

August 10, 2026

Commissioner Brooke Cunningham
Minnesota Department of Health
P.O. Box 64975
St. Paul, MN 55164-0975

Dear Commissioner Cunningham:

On behalf of Mayo Clinic Health System – Cannon Falls (MCHS Cannon Falls), we respectfully submit our Public Interest Review (PIR) application seeking approval to increase our licensed inpatient bed capacity from 15 to 25 beds, consistent with Minnesota Statutes §144.552 and in support of the applicable exception to Minnesota’s hospital bed moratorium under §144.551. This request reflects our commitment to strengthening access to high-quality care across rural Minnesota, grounded in Mayo Clinic’s more than 150-year legacy of serving communities throughout the region and our shared goal of keeping care local for patients.

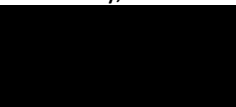
Mayo Clinic Health System – Cannon Falls is a critical access point for inpatient and emergency care within the surrounding rural communities. Current inpatient utilization trends indicate sustained pressure on our limited bed capacity, particularly during peak seasonal demand and periods of increased acuity. At present, we are operating at or near capacity with a 15-bed complement, which can result in delays in admission or transfers to more distant facilities.

The proposed increase from 15 to 25 licensed beds is intended to address these capacity constraints, improve patient flow, and enhance our ability to safely care for patients locally. This expansion will support timely access to inpatient services, reduce avoidable transfers, and strengthen continuity of care within the region. The additional beds will be utilized to meet existing demand for general medical, surgical and inpatient hospital services rather than the introduction of new clinical service lines.

This proposal represents a measured and responsible expansion designed to ensure the long-term sustainability of inpatient access in Cannon Falls and surrounding communities. We are committed to working closely with the Minnesota Department of Health throughout the review process and to ensuring that this request meets the requirements of the public interest standard.

Thank you for your consideration of this application and for your continued leadership in stewarding Minnesota’s health care system capacity.

Sincerely,



Travis Paul
Chair of Administration, Mayo Clinic Health System Minnesota

Mayo Clinic Health System – Cannon Falls

Public Interest Review Application: Licensed Bed Capacity Expansion

BACKGROUND INFORMATION

Hospital Profile:

Mayo Clinic Health System in Cannon Falls is a nonprofit rural community hospital and designated critical access hospital (CAH) within Mayo Clinic Health System (MCHS), an integrated network of hospitals and clinics serving southern Minnesota and western Wisconsin. As part of Mayo Clinic's coordinated care model, the hospital provides patients with access to comprehensive primary, specialty, inpatient, emergency, and post-acute services while facilitating seamless referral to higher levels of care when needed.

Located in rural southeastern Minnesota, MCHS Cannon Falls serves residents of Goodhue County and surrounding communities by providing essential inpatient, emergency, outpatient, diagnostic, and rehabilitative services close to home. The hospital operates a 24/7 Level IV Trauma-designated Emergency Department, inpatient acute care services, and a transitional care unit (TCU) that supports recovery and rehabilitation for patients throughout the region. The campus also includes an integrated outpatient clinic and retail pharmacy, offering primary care, laboratory, radiology, infusion therapy, cardiac rehabilitation, pulmonary rehabilitation, and specialty outreach services provided by Mayo Clinic providers from across the Midwest, bringing specialized care closer to home for local patients.

The hospital's transitional care services extend its regional role by supporting post-acute care for patients from Goodhue County and neighboring communities, including portions of Dakota and Rice Counties. These services help preserve local access to recovery and rehabilitation while strengthening regional healthcare capacity.

As the only hospital in the Cannon Falls area, MCHS – Cannon Falls is a vital healthcare resource for rural communities that would otherwise face significant travel distances to obtain hospital services. The facility plays an essential role in maintaining timely access to emergency, inpatient, outpatient, and post-acute care, supporting continuity across the care continuum, and meeting the healthcare needs of southeastern Minnesota residents.

Current Licensed Capacity:

Mayo Clinic Health System – Cannon Falls currently operates with a licensed inpatient capacity of 15 beds. This limited capacity is consistently highly utilized, with average occupancy of approximately 87%, up from 85% in 2025, and with peak periods reaching full occupancy at 100%. The facility is configured to operate efficiently within its existing footprint; however, there is no meaningful ability to expand inpatient capacity without additional licensed beds.

