

BRIEFING MEMO

St. Mary's Regional Medical Center **Expansion and Renovation of ED in Lewiston, Maine**

TO: Brenda M. Harvey, Commissioner, DHHS

THROUGH: Catherine Cobb, Director, Division of Licensing and Regulatory Services

FROM: Phyllis Powell, Manager, Certificate of Need Unit
Larry D. Carbonneau, CPA, Healthcare Financial Analyst

SUBJECT: Proposal by St. Mary's Regional Hospital to expand and renovate the Emergency Department in Lewiston at an estimated capital cost of \$8,508,492.

DATE: August 2, 2007

ISSUE ACTIVATED BY: The referenced proposal requires Certificate of Need approval as defined in "The Maine Certificate of Need Act of 2002," 22 MRSA Section 326 et seq., as amended.

REGISTERED AFFECTED PARTIES: Central Maine Medical Center

BACKGROUND:

- St. Mary's Regional Medical Center is a not-for-profit charitable corporation that operates a 233 bed community hospital in Lewiston, Maine. St. Mary's Regional Medical Center is the designated treatment facility in the Androscoggin, Oxford and Northern Cumberland counties for behavioral referrals and as such needs to update its emergency facilities in part, to provide adequate safety for its behavioral health patients.
- St. Mary's Regional Medical Center proposes to expand and renovate its Emergency Department (ED). The ED currently contains 8,930 gross square feet of space. 10,445 gross square feet of new construction would be added to the existing facility. The new, 19,375 gross square foot, ED will accommodate up to 37,000 visits per year. The cost of construction is projected to be \$8,508,492 and third year incremental operating costs are projected to be \$1,810,138.
- The St. Mary's ED Expansion and Renovation project is required to meet the projected ED volume of 37,000 annual visits. Over the last 5 years (2000-2005) emergency visits have increased 42%, or an average of 8.4% per year.
- The project includes the renovation of the existing St. Mary's ED and new construction of 10,445 square feet. The total department square footage following implementation of the project would be 19,375 square feet.

- The *Division of Licensing and Regulatory Services, Medical Facilities Unit*, confirms that St. Mary's is a fully licensed hospital in the State of Maine and is MaineCare and Medicare certified and has been accredited by the Joint Commission. The Division's most recent survey was completed on March 2, 2006. St. Mary's plan of correction was deemed to be acceptable on May 12, 2006.

The CONU has determined that the applicant is fit, willing and able to manage this project and continue to provide services at the proper standard of care.

- The applicant has determined that the capital cost for this project is \$8,508,492 resulting in third year operating costs of \$1,608,996.
- Demands on liquidity and capital structure are expected to be adequate to support projected operations. Financing and turnover ratios show little impact on the organization as a whole from successfully engaging in this project. The hospital has shown significant current earnings which are not expected to be impacted by this project.

The CONU has determined that the applicant could financially support this project.

- St. Mary's needs to expand and renovate the ED in order to accommodate current and future growth. The department was built in the early 1990's to accommodate approximately 20,000 visits per year, and volume exceeded 31,000 visits in 2006. Over the last 5 years (2000-2005) ED volume has increased 42%, or an average of 8.4% per year.
- St. Mary's is the regional referral hospital for behavioral health patients. Current physical facilities in the ED are inadequate to support this patient population. The focus of the St. Mary's ED Expansion and Renovation project is targeted at better meeting the more complex emergent needs of the community.

The CONU has determined that St. Mary's has demonstrated a need for the proposed project.

- Patient volume has increased even as St. Mary's has aggressively developed primary care and prevention services to address inappropriate utilization of emergency services. St. Mary's has been extremely proactive in creating systems that minimize the need for ED visits, yet the market has continued to increasingly require the service and in many cases subsequent admission to the hospital.
- The CONU has determined that there are no alternatives that would better meet the goals of the project.

- *Maine Bureau of Insurance* estimated that the maximum impact of this CON project on private health insurance premiums in St. Mary's service area for the project's third year of operation will be approximately \$0.553 per \$100 (0.553%) of premium. They further estimate that this project, in its third year of operation, will have a maximum impact on statewide private health insurance premiums of approximately \$0.003 per \$100 (0.0287%) of premium. This is a minimum financial impact to third party payers.
- Total approved 3rd year operating costs are projected to be \$1,608,996 and of that amount MaineCare's 3rd year cost is \$176,990 (\$1,608,996 x 11.0%), which is both the Federal and State portions combined. Currently the impact to the Maine budget per year would be approximately \$61,946 (\$176,990 x 35% (State Portion)). This cost is not a significant additional cost to the State budget and the funds should be available to cover these additional costs.

