

March 16, 2022

Stefan Gildemeister
Director, Health Economics Program
Minnesota Department of Health
PO Box 64882
St. Paul, MN 55164-0882

Dear Mr. Gildemeister:

This letter, the pages that follow, and its attachments sent separately under confidential, secure email are all in response to your request dated March 3, 2022 for Children's Minnesota to submit additional information regarding our proposal to add twenty-two hospital beds to our St. Paul campus to become a new pediatric inpatient mental health unit.

Thank you again for considering our application. Please don't hesitate to reach out at any time if we can be of help in answering additional questions.

Sincerely,



Marc Gorelick, MD
President and Chief Executive Officer
Children's Minnesota

cc: Alisha Simon

Children's Minnesota's 3/16/22 response to MDH's 3/3/22 request for additional information is as follows:

- **Question #1:** Please provide an estimate for the total costs of the proposed licensed bed expansion, as well as the anticipated financing mechanism (e.g., will Children's raise funds through municipal borrowing). To the extent possible, please detail the costs in the following categories:
 - Building and space reconfiguration,
 - Medical equipment expenditures, and
 - Operating costs for the next five years to staff the new mental health unit.
- **Response:** We sent a response to this question separately under confidential, secure email as Attachment 1. It details our proposed licensed bed expansion costs in the areas of building/space, medical equipment, and operations. These costs will be funded by Children's Minnesota from our operations and from philanthropy. Note that we do not anticipate the need for new borrowing or debt.
- **Question #2:** We understand that coinciding with the establishment of the proposed mental health unit, Children's is planning to consolidate intensive care services at the Minneapolis campus. How many patients Children's expect to be served by the new mental health unit may also require intensive care unit services? How will Children's address any potential impact this consolidation might have on the provision of care at the new mental health unit?
- **Response:** Children's Minnesota's inpatient mental health unit will serve patients who are able to participate in mental health programming. By admission criteria, none of these patients would require medical critical care.

In some cases, patients presenting with life-threatening critical care needs may also have secondary mental health concerns. In these situations, medical stabilization would be necessary before the child was eligible to be admitted to the mental health unit. If PICU-level care is required, then the patient may be treated on our Minneapolis campus in our critical care hub and, once stable, either discharged home, enrolled into our outpatient partial hospitalization program, or admitted to our inpatient psychiatric unit depending upon the mental health needs.

Post-admission, we will have medical providers (e.g., hospitalist physicians and advanced practice providers) rounding in our inpatient mental health unit daily to detect and manage any medical needs that arise. This is in addition to our standard hospital emergency response team(s). We will follow our internal procedures for monitoring and assessment in order to identify and address concerns at the earliest possible juncture. If any patient required medical management that could not be delivered on the psychiatric unit, including in emergencies, then we would transfer the patient to an appropriate medical or critical care unit.

Of the 840 patients Children's Minnesota saw in our EDs last year who needed inpatient mental health care, fewer than 5% required PICU-level care (about 20 patients each in St. Paul and Minneapolis). It's important to note that because we did not have a mental health unit, all of these patients had to be transferred to a completely different health system after their PICU stay at Children's Minnesota. With Children's Minnesota's new

mental health unit, the relatively small number of patients needing PICU-level care will be able to remain within the Children's Minnesota system and thus experience greater continuity of care.

- **Question #3:** The proposal indicated that over the past three years Children's needed to transfer over 2,100 patients to other facilities for inpatient mental health care. Please provide summary counts of transfers with the following additional information:
 - Patient origin ZIP code,
 - Hospital destination identifier or ZIP code,
 - Emergency department visit status, and
 - Days in the emergency department.
- **Response:** We sent a response to this question separately under confidential, secure email as Attachment 2.

Note that the monthly totals for length of stay reflected in Attachment 2 is inclusive of all units in our system. This includes patients in our ED and in other units such as our general inpatient floors. In a situation where we have had to "board" a patient while we await an external inpatient mental health placement to become available, we will sometimes admit them to a general inpatient bed for their comfort so as not to confine kids in the ED as much as possible. This also helps to keep ED beds available for other children who need that care.

- **Question #4:** The proposal highlights that Children's has experienced financial challenges due to Medicaid reimbursement rates. Do you expect the reimbursement rates to affect the payer mix of patients served in the proposed new beds? Will the payer mix for the new mental health unit differ from that in other inpatient areas at Children's?

Response: No, we do not expect reimbursement rates to have any impact on our payer mix for the proposed new beds. We do anticipate that the payer mix for our new mental health unit will likely be consistent with other inpatient areas at Children's Minnesota. When we look at patients we have transferred externally for mental health care over the past three years, approximately 50% had commercial insurance, 44% had government insurance, and 6% had no insurance listed / were designated as self-pay. This payer mix is consistent with what we anticipate for our new inpatient mental health unit.

Children's Minnesota does not take into consideration a patient's insurance status or the potential for reimbursement when making admission or care decisions. Like all services across our system, we expect that the reimbursement rates for inpatient mental health services under MA and PMAP plans will not cover our cost for providing these essential services. However, as a not-for-profit healthcare organization, we are committed to meeting the community's need by providing acute pediatric mental health care regardless of reimbursement rates or the payer mix of the patients seeking such services at Children's Minnesota.