Mercy Hospital

MDH Application

Allina Health

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

Dear Commissioner Cunningham,

On behalf of Allina Health and Mercy Hospital, we respectfully submit the enclosed Public Interest Review application regarding the proposed realignment of 15 existing, unused licensed beds from the Unity Campus to the Mercy Campus, which is a CMS defined one hospital, two campus model. The Department of Health interpretation of statute 144.551 is that licensed hospital inpatient beds cannot be moved geographically from one site to another, even when there is no actual increase in total number of licensed beds, and bed relocation is subject to the bed moratorium statute. Due to this current interpretation, this submission requests approval to transfer 15 existing unused licensed beds from the Unity Campus, Mercy Hospital to the Mercy Hospital. The proposal does not seek to create new licensed bed capacity; rather, it reflects a targeted operational change to improve access, patient flow, and timely inpatient placement within the existing licensure structure.

The proposed alignment is in response to sustained and significant demand at the Mercy Campus, particularly within the Emergency Department, where patients requiring inpatient admission frequently experience prolonged boarding while awaiting placement in an appropriate inpatient setting. By converting 15 existing single-bed patient rooms on the Mercy Campus to double-occupancy rooms, Allina Health seeks to make more effective use of existing licensed beds, reduce delays in care progression, and support a safer and more efficient care environment for patients and care team members.

This interim operational solution is designed to address an ongoing immediate patient-care need while Mercy Hospital continues broader campus planning efforts to evaluate future service demand, care model changes, demographic trends, and long-term facility needs. The project has been internally approved, is prepared for immediate implementation upon state approval, and is expected to be completed within approximately 12 weeks following authorization. Construction planning has been completed, necessary equipment is available for repurposing, and the project will be funded through internal contingency capital investment funds, with no reliance on state funding.

Approval of the proposed realignment will allow Mercy Hospital to respond more effectively to current patient demand, reduce avoidable boarding delays, and continue meeting the needs of the communities it serves in a responsible, compliant, and patient-centered manner.

Sincerely,

[redacted]

Kelly Spratt
President, Mercy Hospital

Mercy Hospital 2026 Public Interest Review Application – Proposed move of 15 existing bed licenses from Unity to Mercy Campus.

Background

Hospital Profile: As one combined hospital with two campuses, we serve as a critical tertiary/specialty hospital in the north metro area, seeking to meet patient needs for the growing communities we serve. Our expert physicians and staff provide leading-edge care with enhanced facilities and program offerings for continued excellence in patient care and experience.

Current Licensed Capacity:

HEREWITH GRANTS A LICENSE TO

(Licensee) ALLINA HEALTH SYSTEM
to operate the MERCY HOSPITAL
located at 4050 COON RAPIDS BOULEVARD, COON RAPIDS, MN, 55433
for the following
546 HOSPITAL BEDS
27 BASSINETS

Issued at St. Paul, Minnesota
Effective Date: 01/01/2025
Expiration Date: 12/31/2025

275 Hospital Beds Located At Mercy Hospital, Unity Campus

Not Transferable as to Licensee or Location

Dr. Brooke Cunningham
Commissioner
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Request Overview: Consistent with the existing licensure structure, Mercy and Unity operate under a single hospital license with a two-campus model. MDH has broadly interpreted the bed moratorium statute to require that Allina Health follow the Bed Moratorium process for this operational change involving existing licensed beds, despite the project not increasing net bed capacity. Each day implementation is delayed has a significant patient-care, clinician and care team member impact, including prolonged Emergency Department boarding for patients awaiting inpatient placement.

This proposal represents an impactful operational change to increase utilization and realign existing beds, rather than create new capacity. The proposed adjustments are necessitated by sustained, exceptionally high patient volumes in the Mercy emergency department, where, on any given day, approximately 15–30 patients are boarding while awaiting inpatient placement. Due to patient flow constraints, many of these patients cannot be reasonably transferred to the Unity Campus for admission.

