MDHHS
Michigan Department of Health & Human Services

Michigan Certificate of Need

HOSPITAL BED RURAL EMERGENCY HOSPITAL (REH) INFORMAL WORKGROUP

FEBRUARY 2024

What is Certificate of Need?

- A health service & equipment regulatory program
- Created by state law
- Intended to balance cost, quality and access by ensuring that only needed health services are developed in Michigan
- Administered by the Michigan Department of Health and Human Services
- Governor-appointed Commission develops and updates standards

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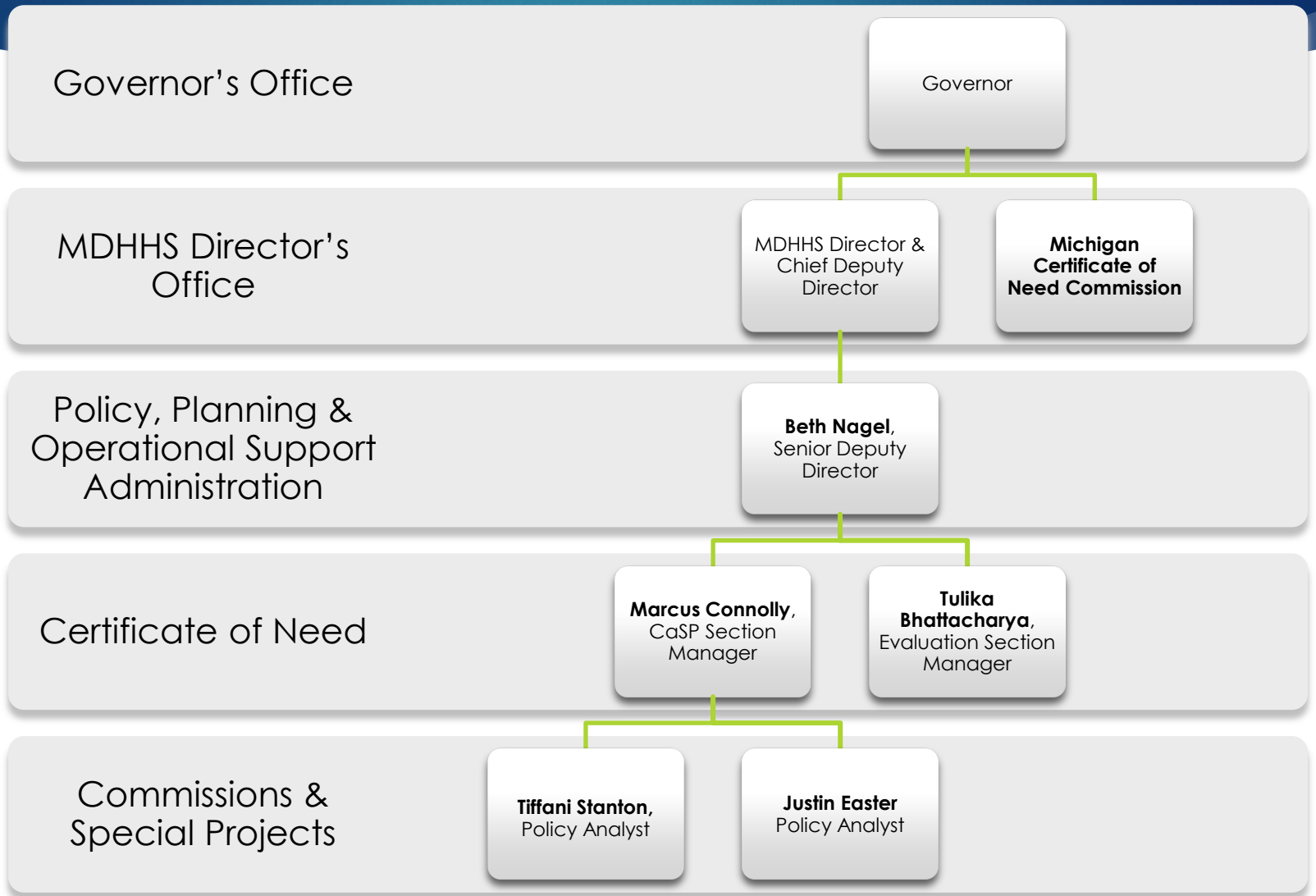
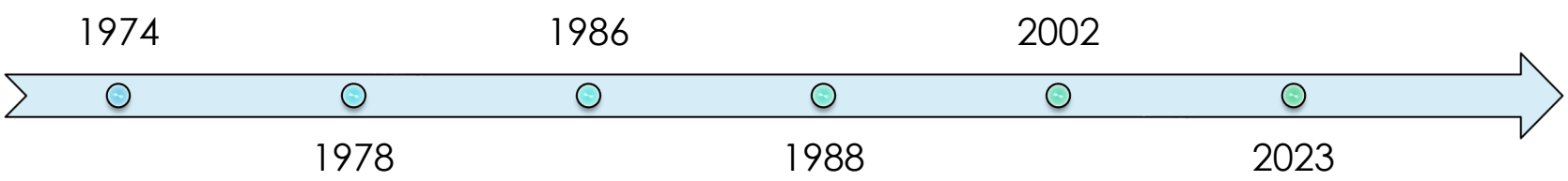
Organization