In recent reporting periods, MCHS – Cannon Falls has experienced 468 inpatient admissions annually and approximately 5,551 emergency department visits annually, with more than 459 transfers out of the area in 2025, requiring patients inpatient admission at higher-acuity or alternative facilities due to lack of local bed availability. These transfer patterns reflect increasing pressure on existing capacity and underscore the limitations of the current 15-bed complement in meeting local demand.

MCHS – Cannon Falls has not previously requested additional licensed inpatient beds. Historically, the organization has met community needs by optimizing existing capacity, coordinating care across MCHS, and placing patients appropriately within the regional network. Additional efforts have included expediting discharges, matching patients to the most appropriate available bed, temporarily creating overflow capacity, and avoiding admissions that are not clinically appropriate. Despite these strategies, current and projected utilization trends show that demand now exceeds available licensed capacity.

Based on current utilization data and projected demand trends, the facility is expected to experience continued capacity constraints, resulting in increased transfers and delays in inpatient admission if no action is taken. Accordingly, an exception to the hospital bed moratorium under Minnesota Statutes §144.551 is necessary to ensure continued timely access to inpatient care in the best interests of patients served by the Cannon Falls community.

Request Overview:

MCHS – Cannon Falls is seeking approval to increase its licensed inpatient bed capacity from 15 to 25 beds through an exception to Minnesota’s hospital bed moratorium under Minnesota Statutes §144.551, with review under §144.552. These additional ten licensed beds are intended to support expanded access to general inpatient medical services, improve patient flow, and enhance the facility’s ability to safely care for patients locally. This request is designed to address current and projected capacity constraints, reduce the need for patient transfers, and strengthen continuity of care within the community.

This application provides background on current demand, describes the proposed expansion, and evaluates how the request meets the statutory public interest criteria, including access, quality, and continuity of care in a rural service area.

PROJECT DESCRIPTION

Project Scope

This project proposes to increase the licensed inpatient bed capacity of Mayo Clinic Health System – Cannon Falls from 15 to 25 beds. The additional 10 licensed beds will support expanded capacity for general inpatient medical care within the existing hospital footprint. These beds are intended to accommodate patients requiring short-term hospitalization, including medical admissions, observation-to-inpatient conversions, and post-acute stabilization that can be appropriately managed in a community hospital setting.

The bed expansion is one component of ongoing campus planning efforts in Cannon Falls focused on optimizing use of existing space and supporting the long-term sustainability of care delivery. Within this context, the inpatient expansion is intended to ensure that physical capacity keeps pace with community need while maintaining flexibility in how clinical space is utilized over time.

Financing

The proposed expansion of licensed inpatient beds at MCHS – Cannon Falls will be financed through Mayo Clinic’s standard capital planning and investment processes, which typically include a combination of internal capital allocation and debt financing consistent with established institutional practices for capital projects. No public or state funding will be requested or required for this project.

The Public Interest Review request relates solely to authorization of additional licensed bed capacity and does not carry any direct cost to the State of Minnesota. Approval would enable MCHS to deploy its own capital resources to support needed inpatient capacity in response to documented community demand.

As with all major capital investments, the project will undergo appropriate internal financial review and feasibility analysis prior to implementation and throughout each phase of development. These evaluations ensure alignment with long-term sustainability, operational needs, and community demand.

The investment is intended to support improved patient access, more efficient inpatient flow, and reduced transfer-related care fragmentation for patients in Cannon Falls and surrounding communities. The project is fundamentally driven by clinical and community need to ensure timely access to inpatient services, particularly for patients requiring admission through the emergency department or local referral pathways.

Compliance and Licensure:

MCHS – Cannon Falls will comply with all applicable licensing, regulatory, and operational requirements associated with the addition of licensed inpatient beds. The hospital’s physical plant, life-safety systems, and any required modifications will be reviewed and approved by the Minnesota Department of Health prior to occupancy of any additional licensed beds. Staffing plans will be developed to ensure that all care standards, including appropriate nurse staffing levels and quality and safety requirements, are maintained as capacity is brought online. MCHS maintains full accreditation and adheres to all applicable regulatory and quality standards across its facilities. These standards will be extended to support the safe and compliant operation of the expanded inpatient capacity at the Cannon Falls campus.