To care for our patients safely and effectively, Mercy plans to implement double occupancy in select patient rooms. This approach aligns licensed bed capacity with actual patient demand at the point of care, serving as a practical operational solution to improve patient access while remaining compliant with the overall bed limits established under the existing license. This is an interim step as the organization continues to assess how the campus can continue to meet the growing demand in this region.

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Project Description

Project Scope: Allina Health proposes converting 15 single-bed patient rooms on the Mercy Campus to double-occupancy rooms to reduce Emergency Department (ED) boarding and better align inpatient capacity with current admission demand. This interim operational change represents the first phase of a two-step approach and uses previously existing unused licensed beds rather than creating new licensed capacity.

Operational Need: Mercy Hospital's Emergency Department continues to experience exceptionally high patient volumes, placing sustained pressure on providers, care teams, and hospital operations. Despite ongoing efforts to improve throughput and care coordination, the demand for inpatient capacity regularly exceeds available resources, contributing to prolonged wait times, boarding in the ED, and increased strain on clinical staff on a daily basis.

Patient Care Impact: By adding usable inpatient capacity at the point of care, the project is expected to improve patient flow, reduce risks associated with prolonged ED boarding, and help patients move more quickly to an appropriate inpatient setting. This will not only improve access to care, but very importantly it will also improve patient experience, which supports a safer care environment for all staff and patients.

Physical Plan and Phasing: In response to inpatient capacity constraints on the Mercy Campus, Allina Health is prepared to proceed immediately upon approval. The 15 beds are expected to be fully operational within approximately 12 weeks from the date of state approval. Construction drawings and the implementation plan have been completed and are ready for execution, and the necessary equipment is available for repurposing to support the proposed room conversions.

MDH Engineering has reviewed and approved the construction plan, subject to customary provisions for review and code compliance. The approved construction plan is included as an appendix to this application.

Financing: The project has been approved and is positioned for funding and completion through internal contingency capital investment funds, with no reliance on state funding. This investment is intended to address current patient demand at the point of care by aligning resources with the location where patients are actively presenting for care.

Project Location: The proposed relocation of existing bed licenses will support the creation of double-occupancy rooms on the Mercy Campus. The project team has identified a unit that meets the requirements for double occupancy, and physician and nursing leadership have been engaged in the assessment of the proposed space. The additional capacity is expected to support improved patient flow and enhance the delivery of patient care. Additional location information is provided in the appendix.

Timeline: The project's funding and implementation plan are complete, positioning Allina Health to proceed upon receipt of approval. Construction is expected to commence promptly following authorization, with completion anticipated within approximately 12 weeks. Further delays will prolong much-needed relief in patient boarding on campus.

Project Need

Operational Demand – Patient Care: The proposed relocation of existing bed licenses is an operational necessity designed to improve patient access, reduce Emergency Department boarding, and support more timely inpatient placement on the Mercy Campus. This request does not represent market expansion; rather, it aligns existing licensed capacity with the location where patients are actively presenting for care and supports the organization's One Hospital, Two Campus operating model.

Current Access Challenge: Mercy Campus has reached full inpatient bed capacity, contributing to delays and backlogs in the PACU, operating rooms, and Emergency Department. As a result, patients who require inpatient admission are frequently boarding in the ED while awaiting appropriate placement.

Supporting Demand Data: As of year-to-date August 2026, Mercy Campus experienced approximately 9,000 medical boarding patients with a length of stay greater than eight hours. During the same period, ED patient boarding totaled approximately 119,000 hours. When annualized to approximately 178,000 hours, this represents a 36 percent increase over 2024, underscoring the sustained nature of the capacity challenge and its impact on the patient experience.

Staffing and Operating Model: The staffing model will continue to reflect current operations and patient volumes and will be aligned with the proposed room configuration. The request is consistent with the One Hospital, Two Campus model and supports efficient use of existing resources across the system.