The CONU has determined that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State

- The CONU has evaluated this proposal against the criteria set forth in the 2007 State Health Plan. This project addresses several of the criteria, including the first tier priority: Projects with the primary objective of eliminating threats to patient safety. Without this project the hospital risks the health and safety to patients as conditions of overcrowding continue. By making these renovations St. Mary's would significantly improve the quality of care by providing separate and more defined areas of behavioral health patient admissions to the ED. Additionally, St. Mary's is committed to using best practices in environmental building. However, according to the assessment from the Bureau of Insurance this project would have greater than a .5% impact on insurance premiums on a regional basis as noted above.

The CONU has determined that the project would be consistent with the State Health Plan.

- *Maine CDC* concluded that St. Mary's hospital serves a large behavioral health patient population and crisis patients exacerbating the issues of severe space limitation.
- *Maine Quality Forum* concluded that the expansion of these services is not expected to adversely impact the quality of similar services in the community.

The CONU has determined that this project would ensure high-quality outcomes and does not negatively affect the quality of care provided by existing service providers.

- Patient volume has increased even as St. Mary's has aggressively developed primary care and prevention services to address inappropriate utilization of emergency services. St. Mary's has been extremely proactive in creating systems that minimize the need for ED visits, yet the market has continued to increasingly require the service and in many cases subsequent admission to the hospital.

- *Maine Quality Forum* determined that the applicant has arrived at a complimentary range of services with its local competitor (Central Maine Medical Center).

The CONU has determined that this project would not result in inappropriate increases in service utilization.

- The impact to the Capital Investment fund would be \$1,608,996.

The CONU has determined that this project could be funded within the Capital Investment Fund.

Comments From Public:

One comment was received from the public after the preliminary analysis was completed but before it was published.

On May 7, 2007, a letter was received from Mr. Charles M. Gill, Jr. This letter contained two major comments specific to the CON Application submitted by St. Mary's:

- 1) *That if two emergency room renovations and expansions are needed in Lewiston, then each application should be reviewed on its merits.*

CONU Comment:

Each CON application is reviewed based upon "its merits" according to CON Review criteria. Additionally, if CMMC submits a CON application for expansion/renovation of its emergency department it will be reviewed in the 2008 CON review cycle on its merits.

Mr. Gill contends that the fact that a letter of intent was filed by CMMC, with the CONU, is relevant if there is now a need for two emergency room expansions within Lewiston. This determination cannot be made at this time since each application is reviewed based upon the merits of the application. Based upon the record before it, CONU has determined that a need presently exists for additional ED capacity in the area to be served by the project. (It should be noted the CMMC does not allege that the project may negatively affect the quality of care delivered by CMMC.)

- 2) *That, since St. Mary's application is strongly linked to their role as primary provider of behavioral health services in the region, the Department should add two conditions to a CON (if approved).*

CONU Comment:

Prior to receipt of Mr. Gill's letter, CONU staff spoke with representatives from the Office of Adult Mental Health Services regarding the portion of the St. Mary's CON application that pertained to Behavioral Health patients. The conditions proposed by Mr. Gill are not within the purview of CON. The Office of Adult Mental Health Services is responsible for contracting and entering into agreements for services within the State. Matters relative to involuntary commitment should be directed to the Office of Adult Mental Health Services.

HIGHLIGHTS:

Letter of Intent dated September 21, 2006
Subject to CON review letter issued September 26, 2006
Technical Assistance Meeting held on October 17, 2006
Application filed and certified as complete-December 15, 2006
Application placed in review cycle January 1, 2007
Applicant's public informational meeting held-January 17, 2007
A public hearing was not requested
Preliminary Analysis Released-June 20, 2007
Preliminary Analysis Published June 25, 2007
Record closed July 10, 2007

Comments From Public: No public comments were received.

CONU Conclusion:

For all the reasons set forth in the preliminary review, based solely on a review of the record, we conclude that the review criteria have been satisfied as follows:

- The applicant is fit, willing and able to provide the proposed services at the proper standard of care.
- The economic feasibility of the proposed services has been demonstrated.
- A public need for the proposed services has been demonstrated.
- The proposed services are consistent with the orderly and economic development of health facilities and health resources for the State.
- The proposed project is consistent with the State Health Plan.
- The proposed project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

- The proposed project does not result in inappropriate increases in service utilization.
- The proposed project can be funded within the Capital Investment Fund.

RECOMMENDATION: The Certificate of Need Unit recommends this proposal be **Approved with the following conditions:**

- 1) As part of its semi-annual progress report, St. Mary's will develop and report quantitative measures specific to improving outcomes in its ED as recommended by the Maine Quality Forum;
- 2) As part of the semi-annual progress report, St. Mary's will report on average length of stay for patients who are admitted from the Emergency Department.

Capital Costs
 \$ 8,188,492
 \$ 320,000
 \$ 8,508,492

Capital Costs As Proposed and Approved
 Contingency Applied For
 Total Approved Capital Budget

Incremental
3rd Year Costs
 \$ 1,608,996

Approved As Proposed