NEED FOR THE PROJECT

MCHS – Cannon Falls is experiencing sustained high demand for inpatient services that has outpaced its current licensed capacity of 15 beds. Current utilization patterns, transfer activity, and projected demand indicate ongoing structural constraints consistent with broader trends affecting rural hospitals, where

limited bed supply and workforce constraints reduce the ability to absorb fluctuating inpatient demand (University of North Carolina Sheps Center for Health Services Research, 2025).

Rising Utilization and Capacity Constraints

The hospital's licensed inpatient capacity is consistently highly utilized, with average occupancy of approximately 87%, increasing from 85% in 2025 and reaching peak utilization of 100% during high-demand periods. Sustained occupancy at or near full capacity limits the ability to accommodate variability in demand, including seasonal surges and emergency admissions, a challenge commonly observed in rural hospital settings with constrained inpatient infrastructure (Chartis Center for Rural Health, 2025).

The campus serves approximately 12,000 unique patients. Both inpatient volumes and key outpatient service areas have demonstrated steady growth over time, highlighting the critical role of sustaining rural healthcare services to meet the needs of the surrounding communities.

The facility currently supports approximately 468 inpatient admissions annually (inclusive of observation patients), reflecting steady utilization relative to available licensed beds. In rural settings, even modest increases in inpatient demand can quickly exceed capacity due to limited surge flexibility, care coordination, and staffing constraints (Westfall, 2024).

Emergency Department Demand and Inpatient Bottlenecks

The emergency department at MCHS – Cannon Falls serves as the primary entry point for inpatient admissions. When inpatient beds are unavailable, patients requiring admission may experience delays in placement or require transfer to other facilities within MCHS or regional network.

These constraints contribute to periodic bottlenecks in patient flow from the emergency department to inpatient care, particularly during periods of peak demand. When local inpatient capacity is exceeded, patients requiring admission may experience delays in placement or require transfer to another facility, even when their clinical needs could be appropriately managed locally. Although MCHS – Cannon Falls benefits from care coordination across MCHS and Rochester, local inpatient capacity remains the primary limiting factor in ensuring timely admission for patients who meet criteria for hospitalization.

National research has found that rural emergency departments and inpatient units often rely on interfacility transfer systems due to limited bed availability rather than clinical necessity alone (Kellermann & Weinick, 2012). This reliance creates operational strain, increases demand for EMS and transport resources, and may delay access to definitive inpatient care for rural patients and their families.

Transfer Activity and Access Pressures

The hospital coordinates approximately 459 patient transfers annually for continued inpatient care at other facilities. While transfers are an important component of integrated system care delivery, this

volume reflects underlying capacity limitations when inpatient beds are unavailable at the time of admission decision.

Transfers are frequently driven by lack of available local inpatient beds at the time of admission decision, particularly for patients requiring short-term medical admission or observation-to-inpatient conversion. Interfacility transfer systems are widely recognized as essential in rural health care delivery but are frequently constrained by receiving hospital capacity limitations, which can delay timely placement even after clinical acceptance (O'Meara et al., 2015). These delays increase logistical burden on EMS systems and contribute to fragmentation in patient care.

In addition, reliance on inter-facility transfers contributes to strain on emergency medical resources and transport coordination systems (EMS), which are increasingly challenged by regional demand for patient movement across rural and tertiary care settings. These pressures are consistent with broader statewide and national observations regarding rural hospital capacity constraints and transfer system strain.

Rural Access and System-Level Considerations

Rural hospitals across the United States continue to face structural challenges related to inpatient capacity, workforce shortages, financial constraints, and reliance on interfacility transfers, all of which limit their ability to absorb fluctuations in demand and maintain adequate surge capacity (UNC Sheps Center for Health Services Research, 2025). National rural health policy literature and advisory bodies, including the National Advisory Committee on Rural Health and Human Services (2024), consistently identify inpatient bed availability and transfer dependency as key barriers to sustaining local access to care. These challenges are particularly acute in Critical Access Hospital settings, where relatively small changes in patient volume can quickly exceed available licensed capacity.

