

MDCH Recommendations for CON Standards Scheduled for 2011 Review

Hospital Beds Standards (Please refer to MDCH staff summary of comments for additional detail - attached)		
Identified Issues	Recommended for Review?	Comments
Should services continue to be regulated under CON?	Yes.	New hospitals and new bed towers to existing hospitals require large capital expenditures. Therefore, continued CON review is vital in assuring these large capital expenditures meet identified community need in the most cost effective way.
Consider review of comparative review criteria, including the use of payor mix as it accounts for 45% of the possible points.	No.	Current comparative review criteria is limited but still provides ample criteria in order for the department to determine between multiple applicants.
Conduct review of project delivery requirements.	Yes	Project delivery requirements are those requirements that a recipient of an approved CON must comply with throughout the life of the services, or unless modified by a subsequent CON approval. Review is to assure that each requirement is measurable, comports with today's standard of care, does not duplicate other regulatory requirements already established, and have cost-effective value in achieving the goals and objectives of the program to assure affordable, quality health care services for both the consumer and provider.
Conduct review of subarea methodology to determine if still applicable to today's current health care markets.		Current subarea methodology is a clustering of hospitals with similar market patterns. This methodology is not defined by geographical boundaries, often resulting in some vary large subarea crossing multiple counties and including numerous hospitals while others subareas are limited to just one hospital. Subareas are used to determine if existing hospitals can relocate beds in the same subarea and also used in determining need. A review should be conducted on the benefits and limitations of the current method as well as exploration of alternative methods.

MDCH Staff Analysis of Hospital Bed Standards

Statutory Assignment

Pursuant to MCL 333.22215 (1)(m), the Certificate of Need (CON) Commission is to "...review, and if necessary, revise each set of CON standards at least every 3 years." In accordance with the established review schedule on the Commission Work Plan, the HB Services Standards are scheduled for review in calendar year 2011.

Public Hearing Testimony

The Department held a Public Hearing to receive testimony regarding the Standards on October 13, 2010, with written testimony being received for an additional seven (7) days after the hearing. Testimony was received from five (5) organizations and is summarized as follows:

1. *Steven Szelag, University of Michigan Health System (UMHS):*
 - UMHS supports the overall regulations of HB services:
 - Specifically, the high occupancy bed expansion provision that enables providers to quantitatively demonstrate need and serves as a method for relieving physical capacity constraints within a hospital.
 - UMHS would recommend that the standards not be opened for review, due to the findings based on the annual hospital survey that proves applicants who have acquired incremental bed licenses under the above provision continue to operate at an occupancy rate above the minimum threshold.

2. *Sean Gehle, The Michigan Health Ministries of Ascension Health:*
 - Ascension Health - Michigan supports the continued regulation of Hospital Beds.
 - Recommends these standards be reviewed to evaluate them in the context of CON programmatic goals of Cost, Quality, and Access.

3. *Jim Gilson, Beaumont Hospitals:*
 - Beaumont Hospital supports the overall regulations of HB services but like to recommend the following for comparative review:
 - 53%-75% of the available points in a comparative review are determined by payor mix; in addition the effect of the hospital tax more than compensates some hospitals for their higher Medicaid volumes.
 - Recommends that the comparative review criteria should also be reviewed given the health care reform and resultant impact on costs, quality, and access.
 - Further states that sources of payment or insurance should not be a CON factor.

4. *Dennis McCafferty, Economic Alliance for Michigan (EAM)*
 - Supports the formation of a SAC to review the Hospital Bed Standards
 - Recommends the SAC should add a provision in the standards that limit hospitals who are replacing existing fully-depreciated and obsolete in-patient bed capacity.
 - Recommends the number of replacement in-patient beds approved should not exceed actual average occupancy for that hospital for the prior two years, by more than 125%, this would adjust excess number of licensed capacity to actual average occupancy.

5. *Tina Weatherwax Grant, Trinity Health*

- Supports the formation of a SAC to review the Hospital Bed Standards
- Recommends enforcement or action to be taken to move the state to a more appropriately-sized number of licensed beds.
- Currently, the Department's bed inventory indicates 5,000 excess beds. Concerns for excess beds create the potential for unnecessary costs.
- Recommends revising current HB Standards language to include the release of some portion of excess beds when an applicant seeks CON review and approval of bed-related projects.

Summary of Covered Service

The Department did not receive any testimony against de-regulation of Hospital Bed Standards. Michigan is one of 28 states which regulate Hospital Bed Standards within CON. In 2009, there were 174 licensed hospitals, including specialty hospitals, with 26,238 licensed acute care hospital beds. There were more than 5 million patient days of care in 2009 resulting in a statewide occupancy of 56%. On any given day more than 14,000 hospital beds are filled with an average length of stay of 4.5 days.

MDCH Staff Recommendations

- **Conduct review of standards with an emphasis to assure uniformity among the various bed standards, where applicable, and create a user-friendly format.**
- **Conduct review of project delivery requirements. Project delivery requirements are those requirements that a recipient of an approved CON must comply with throughout the life of the services, or unless modified by a subsequent CON approval. Review is to assure that each requirement is measurable, comports with today's standard of care, does not duplicate other regulatory requirements already established, and have cost-effective value in achieving the goals and objectives of the program to assure affordable, quality health care services for both the consumer and provider.**
- **Conduct review of subarea methodology to determine if still applicable to today's current health care markets. Revised methodology should be based on defined geographical areas that help produce more stable population projects in the need methodology.**
- **Consider quality care requirements for applicants applying for new beds or replacing existing beds and facilities.**
- **Consider refining requirement for size of replacement hospitals.**
- **Eliminate Addendum for HIV Infected Individuals.**
- **Consider similar language from the nursing home bed standards that requires all outstanding debt obligation to the State of Michigan for Quality Assurance**

Assessment Program (QAAP) or Civil Monetary Penalties (CMP) are paid prior to receiving or replacing hospital beds.