

Hospital Public Interest Review

GUIDELINES FOR SUBMITTING PROPOSALS TO ESTABLISH A NEW HOSPITAL OR EXPANDING LICENSED BED CAPACITY AT AN EXISTING HOSPITAL

Updated July 2023

Since 1984, Minnesota law has prohibited the construction of new hospitals or the expansion of bed capacity at existing hospitals without authorization from the Legislature.¹ The Minnesota Legislature established procedures for reviewing proposals for exceptions to the hospital moratorium statute in 2004 and 2006 to aid the Legislature’s deliberations and decision-making on proposed exceptions.^{2,3} Generally, there are two pathways to having exception to the hospital moratorium considered:

1. **Standard Process:** Entities seeking an exception to the moratorium to *expand existing bed capacity* must submit a plan describing their project to the Minnesota Department of Health (MDH) for a “public interest review.” The purpose of this review, which will be conducted by MDH, is to provide the Legislature with an independent, evidence-driven assessment as to whether the new hospital or additional beds are in the public interest.
2. **Alternative Approval Process:** Entities seeking an exception to the moratorium to *obtain a new hospital license*, must issue a letter of intent to the commissioner. MDH then posts the letter in the State Register so that other providers may assess if they have competing interests in the proposed plan. Depending on the interest in the community, the commissioner will make an administrative decision on the facility or proceed to a public interest review.

The 2022 legislature signed into law a new process that **exempts new mental health beds and psychiatric hospitals built between August 1, 2022 and July 31, 2027 from public interest review.**⁴ Guidance for new hospitals and subdivisions established under MN statutes, section 144.551 subd. 1a are posted separately.

The remainder of this document contains instructions about the information that must be submitted to MDH in order for the agency to evaluate the proposal. Please review this guidance

¹ [Minnesota Statutes, section 144.551](#)

² [Minnesota Statutes, section 144.552](#)

³ [Minnesota Statutes, section 144.553](#)

⁴ [Minnesota Session Laws Chapter 99, House File 2725 \(revisor.mn.gov\)](#)

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carefully before submitting a plan for a public interest review so that all relevant information is available and there is no delay before MDH can proceed to the public interest review.

Any plan must be submitted to MDH by **August 1 of the calendar year** prior to the year during which the entity wishes the exception to be considered by the legislature; review of plans submitted after August 1 may not be completed in time to be fully considered by the legislature. In cases where there are multiple, concurrent reviews under way, MDH will proceed with conducting reviews in the order they were submitted with complete information.

If you have any questions, please contact MDH Health Economics Program staff at 651-201-4520 or health.pir@state.mn.us.

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Application Checklist – Standard Public Interest Review Process (under MN Statutes, section 144.552)

Materials supporting any plan to expand licensed bed capacity at a hospital or to establish a new hospital submitted to MDH must include, at minimum, the following:

Background information

- Submit articles of organization/joint venture/partnerships** and other organizational information including the following:
 - Internal Revenue Service (IRS) Section 501(c)3 status
 - A list and organizational chart of all affiliated parties and ownership, development, or management interests related to health care facilities including entity name, address, and a brief description of relationship(s) for each
 - Information on where relevant providers currently hospitalize patients
- Provide current or recent IRS forms and billing/collection agreements**, for relevant hospitals/organizations, including the following:
 - Schedule H (990 Form)
 - Community Health Needs Assessment (CHNA) - Section 501(r)(3)
 - Financial Assistance Policy and Emergency Medical Care Policy - Section 501(r)(4)
 - Signed Hospital Agreement on Billing and Collection with the Minnesota Attorney General (including expiration date)
- Describe community engagement activities** that have informed the proposal with references to [Principles of Authentic Community Engagement \(health.state.mn.us\)](https://health.state.mn.us/principles-of-authentic-community-engagement).
- Submit a list of stakeholders and affected parties** that were identified in planning for the project.

Project description

- Describe the site** for the proposed project. If additional approvals from local board(s) are needed, please include information on when the project will be heard.
- Define the objectives** of the expansion in licensed beds or establishment of a new hospital such as health outcomes, health equity, or improvements in quality of life with supporting quantitative and qualitative evidence.
- List the hospital-based services** that will be provided directly, or through contract, for both acute and non-acute care (both inpatient and outpatient or ambulatory care) as part of the expansion or new hospital.
 - Describe specific services including, for example, imaging/radiology, ambulatory surgery, cancer treatment, or dialysis services.