For MCHS – Cannon Falls, these dynamics are compounded by the hospital's role as a key access point for inpatient stabilization, short-term hospitalization, and transitional care for surrounding rural communities. When local capacity is fully utilized, patients may be required to travel significant distances for inpatient care, increasing reliance on interfacility transfers, disrupting continuity of care, and placing additional strain on patients, families, EMS resources, and regional referral networks. Broader analyses of rural hospital systems demonstrate that capacity constraints are associated with increased travel distances for care and reduced local access, particularly when regional demand exceeds available beds (Coates et al., 2025) which Cannon Falls has been experiencing.

As a rural facility within MCHS, Cannon Falls serves patients who may face transportation barriers, rural workforce shortages, and limited local alternatives for inpatient care. The expansion would improve the ability of local patients, including Medicare, Medicaid, uninsured, and underinsured patients, to obtain care closer to home and with greater continuity.

Projected Demand and Future Capacity Needs

Based on current utilization trends, occupancy rates, and historical admission patterns, demand for inpatient services at MCHS – Cannon Falls is expected to remain stable or increase modestly over time.

This trend is consistent with statewide demographic aging patterns, which are associated with increased hospitalization rates and longer inpatient stays among older adults (Minnesota Demographic Center, 2025).

Without additional licensed capacity, the facility is expected to experience continued periods of high occupancy, increased transfer activity, and ongoing limitations in its ability to consistently admit patients locally when inpatient care is clinically indicated.

SUMMARY OF NEED

In summary, sustained occupancy at or near full capacity, ongoing inpatient volume relative to licensed beds, emergency department demand, and frequent reliance on interfacility transfers all demonstrate that MCHS – Cannon Falls is operating at the limits of its current inpatient capacity. These findings are consistent with broader rural health system literature documenting constrained inpatient capacity and increasing pressure on small hospital settings.

The addition of ten licensed inpatient beds is intended to reduce avoidable transfers, improve timely access to inpatient care, and strengthen the hospital's ability to meet local demand for hospitalization within the Cannon Falls community and surrounding region.

CONSEQUENCES OF NOT EXPANDING CAPACITY

- Patient access delays
- Consistent or increased strain on EMS for transfers
- Deferred Care and/or health safety risks
- Strain on healthcare staff
- Additional burden on family and support people of the patient
- Compromised Mission and Community trust of trying to stabilize rural healthcare in Minnesota

We respectfully ask the Minnesota Department of Health to find this proposal to be in the public interest.

Public Interest Considerations

This request supports the public interest by:

1. Improving access to timely inpatient care in a rural community served by a 15-bed Critical Access Hospital today.

The proposed increase in licensed inpatient bed capacity at MCHS – Cannon Falls is necessary to preserve timely access to inpatient care for residents of rural southeastern Minnesota. As described above, the hospital's existing inpatient capacity is consistently highly utilized, limiting flexibility to accommodate fluctuations in demand and contributing to delays in admission, increased reliance on interfacility transfers, and periodic bottlenecks in patient flow from the emergency department.

When local inpatient beds are unavailable, patients who could otherwise receive care in their community may experience prolonged stays in the emergency department while awaiting placement or require transfer to another facility. These delays can create safety concerns, contribute to operational strain on clinical staff and EMS resources, and increase the burden on patients and families who must travel farther from home to receive care.

Expanding inpatient capacity will improve the hospital's ability to admit patients in a timely manner when hospitalization is clinically indicated, reducing avoidable transfers and minimizing emergency department boarding. The additional capacity will also strengthen continuity of care by enabling more patients to receive inpatient and transitional care services within their local community whenever appropriate.

In rural communities, maintaining access to local hospital services is essential to ensuring equitable access to care. The proposed expansion will help MCHS – Cannon Falls continue to fulfill its role as a critical access point for inpatient and emergency services, supporting the long-term sustainability of healthcare delivery in the region and ensuring that patients can access the right level of care at the right time and as close to home as possible.

2. Preserving care close to home for local patients and reducing unnecessary transfers

Expanding licensed inpatient capacity at MCHS – Cannon Falls will strengthen access to care for residents of Goodhue County and surrounding rural communities by enabling more patients to receive inpatient services locally when clinically appropriate. Preserving care close to home is particularly important in rural areas, where longer travel distances, limited transportation options, and workforce shortages can create barriers to accessing timely care.