Michigan Certificate of Need History



1974 — Federal Mandate: All states must develop a CON program

1978 — Michigan's CON Program is put into state law

1986 — Federal Mandate Rescinded: 38 of 50 states keep CON program

1988 — Michigan's First Legislative Reform of CON

2002 — Michigan's Second Legislative Reform of CON

2023 — Today: Focus on quality standards

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What is Certificate of Need?

- A healthcare provider must apply for a Certificate of Need in order to operate one of the 15 covered clinical services

CON Covered Clinical Services	
Air Ambulance Services (helicopters only)	Cardiac Catheterization Services
Computed Tomography (CT) Scanners	Hospital Beds
Magnetic Resonance Imaging (MRI)	Megavoltage Radiation Therapy (MRT)
Neonatal Intensive Care Units (NICU)	Nursing Home Beds
Open Heart Surgery Services	Positron Emission Tomography (PET) Scanners
Psychiatric Beds (Acute Inpatient)	Surgical Services
Transplant Services: Bone Marrow, Heart, Lung & Liver	Urinary Lithotripter Services (UESWL)

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Obtaining a Certificate of Need

- In order to be approved for a Certificate of Need in Michigan, a provider must:
  - Meet Michigan CON criteria outlined in the corresponding CON standard
  - Demonstrate "need" per the corresponding CON Standard
  - Agree to specific project delivery requirements
  - Agree to meet specific service volumes
  - Provide data to MDHHS regularly for the life of the service
  - Apply for another CON before specific changes are made to the service (relocation, replacement, acquisition, for example)
  - Understand that a CON can be revoked

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The Certificate of Need Review Standards

- Created and updated by CON Commission
- Must be reviewed at least every three years
- Are prospective (not retroactive)
- Contain specific requirements to initiate, replace, acquire, relocate (as necessary)
- Contain Project Delivery Requirements

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CON Standard Update Process

Public Comment Period

- Every CON Standard must be updated every three years. Each year, a public comment period is held to solicit input on changes, updates, issues, etc. for 1/3 of the standards

Commission Special Meeting

- Every January the CON Commission holds a special meeting to determine how each standard will be updated. The options are:

  1) No updates necessary

  2) Deregulate

  3)Continue regulation with modifications to the standard

Commission Options for Updating

- To continue regulation and make updates, then the following options are explored:

  1) Commission makes changes

  2) Department drafts changes

  3) An Informal Workgroup makes recommendations

  4) A SAC makes recommendations

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Informal Workgroups

- Deliver recommendations to the CON Commission based on a specific "Charge"
- Composition
  - Anyone that attends may participate
- No set timeframe to complete work unless set by the Commission
- All meetings open to the public

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HOSPITAL BEDS

INFORMAL WORKGROUP CHARGE

For Approval by the Certificate of Need (CON) Commission Chairperson as Delegated by the CON Commission on December 07, 2023

The Hospital Beds Informal Workgroup is charged to review and recommend any necessary changes to the Hospital Beds CON Standards regarding the following:

1. Review public comments from the public hearing as they relate to the Hospital Bed Rural Emergency Hospital (REH) Addendum and work with the Department to develop language that incorporates the public comments.