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- Provide detail for the breakdown of beds or outpatient care by service category including, for example, the number of medical/surgical, intensive care unit (ICU/CCU), pediatrics, obstetrics, mental health/chemical dependency beds.
- Provide the proposed admissions criteria or anticipated patient population including, but not limited to, patient diagnoses and diagnoses related groups (DRGs), acuity or complication levels, and exclusions for admission or provision of services.
- If an emergency department is planned, describe trauma designation you are seeking.
- Describe specific steps to ensure that health care services delivered through the proposal will adhere to the National Standards on Culturally and Linguistically Appropriate Standards.
- **Detail timelines or phases** of the project including short- and long-term plans for construction and expectations on when services will be staffed and available at the facility, operating partially and when fully staffed
- **Estimate the cost of the project** including the following:
 - Completion of Sections 56 and 57 of the Hospital Annual Report (Capital Expenditure Commitment and Detail) found here: [Health Care Cost Information System \(health.state.mn.us\)](http://health.state.mn.us).
 - A description of the sources of financing for the project, including municipal bonding, investment capital, private equity or other forms of financing applies.

Need for project

- **Define the proposed service area (PSA)** of the project including methods and rationale
 - **Provide demographic estimates and projections**, if available, for PSA expressed in ZIP codes or another appropriate geographic measure with population sizes by age, gender, race, ethnicity, and levels of income relative to federal poverty guidelines or other social determinants of health.
 - **Provide incidence or prevalence of disease, behavioral risk factors, and acuity mix** for PSA as it relates to proposed hospital services.
 - **Make available recent and projected utilization** for the PSA including average length of stay and population rates by service type that are stratified by age, gender, race, ethnicity, and levels of income, or other social determinants of health wherever possible. This includes projection work done as part of project planning.
 - **Provide estimates on the anticipated share of PSA by service line** along with a description of how the project fits into the relevant market for specified geographic areas. Include, for example, any unique aspects of the project and reasons for why the project will meet patient needs that are not currently being addressed.
- **Describe any current geographic barriers to care** for patients in the PSA.
 - Describe average drive-times and distance to equivalent services in the PSA.

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- Define where new hospital or additional hospital beds would be in proximity to secondary, tertiary, quaternary, or other specialized services.
- Share any potential linkages to primary care services including designation of MDH Health Care Homes certification. For example, describe how the project might improve continuity and coordination of care.
- Describe any current financial barriers to care** for patients in the PSA and how the plan may address them.
 - Estimate the volume of uncompensated care in the area and at the proposed facility.
 - Share relevant information on communities in the PSA including medically underserved, those on public coverage, and uninsured populations.
 - Quantify the percent change in the number of uninsured and low-income people served as a result of the project. If there is no change, provide justification.
- Provide a copy of the following policies** (if applicable):
 - Patient rights and responsibilities
 - Non-discrimination policy
 - End-of-life policy
 - Reproductive health policy
 - Any other policies directly associated with patient access
- Describe any new or improved services** for patients in the PSA.
 - Describe how specific new or improved services would address documented disease burden (i.e., incidence or prevalence of disease or behavioral risk factors) and health disparities.
 - Provide any empirical evidence supporting whether new or improved services would advance patient outcomes.
 - Identify which patient populations or demographic groups would most benefit from the new and improved services.
 - Define any actions that will be taken to promote a better patient experience (e.g., culturally competent staffing, improving continuity of care or reducing transfers to other facilities, etc.)
 - Explain the extent to which the project involves any reduction, elimination, or relocation of existing health care services and how the needs of patients in the PSA will continue to be met.

Impact on other hospitals

- Describe the current market conditions.**
 - Describe how patients currently access services that will be provided as part of the proposal.

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- List of the market shares of hospitals that have five percent or more market share for each major service category that are included in the new project (e.g., percentage of admissions, patient days, or ambulatory visits).
- Describe potential pro- or anticompetitive effects the plan will have on other hospitals, including on price, total health care expenditures, or operating and administrative costs.
- Describe the anticipated financial impact** of the proposed facility on existing hospitals.
 - Describe the expected market share by major service category overall for new hospital or additional licensed beds as a percentage of admissions, patient days, or ambulatory visits.
 - Describe the expected market share by major payer category (i.e., commercial, Medicaid, Medicare, uninsured, and other payers) for new hospital or additional licensed beds as a percentage of admissions, patient days, or ambulatory visits.
 - Provide single-year projections for the next 10 years on patient volume and major payer market shares.
- Describe the anticipated staffing impact** of the proposed facility on existing hospitals with emergency departments in the region.
 - Provide a staffing plan that includes detailed personnel classifications for each unit of the hospital including full-time equivalent (FTE) hour amounts for each position per 24-hour period and anticipated number of patient days per 24-hour period.
 - List existing vacancy rates for relevant personnel (e.g., registered nurses, pharmacists, and radiological technicians) for the primary service area.
 - Describe anticipated timeline, approach and wage/salary structure to meet staffing plan needs for services.