Additional capacity will advance health equity by reducing disparities associated with geography and ensuring that rural residents have greater access to inpatient services within their own communities. This is especially important for older adults, individuals with chronic conditions, and patients with limited transportation or caregiver support, who may experience disproportionate challenges when care is only available outside the local area.

By reducing avoidable transfers and strengthening local access to inpatient care, the proposed expansion will help maintain continuity of care, support patients and families, and reinforce the long-term sustainability of rural healthcare delivery in southeastern Minnesota. Expanding capacity within an existing rural campus that already provides emergency, inpatient, transitional, rehabilitative, procedural, and specialty-connected care and aligning with the community needs.

3. Supporting the broader regional health system

This request supports the broader healthcare system through more appropriate local placement and improved throughput across the rural Minnesota healthcare landscape. The proposed increase in licensed inpatient bed capacity at MCHS – Cannon Falls is expected to have a neutral to positive impact on other hospitals in the region. The additional capacity is intended to address existing unmet demand within the hospital's established service area and improve the efficiency of patient placement, rather than attract patients from outside the community or shift volume from neighboring providers.

As part of the broader MCHS network, Cannon Falls coordinates patient placement with nearby system hospitals, including those in Lake City, Red Wing, and Rochester, based on patients' clinical needs and the appropriate level of care. Expanding inpatient capacity at Cannon Falls is expected to improve care coordination and patient flow across the regional network by enabling more patients to receive care in the most appropriate setting.

Given the continued demand for inpatient services across rural Minnesota, the proposed expansion is expected to complement existing regional capacity rather than compete with it. No adverse financial impact on neighboring hospitals is anticipated. Instead, the project is expected to reduce transfer-related inefficiencies, support more timely access to care, and strengthen the overall regional healthcare delivery system.

Appendix:

American Hospital Association. (2026). *Cost of caring report*. Washington, DC.

→ Useful for: reimbursement gaps (Medicare/Medicaid under cost), rural margin pressure

Chartis Center for Rural Health. (2025). *The rural health safety net under pressure: Annual report*.

→ Useful for: financial strain, staffing shortages, bed reduction trends

Coates, A., Probst, J., Sarwal, K., Riaz, S., & Grudniewicz, A. (2025). *The impact of rural hospital closures and mergers on health system ecologies: A scoping review*. **Health Services Research**, 82(5).

<https://doi.org/10.1177/10775587251355671>

→ Useful for: systemic impacts of closures, regional spillover demand

Kellermann, A. L., & Weinick, R. M. (2012). *Emergency departments and rural hospital transfer systems*. **New England Journal of Medicine**, 367(23), 2149–2151.

→ Useful for: ED boarding, transfer dependence, regional capacity strain

McKay, N. L., & Coventry, J. A. (1995). *Access implications of rural hospital closures and conversions*. **Hospital & Health Services Administration**, 40(2), 227–246.

→ Useful for: rural access deterioration and reduced bed availability

National Advisory Committee on Rural Health and Human Services. (2024). *Policy brief: Rural hospital stabilization and preserving access to care in rural communities*. U.S. Department of Health and Human Services, Health Resources and Services Administration. <https://www.hrsa.gov/advisory-committees/rural-health>

O'Meara, P., et al. (2015). *Achieving regionalization through rural interhospital transfer*. **The American Journal of Emergency Medicine**, 33(9), 1288–1296. <https://doi.org/10.1016/j.ajem.2015.05.032>

Useful for: transfer systems as structural necessity in rural care models

University of North Carolina Sheps Center for Health Services Research. (2025). *Rural hospital closures and vulnerabilities in the United States*. Chapel Hill, NC. <https://www.shepscenter.unc.edu>
→ Useful for: closure trends, vulnerability metrics

Westfall, J. M. (2024). Rural hospital capacity and systemic strain. *JAMA Network Open*.
→ Reinforces: rural hospitals operate under persistent staffing, capacity, and transfer constraints

Westfall, J. M. (2024). *Transfer as treatment in rural hospitals*. **JAMA Network Open**, 7(3), e241845.
<https://doi.org/10.1001/jamanetworkopen.2024.1845>
→ Useful for: interfacility transfer burden, rural reliance on transfers, access delays