorium promotes a proposal/site-specific, one-off approach, rather than systematic consideration for how capacity aligns with inpatient needs and public policy goals
- 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
- For all reviews, there is a tension between:
  - The business case for adding beds
  - The public policy interest in adding beds
- For complex investment decisions, there can be insufficient empirical information to answer key questions

## Some Data on Hospital Bed Capacity

# Where are “Unused” Licensed Beds?

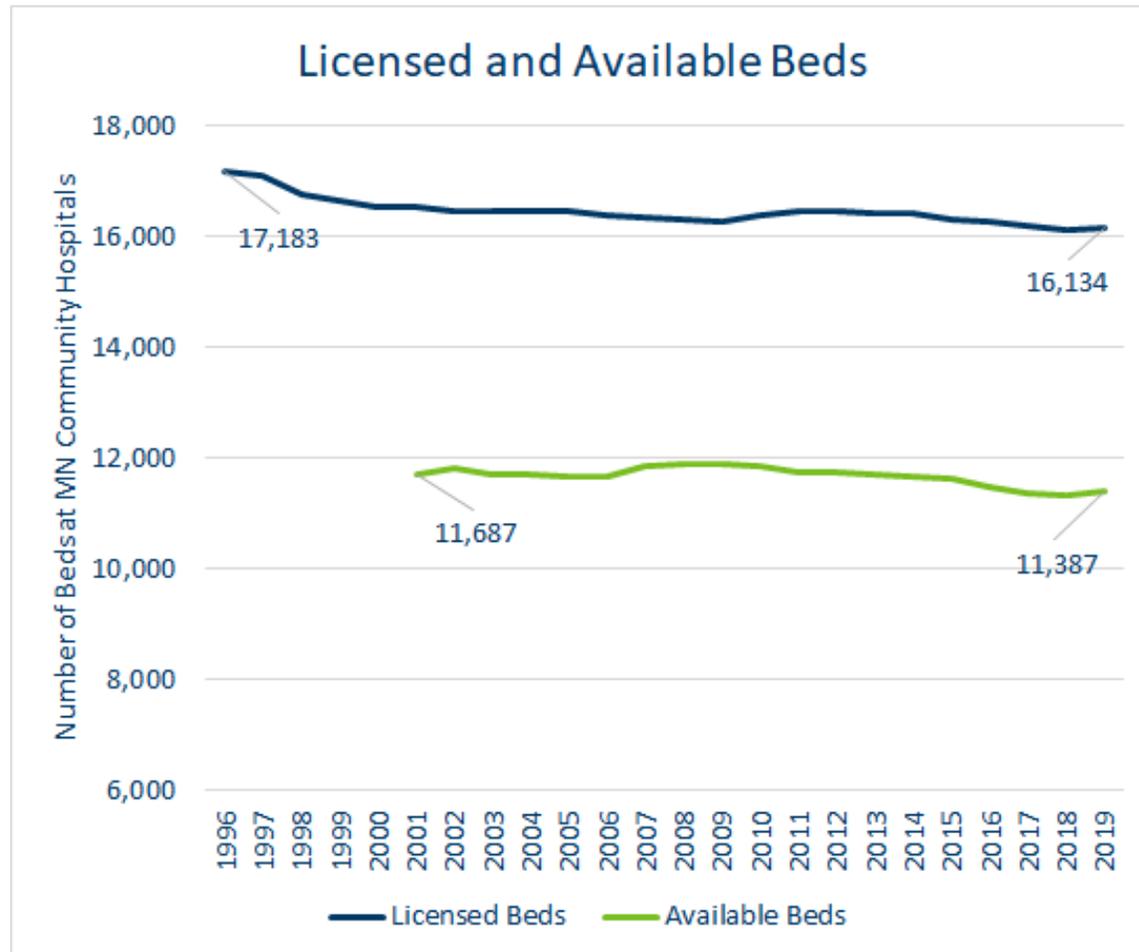
## Difference in Licensed and Available Beds



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

Hospital Name	County	Banked Licensed Beds
University of Minnesota Medical Center - Fairview	Hennepin	942
Mayo Clinic Hospital - Rochester	Olmsted	711
Hennepin County Medical Center	Hennepin	450
Abbott Northwestern Hospital	Hennepin	324
North Memorial Medical Center	Hennepin	168
United Hospital	Ramsey	166
St. Joseph's Hospital	Ramsey	162
Bethesda LTACH	Ramsey	140
Mayo Clinic Health System - Southwest Minnesota Region	Blue Earth	111
Fairview University Medical Center - Mesabi	St. Louis	96
Mayo Clinic Health System - Albert Lea and Austin	Freeborn	90
Park Nicollet Methodist Hospital	Hennepin	80
Fairview Southdale Hospital	Hennepin	74
St. Mary's Medical Center	St. Louis	73
Other facilities		287

# Change in Overall Inpatient Beds in Minnesota



Source: MDH/Health Economics Program analysis of annual hospital reporting, 2019 numbers are preliminary and subject to change.

- Licensed beds have **decreased** modestly since 1996 (by 1,049 beds)
- Approximately 70% of beds are designated as “available”
- The share of licensed beds made available varies by hospital (from 30% to 100%);

# Number of MN Mental Health & Substance Use Disorder Beds

Sponsor	Affiliation	Mental Health	Chemical Dependency	Total Available	Total Licensed
Non-federal Community Hospitals	M Health Fairview	251	72	2,013	3,455
	Mayo Clinic	101	0	1,709	2,763
	Allina Health System <sup>1</sup>	253	24	1,824	2,473
	Essentia Health	78	0	766	1,006
	CentraCare Health System	50	0	696	830
	North Memorial Health Care	26	0	458	648
	HealthPartners, Inc.	112	0	591	637
	Other Affiliated Systems	60	0	1,723	1,982
	No Affiliation	223	0	1,585	2,301
State of MN	Dept. of Human Services	222	0	222	287
<b>Total</b>		<b>1,376</b>	<b>96</b>	<b>11,587</b>	<b>16,382</b>

<sup>1</sup> St. Francis Regional Medical Center is affiliated with both Allina Health Systems and Park Nicollet Health Services. Beds for this hospital are split between the two systems. The hospital has no mental health or chemical dependency beds.

Source: Minnesota Department of Health, Health Economics Program analysis of 2019 hospital annual report. Data current as of 01/25/2021. 2019 information is preliminary and subject to revisions.

# Hospitals with Mental Health & Substance Use Disorder Beds

- 40 hospitals have a hold 1,376 dedicated mental health beds and 3 of those have an additional dedicated 96 SUD beds across the state
  - 90 percent of hospitals with mental health beds and all hospitals with SUD beds are in urban areas or large rural cities
- In 2019 there were 35,089 MH admissions and 11,166 SUD admissions across the state
  - These 40 hospitals made up 95.5 percent of MH admissions and 83.1% of SUD admissions
  - Some patients with principal diagnosis related to mental health are admitted to med/surg beds
- Anticipated hospital and bed closures in the Twin Cities Metro area will lead to a reduction of 52 MH beds and 32 SUD beds

# Thank You!

Health Economics Program: [www.health.state.mn.us/health/economics](http://www.health.state.mn.us/health/economics)

Health Care Market Statistics: [www.health.state.mn.us/data/economics/chartbook/](http://www.health.state.mn.us/data/economics/chartbook/)

The Health Care Spending Dilemma (Video): <https://youtu.be/aitOKUtAgrs>

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