2. Consider any other technical changes from the Department, e.g., updates or modifications consistent with other CON review standards and the Michigan Public Health Code.

In its deliberations of the above-mentioned charges, the Informal Workgroup shall consider and report on how each recommendation addresses healthcare cost, quality and/or access in Michigan.

HOSPITAL BEDS

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In its deliberations of the above-mentioned charges, the Informal Workgroup shall consider and report on how each recommendation addresses healthcare cost, quality and/or access in Michigan.

Informal Workgroup Operations

- Operates using group consensus unless a decision can't be reached. If voting is necessary, then modified Roberts' Rules are followed. A majority of those in attendance and participating is considered a quorum for voting purposes.
- The Chair or a designee (workgroup member) appointed by the Chair can run the meeting. The Chair may ask for a volunteer to take meeting notes. There are no formal minutes.
- Final recommendations are made by the workgroup to the CON Commission. The workgroup chairperson presents a written report and/or final draft language.

Informal Workgroup Recommendations Process

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After the Informal Workgroup…

- Recommendations presented to the Commission
- Commission may:
  - Accept the Recommendations
  - Make modifications
  - Reject the Recommendations
- If changes to the Standard are to be made, then:

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- www.michigan.gov/con

Certificate of Need

How Do I?

Online Tools

Find It Now

What's New?

Starting Immediately

Certificate of Need (CON) (Checks) must be mailed directly to the Cashier's Office at MDHHS Cashier Office, Suite 801, Certificate of Need, P.O. Box 30437, Lansing, MI 48909.

Mail all Paper Application Materials, LOIs, Amendments, Annual Survey, and other communications directly to the CON office at MDHHS Certificate of Need Evaluation Section, South Grand Building, 4th Floor, P.O. Box 30195 Lansing, MI 48909.

Capital Expenditure Threshold for 2024

The capital expenditure threshold is indexed annually by the Department based on the Consumer Price Index. The threshold effective January 1, 2024, is $4,002,500 for clinical service areas.

Certificate of Need Commission

2024 Michigan CON Meetings

2024 Commission Minutes, Public Testimony, and Transcripts

2024 Informal Workgroups

Informal Workgroups Archive

Standard Advisory Committees (SAC)

Commission Overview and Members

Meetings, Minutes, Public Testimony, and Audio by Calendar Year

Resource Documents

New Medical Technology Advisory Committee (NEWTAC)

2024 Informal Workgroups

About CON Informal Workgroups: Pursuant to MCL 333.22215, the CON Commission may form a Standard Advisory Committee or determine other ways to get input in the form of professional and technical assistance or advice. Often in these circumstances, the CON Commission will decide to form a workgroup to address specific issues in any one of the CON Review Standards. The workgroups are informal, meaning that the workgroup proceedings are open to the public and anyone can participate in the discussion. A workgroup chair is selected and a detailed workgroup charge is created by the CON Commission, often these tasks are delegated to the Chair of the CON Commission. The workgroup chair will provide the CON Commission with updates on the workgroup's progress and will present the final recommendations back to the CON Commission.

For past workgroups, please visit our Informal Workgroups Archive.

Hospital Bed Rural Emergency Hospital (REH) Workgroup

Charge

Scheduled Meeting:

- 2.21.24 - Agenda & Materials
- 3.20.24 - Agenda & Materials
- 4.18.24 - Agenda & Materials
- 5.16.24 - Agenda & Materials

Please see the 2024 Michigan CON Meetings page for additional meeting details and information.

Magnetic Resonance Imaging (MRI) Services Workgroup

Tentative Meeting Dates:

Pending

Please see the 2024 Michigan CON Meetings page for additional meeting details and information.

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Questions?

Tiffani Stanton, Policy Analyst

stantont4@michigan.gov

CON Web Team

MDHHS-ConWebTeam@michigan.gov

MDHHS
Michigan Department of Health & Human Services

Hospital Bed REH Addendum Public Comments (1.11.24 Public Hearing)

January 19, 2024

Mr. Chip Falahee, Chairperson
Certificate of Need Commission
South Grand Building, 5th Floor
333 S. Grand Ave, Lansing, Michigan 48933

Subject: REH Addendum

On behalf of McLaren Health Care, I would like to submit written opposition for the Rural Emergency Hospital ("REH") Department of Health and Human Services ("Department") Recommendation, which proposes an Addendum to the Hospital Bed Standards for REHs.