Additional information required for **existing** Minnesota hospital seeking authority to construct a new hospital

This information is only required if an existing Minnesota hospital is seeking to build a new hospital with a new hospital license (e.g., not a replacement hospital with existing licensed beds or a new market entrant).

- Describe how the current level of community benefit will be maintained** at the existing facility.
- Describe the impact of the proposal on the workforce at the existing facility** including the following:
 - Transitioning current workers to the new facility
 - Retraining and employment security for current workers
 - Addressing the impact of layoffs at the existing facility on affected workers

Timeline

1. **By August 1:** Application is submitted
2. **Within 30 days** Minnesota Department of Health responds with additional questions
3. **Within 14 days** of receipt of questions, response to questions required
4. **Public interest review begins:** MDH Issues letter that Application is complete
 - a. MDH has 150 days to complete the review
5. **During the public interest review process**
 - a. MDH may follow up with additional questions or requests for data
 - b. MDH will request community feedback, including from other hospitals and relevant stakeholders; MDH may hold a public meeting.
6. **Finding**, depending on the circumstances, MDH may issue a findings letter before submitting to the legislature a report of findings.

Application Checklist – Alternative Approval Process (under MN Statutes, section 144.553)

Letter of Intent

Organizations submitting a plan to establish a **new** hospital must notify the Minnesota Department of Health (MDH) in writing.

- Submit a letter of intent** that states where the proposed new hospital would be located and the number of new licensed beds.⁵

If no competing proposals are submitted to MDH, the agency will inform the entity that we will proceed to the *standard public interest review process* (see page 3). Otherwise, MDH will proceed to the *alternative approval process* (see below).

Needs assessment

- Provide documentation to MDH described above in the ‘Need for project’ portion of the standard public interest review process within 30 days of the request for such information.
 - Define the proposed service area (PSA) of the project including methods and rationale as well as the services to be provided such as the types and number of beds.

⁵ MDH will publish a 30-day notice in the Minnesota State Register once a letter of intent to obtain a new hospital license is received to allow another organization interested in seeking a hospital license to serve the same or a similar service area to submit a competing proposal. Applicants are encouraged to submit a letter of intent by June 1st to allow for the 30-day notice and a proposal to be submitted by August 1st if no other organization is interested (under the standard public interest review process).

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- ❑ Describe any current geographic barriers to care for patients in the PSA including distances and travel times to existing hospitals currently providing services.
- ❑ Describe any current financial barriers to care for patients in the PSA.
- ❑ Describe any new or improved services for patients in the PSA.
- ❑ Provide other information requested by MDH to determine if a new hospital is needed.

Market-specific criteria and guidelines for competing proposals

If MDH determines that a new hospital is needed in the PSA, each organization will be notified that additional information will be required to evaluate each proposal. Within 60 days of determining need, MDH will publish market-specific criteria and guidelines for a full proposal.

The criteria and guidelines will include standards including, but not limited to, access to care, quality of care, cost of care, overall project feasibility, as well as the following:

- Addressing mental health service capacity in the service area, including inpatient and outpatient services for adults, adolescents, and children.
- A significant commitment to providing uncompensated care, including discounts for uninsured patients and coordination with other providers of care to low-income uninsured persons.
- Coordination with other hospitals so that specialized services are not unnecessarily duplicated and are provided in sufficient volume to ensure the maintenance of high-quality care.
- All information specified above in the standard review process.
- Other information requested by MDH.

MDH shall accept proposals for 60 days after the publication of criteria and guidance for competing proposals from organizations that have submitted the initial letter of intent noted above. Any proposal received by MDH may not be revised unless there are corrections of material facts or in response to a request for clarification or further information from MDH.