Expected Patient Care Impact: The additional usable bed capacity is expected to improve patient and care team member experience on the Mercy Campus, most notably in the Emergency Department, by reducing the amount of time admitted patients spend waiting for an inpatient bed. The proposed change also serves as the first phase of a broader planning effort, allowing Allina Health to continue comprehensive Phase 2 master campus planning while addressing the immediate access need.

Demographic Trends: The reallocation of existing beds is an operational solution intended to support immediate inpatient bed availability while allowing Allina Health to continue Phase 2 planning based on projected changes in care models, demographics, and broader market trends. In evaluating this interim approach, Mercy Hospital leadership reviewed key operational and financial metrics to ensure the proposed solution is fiscally responsible and appropriately targeted to reduce Emergency Department boarding and support more timely inpatient placement.

When fully operational, the proposed bed reassignment is projected to reduce Emergency Department boarding hours by approximately 17,816, which is the equivalent of 742 days or over 2 years, as reflected in the 2027 projections.

KPI Metric	2023	2024	2025	2026 (Annualized)	2027
ED Arrivals	71,083	71,466	72,227	70,640	70,640
Total ED Boarding Hours	126,783	140,326	168,168	157,324	139,508
Medical Boarding Hours	101,341	116,695	146,707	138,148	122,504
Mental Health Boarder Hours	25,442	23,631	21,461	19,176	17,004
Average Daily Census	293	274	281	295	295
Total Patient Days	81,442	82,633	84,555	83,950	83,950
Staffed Occupancy Rate	92.6%	92.9%	95.4%	100.1%	95.2%
Staffed Inpatient Beds	295	295	295	295	310
Reduction in Boarding Hours	-	-	-	-	(17,816)

Compliance and Licensure: Allina Health will implement the proposed Mercy inpatient bed expansion in compliance with applicable CMS requirements, Minnesota licensure standards, and other federal and state regulations.

Consequences of Not Moving Existing Bed Licenses

If the existing bed licenses are not moved, the current capacity constraints at the Mercy Campus are expected to continue and may further intensify. Without the ability to align licensed bed capacity with the location where patients are actively presenting for care, Emergency Department boarding will likely remain prolonged, increasing wait times for patients who require inpatient admission and limiting the organization's ability to address an immediate operational need.

These conditions create avoidable risks for both patients and staff. For patients, extended boarding can delay timely placement in an appropriate inpatient setting and contribute to a less efficient care experience. For staff, sustained boarding pressures can increase operational strain and make it more difficult to maintain safe, timely, and coordinated patient flow during periods of high demand.

Public Interest Considerations

The proposal is in the public interest because aligns existing inpatient bed availability where patients are actively presenting for care. This approach supports continuity of hospital services, reinforces the existing care delivery model, and may contribute to workforce stability by improving the operating environment for care teams. This proposal does not reduce capacity at the Unity Campus, as the beds proposed for relocation are currently unused licensed beds at this time.

By increasing usable inpatient capacity at the Mercy Campus, the proposed change is expected to improve patient flow, reduce Emergency Department boarding, support more timely inpatient placement, and contribute to a more efficient care experience. Relocating existing licensed bed capacity to the Mercy Campus also aligns resources with the location where patients are seeking care, helping ensure that patients can be placed in an appropriate inpatient setting more promptly.

Overall, the proposal supports Allina Health's ability to continue serving all patients who seek care at Mercy Hospital while addressing immediate operational demand in a responsible and compliant manner. The requested realignment of existing licensed beds reflects a targeted operational response to current patient-care needs and advances the broader public interest by promoting timely access to appropriate inpatient care.

We respectfully request that the Minnesota Department of Health find this proposal to be in the public interest. This proposal is cost-neutral to the State and reflects a long-term commitment by Allina Health to invest in the community's health needs. We appreciate MDH's thorough review and thoughtful evaluation. Approving this request will help ensure that the West Metro continues to have timely access to high-quality hospital care – now and for years to come.