McLaren appreciates the work the Hospital Bed Standard Advisory Committee ("HBSAC") and the Department did for the REH charge. The members of the HBSAC decided not to support the Addendum at this time. There are numerous reasons to pause on creating the Addendum. The law passed in 2020 and changes are ongoing at the federal level. For instance, 2023 was the first-year hospitals could start providing REH services and CMS issued a fact sheet in November 2023 with updates on reimbursement rates and hospital eligibility starting January 1, 2024.[1] Additionally, one Michigan hospital has been able to work with the Department to become a REH in 2023 without Standards. To avoid unintended consequences from developing Standards that cannot be thoroughly vetted due to continuous changes at the federal level, McLaren opposes the REH Addendum.

If the Certificate of Need Commission ("Commission") determines the Addendum is necessary, there are a couple of concerns McLaren would like to raise for consideration.

Two State Department Interpretations

While McLaren believes the Commission could provide the Department with additional duties through the Certificate of Need ("CON") Standards, there are numerous places in the Addendum where the Department and the Department of Licensing and Regulatory Affairs ("LARA") will have the same duties, which allows for two different State Departments to interpret data differently.

Under MCL 333.21551, a REH must submit to LARA a form that contains "the number and location of the specific beds to be delicensed", "the period of time during which the beds will be delicensed" and "the alternative use proposed for the space occupied by the beds to be delicensed" as part of the REH application with LARA.

Under the Addendum, as part of the application to the Department, the same information will need to be provided. At this time, one State Department could interpret the information as being sufficient,

[1] https://www.cms.gov/files/document/mln2259384-rural-emergency-hospitals.pdf

whereas, the other could interpret the same information as being insufficient. This potential conflict would create barriers and red tape to hospitals that are already in a distressed state.

This same concern occurs in whether an extension is granted after the first five years of temporary delicensure and whether there is a demonstrated need under CON according to the Department of Licensing and Regulatory Affairs.[2] The Addendum would put this same duty under the Department. It is important to create synergies throughout both departments to ensure services are still provided by these distressed hospitals in rural areas without creating unnecessary barriers for these hospitals.

Section 2: Current REH Hospital

The Addendum currently treats the one REH in Michigan differently from all the future REHs. Under Section 2(2), only applicants that have been approved pursuant to Section 2(1) of the Addendum can extend temporary delicensure by an additional 5 years. If this addendum is adopted as is, the one hospital may not be able to extend temporary delicensure for the full 10 years, which is currently allowed under MCL 333.21551. This addendum would create additional barriers that it is now afforded under law.

Section 3: Replacement

In order to replace under the Addendum, the hospital must have been a REH and is no longer designated as a REH or will provide acute care hospital services at the new site and thus, at the new site not be a REH.[3] The Addendum proceeds to ensure that a licensed hospital providing services as a REH cannot be a REH at the new proposed relocation site.[4] There is no ability under the Addendum to allow licensed hospitals that are providing REH services to replace to a new site unless Section 3(2) is in conflict with Section 3(3). The conflict occurs because a REH is still a licensed hospital without beds. If the intent of the language is to allow a REH to replace to a new site, the language must be clarified because if not, that not only provides a barrier to becoming a REH, it hinders the independent hospitals the most. Additionally, the Addendum restricts relocation by only allowing 5 miles in the replacement zone, rather than what the Standards currently allow, which is 10 miles in an enhanced replacement zone.[5]

Section 6: Permanent Delicensure

Under Section 6, a REH that is electing to stop REH services, initiate services as a licensed acute care hospital, and relicense its temporary beds must provide a LOI at least 90 days prior to "expiration of the period for which delicensure was granted", "the date upon which the hospital is requesting relicensure", or "the last hospital license renewal date in the delicensure period."[6] The penalty for not notifying the Department at least 90 days beforehand is permanent delicensure.[7] Especially for small community and independent hospitals, this punishment is the difference between providing REH services in the community indefinitely or providing acute care services in that community. It is extreme and 90 days

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[2] MCL 333.21551 (2)
[3] Addendum §3(2)
[4] Addendum §3(2)(d)
[5] Addendum §(3); Hospital Bed Standards Section 7(3)
[6] Addendum §6(1)(b)(i); §6(1)(b)(ii); §6(1)(b)(iii)
[7] Addendum §6(2)

may be an unrealistic number to achieve in the planning process. Because this is a new category and no hospital has applied for a REH and turned around and applied to be an acute care hospital, this is a potential unintended consequence as a result of the Addendum.