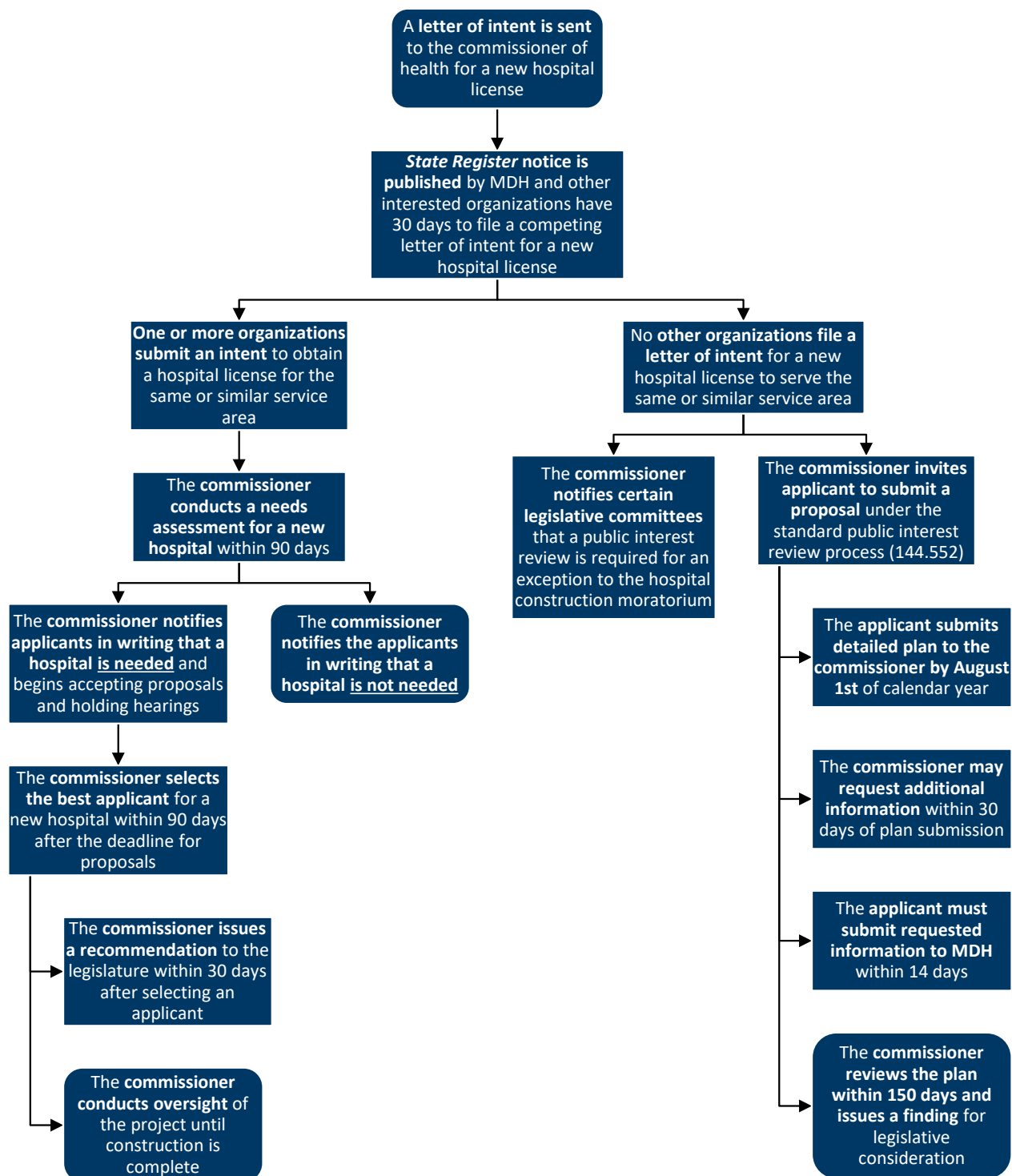
Recommendation of selected proposal to the Minnesota Legislature

After the 60-day period of accepting proposals, MDH may take up to 90 days to determine which proposal demonstrates the best ability to meet published criteria. This determination will follow a hearing defined in Minnesota Statutes⁶ where each applicant has the right to present evidence and to examine or cross-examine witnesses. MDH will also hold a public hearing and solicit feedback from an advisory committee.

Following the determination of the selected proposal, MDH will recommend an exception to Minnesota Statutes, section 144.551 to the Minnesota Legislature.

⁶ [Minnesota Statutes, section 144.553 subd. 3 \(f\)](#)

Minnesota Department of Health Public Interest Review Timeline⁷



⁷ Adapted from Minnesota House Research, January 2023, "Minnesota's Hospital Construction Moratorium". Accessed April 25, 2023 from [Minnesota's Hospital Construction Moratorium \(mn.gov\)](https://mn.gov).

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To obtain this information in a different format, call: 651-201-4520.