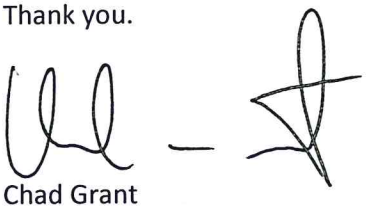
Temporary Delicensure

Throughout the addendum, there are numerous references to temporary delicensure of the REH beds regarding the five-year timeframe, with an additional five-year extension, allowed under MCL 333.21551. If law changes, the standards will be outdated. While there are numerous times when standards and regulations are put in place to align with statute, the newly created REH law coupled with the protective nature over hospitals beds due to CON's bed need methodology is especially concerning. Having Standards that end up conflicting with Statute could be the reason a hospital no longer has beds and therefore, can no longer convert back to an acute care hospital. This concern could be amended by eliminating reference to the five-year periods.

Conclusion

In closing, McLaren would like to thank the CON Commission for its time in developing the HBSAC tasks, including reviewing potential REH Standards, and being transparent in the process. McLaren would like to also thank the HBSAC members for their feedback and approval of pausing on Standards at this time. McLaren would also like to thank the Department for all its time and effort on the Addendum. While it is not the path McLaren supports at this time, McLaren appreciates the open communication the Department has encouraged throughout this process.

Thank you.



Chad Grant

Executive Vice President and Chief Operating Officer

McLaren Health Care

One McLaren Parkway

Grand Blanc, MI., 48439

January 19, 2024

Mr. Chip Falahee, Chairperson
Certificate of Need Commission
South Grand Building, 5th Floor
333 S. Grand Ave, Lansing, Michigan 48933

Subject: Support HBSAC REH Recommendation & Oppose Addendum

On behalf of McLaren Health Care, I would like to submit written support for the Hospital Bed Standard Advisory Committee ("HBSAC") Rural Emergency Hospital ("REH") Recommendation, which is to pause on the addition of REH Standards related to a hospital converting to REH status at this time. McLaren opposes, at this time, the Addendum to the Hospital Bed Standards for REHs.

In December of 2020, the Consolidated Appropriations Act of 2021 was signed into federal law to establish a new hospital designation as a REH to assist rural distressed hospitals by giving rural hospitals the ability to stop inpatient services but continue to treat the community through emergency and outpatient services. There have been ongoing federal changes to REHs. Michigan adopted law in 2022 that provided an avenue for hospitals to temporarily delicense its' hospitals beds in order to become a REH.[1] Last year, 2023, was the first year hospitals could start providing REH services and CMS issued a fact sheet in November 2023 with updates on reimbursement rates and hospital eligibility starting January 1, 2024.[2] With all these recent changes to law and rules, the sub workgroup decided more time needed to pass before passing Certificate of Need ("CON") Standards on REHs to ensure no unintended consequences occur.

McLaren Health Care consists of 14 hospitals in Michigan, including two hospitals in rural communities that meet the conditions of participation for REH designation. From the first sub workgroup meeting, it became clear that the Federal law and CMS rules are complex, burdensome, and a work in progress. Rural hospitals needing to take advantage of REH designation are in financial distress but want to continue to service their rural communities. For a hospital desperate to remain in the community to provide care to its rural residents, REH designation may be the only way to continue to operate.

Overwhelmingly, the sub workgroup members looked to take as much burden off these potential REHs when discussing REH Standards. Further, as time went on in the sub workgroup discussions, it became clear that all providers sought to ensure temporarily delicensed beds remained with the REHs as allowed under law for up to ten years with approval by the Department of Licensing and Regulatory Affairs.[3] There became a clear consensus in the group that continuing to draft CON Standards for REHs could end up with unintended consequences.

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[1] Public Act 265 of 2022
[2] https://www.cms.gov/files/document/mln2259384-rural-emergency-hospitals.pdf
[3] MCL 333.21551

The result of the sub workgroup and the HBSAC is to pause on developing Standards that could have undue consequences until more data is provided. These hospitals service our rural communities, and it is of the utmost importance that these CON Standards take all Michigan residents into consideration. For many rural geographies, the closest next hospital may be over an hour away. It is vital that Michigan gets these Standards right for the care of those living in rural Michigan.

While at this time McLaren supports the pause on developing standards for REHs, McLaren believes the Commission, either through another Standard Advisory Committee or an informal workgroup, should review the need after one year. The discussion of REHs is not one to be taken lightly nor to act upon hastily. The SAC overwhelmingly supported waiting to ensure there were no unintended consequences as a result of the language. McLaren is respectfully requesting the CON Commission accept the HBSAC recommendation and allow for more data to be gathered on facilities that decide to move to REH designation. After more time and data is collected, McLaren supports the idea of another workgroup or SAC to look at whether Standards need to be included.

In closing, McLaren would like to thank the CON Commission for its time in developing the HBSAC tasks, including reviewing potential REH Standards, and being transparent in the process. McLaren would like to also thank the HBSAC members for their feedback and approval of pausing on Standards at this time. McLaren would also like to thank the Department for all its time and effort on the Addendum. While it is not the path McLaren supports at this time, McLaren appreciates the open communication the Department has encouraged throughout this process.

Thank you.

Chad Grant

Executive Vice President and Chief Operating Officer

McLaren Health Care

One McLaren Parkway

Grand Blanc, MI., 48439

HENRY FORD HEALTH

January 12, 2024

James Falahee
CON Commission Chairperson
South Grand Building, 4th Floor
333 S. Grand Avenue
Lansing MI 48933

Dear Commissioner Falahee,

Henry Ford Health (HFH) would like to offer comments on Certificate of Need review standards for Hospital Beds:

HFH appreciates the work completed by the Standard Advisory Committee in 2023. HFH supports the modified standards voted on at the December Certificate of Need Commission Meeting with no suggested changes. HFH supports the CON Commission's final vote to move forward at the March meeting.

Additionally, HFH appreciates the challenges related to revisions required to address Rural Emergency Hospital complexities. While the department's recommended addendum is a great start toward addressing these complexities, we feel more discussion is required. We appreciate the bifurcation of this work and support the Commission's decision to form a workgroup to have a more focused discussion.

Respectfully,

Denise Brooks-Williams, FACHE
Executive Vice President & Chief Executive Officer
Care Delivery System Operations
Henry Ford Health
2799 W. Grand Blvd.
Detroit, MI 48202

MUNSON HEALTHCARE
Your Health...Our Mission

January 15, 2024

Chairperson James "Chip" Falahee
Certificate of Need Commission
c/o Department of Health and Human Services - Certificate of Need Policy Section
5th Floor South Grand Building
333 S. Grand Ave.
Lansing, MI 48933

Dear Chairperson Falahee,

Munson Healthcare appreciates the opportunity to provide written comments on the CON Review Standards for Hospital Beds and the proposed Rural Emergency Hospital addendum provided by the CON department.

Munson Healthcare supports the detailed Hospital Bed Standards review performed by the 2023 Hospital Bed SAC and the recommendations shared and approved by the CON Commission at December 2023 meeting.

The Standard Advisory Committee recommended a pause on Rural Emergency Hospital language within the Hospital Beds standards. At this time, only one hospital has converted to REH status and was allowed to do so through a CON waiver approved by the Department without Standards being adjusted. Additionally, there have been numerous discussions at the Federal level regarding potential adjustments to the Federal Statute. The SAC believed more time was needed to review the appropriate addition of REH language to avoid unintended consequences and potentially making it more difficult for struggling rural hospitals to convert to Rural Emergency Hospital status.

As discussed at the CON Commission meeting, we believe if Rural Emergency Hospital language is drafted, the process requires a collaborative review through an Informal Workgroup and the CON department.

We appreciate the Commission's consideration of our comments.

Respectfully submitted,

Edwin Ness
President and CEO
Munson Healthcare

1105 Sixth Street
Traverse City, Michigan
49684-2386
(231) 935-5000 voice
www.munsonhealthcare.org

Eaton Rapids Medical Center

January 19, 2024

Certificate of Need Commission
Comments for Public Hearing re:
Hospital Beds Rural Emergency Hospital (REH) Addendum Review Standards

Comments Submitted vis e-mail: MDHHS-ConWebTeam@michigan.gov
Attention: Tiffani Stanton

Dear Certificate of Need Commission Members:

This letter is a response to the Michigan Department of Health and Human Services request for public comments on the proposed revisions to the hospital beds standards. These comments relate to the proposed addendum to regulate the newly created federal rural emergency hospital (REH) designation.

Eaton Rapids Medical Center opposes the addendum language as written. We oppose these regulations because we believe the proposed addendum as written is premature and will have unintended consequences. For example, we are a very small hospital with limited space. In addition to treating inpatients we use the beds on our Medical Surgical unit to perform infusions, observe emergency department patients, recover surgical patients, perform blood transfusions, etc. If we were to convert to REH, the proposed changes to the bed standards would prevent us from relocating or remodeling these rooms for up to ten (10) years while the inpatient license for these beds is in suspension. This would create an undue hardship. We believe there are other unintended consequences as well, therefore, we ask the Commission to refrain from taking final action on this language and to allow the interested parties to continue working with the Department on these standards before they are finalized.

Sincerely,

Timothy Johnson
CEO
Eaton Rapids Medical Center

Submitted via e-mail to MDHHS-ConWebTeam@michigan.gov

CC: Tiffani Stanton at StantonT4@michigan.gov

MHA Michigan Health & Hospital Association | Leading Healthcare

January 18, 2024

Certificate of Need Commission
Comments for Public Hearing re: Hospital Beds Rural Emergency Hospital (REH) Addendum Review Standards

Comments Submitted via e-mail: MDHHS-ConWebTeam@michigan.gov
Attention: Tiffani Stanton

Dear Certificate of Need Commission Members:

The Michigan Health & Hospital Association (MHA) is thankful for the opportunity to submit these written public comments in response to the January 11, 2024 public hearing on the proposed revisions to the Hospital Beds standards. **Our comments specifically reference the addendum language proposed by the Michigan Department of Health and Human Services (Department) to regulate the newly created federal Rural Emergency Hospital (REH) designation. The MHA opposes this addendum language as written and asks the Commission to refrain from taking final action at its March 14, 2024 meeting to approve this language. The MHA further supports the motion offered by Chairman Falahee and supported by the Commission at the December 7, 2023 meeting to allow interested parties to continue working with the Department on these standards as they pertain to regulation of REHs.**

At the Commission's December 7, 2023 meeting, Jennifer Groseclose, Chair of the Hospital Beds Standard Advisory Committee (SAC), testified that the SAC unanimously approved recommendations that included no additional regulation of REHs pending further rules clarification and development from CMS. Despite this unanimous SAC recommendation, the Department unilaterally submitted its own addendum language regulating REHs directly to the Commission without first sharing it with the SAC in an unprecedented action. All of the public comments at the Commission's December 7, 2023 meeting in response to the proposed REH language from the Department were in opposition to it, including comments provided by the MHA on behalf of its statewide membership. The reason for MHA's opposition to the proposed REH addendum language is that, as written, such language is premature while the federal rules regarding the program are still being finalized and the addendum language renders the program unworkable for most Michigan hospitals seeking conversion to this federal designation. This concern was further supported by the testimony provided of at least one rural hospital CEO who served on the SAC and was familiar with the proposed addendum language.

As CMS is developing their protocols and refining the definition of qualifying hospitals, acting too prematurely can put rural communities at risk for losing essential care services. As such, gathering data to determine how many facilities may actually qualify and may wish to seek REH status would give the Commission and Department the data to determine the appropriate next step. During that time, stakeholders can work on language that can protect patient access, while balancing cost and quality.

For the reasons stated above, the MHA urges the Commission to oppose adoption of the proposed addendum language on REHs drafted by the Department and forwarded for public comment and final review on March 14, 2024.

MHA Michigan Health & Hospital Association | Leading Healthcare

Sincerely,

Amy Barkholz
Senior Vice President & General Counsel
Michigan Health & Hospital Association

Submitted via e-mail to MDHHS-ConWebTeam@michigan.gov
CC: Tiffani Stanton at StantonT4@michigan.gov

MyMichigan Health
UNIVERSITY OF MICHIGAN HEALTH

4000 Wellness Drive
Midland, Michigan 48670
Phone (989) 839-3399
www.MyMichigan.org

January 19, 2024

James Falahee, JD
Chairperson, Certificate of Need Commission
Michigan Department of Health and Human Services
South Grand Building, 4th Floor
P.O. Box 30195
Lansing, Michigan 48909

Re: Certificate of Need Review Standards for Hospital Beds – REH Addendum

Chairperson Falahee,

On behalf of MyMichigan Health, I would like to take this opportunity to express our continued support for Certificate of Need regulation of hospital beds in Michigan and the Hospital Bed Standards Advisory Committee recommendations presented to the Commission at the December meeting.

While we appreciate the Department's efforts to create an addendum to regulate REHs clearly under the CON standards, we have many concerns with the current draft. One of our biggest concerns is with the limitation on replacement of the infrastructure of a REH. According to Section 3(2)(d), a REH would only be allowed to replace their physical plant to a new location within the replacement zone if they agree to give up their REH status once the replacement is complete. As discussed during the SAC process, REH status was created in response to the loss of essential healthcare services in rural areas due to hospital closures. Therefore, this is not intended to be a temporary fix but rather a shift in approach for these facilities to care for their communities. Regardless of the level of operation or type of services offered at a healthcare facility, physical structures degrade over time. Eventually these facilities will need to be replaced and the Department's proposed addendum would prohibit a replacement facility while maintaining REH status. This type of requirement would create a barrier for hospitals to provide updated facilities and service offerings and prevent these communities from receiving the benefits a new facility could provide. Forcing the hospital to give up the enhanced reimbursement provided by REH status in order to replace their facility could result in them not being able to afford the replacement and/or impact their long term viability, resulting in loss services for these communities.

Among other concerns, we also noticed that Section 3(3) prohibits REHs from utilizing the enhanced replacement zone that was just recently added to the Hospital Bed standards for hospitals in lower population counties. We do not understand the basis for removing the use of this provision for REHs.

Many of Michigan's rural hospitals are struggling to provide the healthcare their communities need. CMS recognizes this and has put into place the REH program in an effort to ensure rural communities continue to have access to needed healthcare. The goal of the addendum needs to compliment CMS in their efforts to support these rural hospitals by streamlining the CON process and ensuring there are no barriers to making the changes needed to qualify for, and maintain, REH status. Moving forward with an addendum that creates barriers, adds limitations, and expands the CON approval process would not be aligned with this goal.

We will be certain to participate in the workgroup formed by the Commission at the December meeting and provide additional constructive feedback during that process. We thank you for this opportunity to share our feedback.

Sincerely,

Dana M. Thering

Dana Thering
System Vice President

Sparrow

Improving the health of the people in our communities by
providing quality, compassionate care to everyone, every time

January 19, 2024

James Falahee, JD
Chairperson, Certificate of Need Commission
Michigan Department of Health and Human Services
South Grand Building, 4th Floor
P.O. Box 30195
Lansing, Michigan 48909

Re: Certificate of Need Review Standards for Hospital Beds – REH Addendum

Chairperson Falahee,

On behalf of Sparrow Health System, thank you for this opportunity to provide feedback regarding the Hospital Bed Standards, including the addendum for Rural Emergency Hospitals (REHs), sent to public hearing at the December Commission meeting. We want to first express our support for the Hospital Bed Standards Advisory Committee recommendations presented to the Commission at the December meeting. In addition, we would like to thank the Commission for forming a workgroup to separately look at the Department's proposed addendum for REHs as we have concerns with the draft presented at the December meeting.

Although we appreciate the Department's interest in creating an addendum to regulate REHs separately under the CON standards, we believe the current draft requires clarification and technical revisions before this language could be reasonably implemented. Overall, we feel the addendum does not provide the needed flexibility for hospitals seeking to obtain REH status, maintain that status, as well as revert back to licensed inpatient beds. Since the goal of creating the REH option is to help struggling rural hospitals continue to provide care to their communities, we would like to see changes that promote improving access, streamline the processes, and find opportunities to help these facilities.

We look forward to participating in the upcoming workgroup and learning more about the intent of the draft addendum, the rationale behind some of the proposed provisions, and working together to improve the language to better align with the goals of CON.

Sincerely,

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