Department of Health and Human Services
Division of Licensing and Regulatory Services
State House, Augusta, Maine
Preliminary Analysis

Date: **6/20/2007**

Project: **Proposal by St. Mary's Hospital**

Prepared by: **Phyllis Powell, Certificate of Need Manager**
Larry Carbonneau, CPA, Health Care Financial Analyst

Directly Affected Party: **Central Maine Medical Center**

Recommendation: **APPROVAL WITH CONDITIONS**

Estimated Capital Expenditure per Applicant	$ 8,508,492
Approved Capital Expenditure per CON	$ 8,188,492
Maximum Contingency per CON	$ 320,000
Total Approved Capital Expenditure with Contingency	$ 8,508,492
Capital Investment Fund Impact:	$ 1,608,996

INTRODUCTION

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 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 will 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 the construction is projected to be $8,508,492 and third year incremental operating costs are projected to be $1,810,138.

St. Mary's Regional Medical Center is the designated treatment facility in the Androscoggin, Oxford and Northern Cumberland counties for behavioral health patient referrals and as such needs to update its emergency facilities to provide adequate safety for all patients. It is believed that this project will allow faster assessment and treatment in a more appropriate atmosphere and therefore reduce the length of behavioral health patient admission stays.

The current ED was built in 1990 and was sized to accommodate between 20,000 and 25,000 annual visits per year. Calendar year 2006 volume was projected to exceed 31,000 visits. This growth has occurred even as the medical center has aggressively pursued primary care and prevention strategies to decrease ED utilization by patients who can be treated more effectively and at less cost in other settings.

St. Mary's serves a large behavioral health population, and crisis patients are extremely difficult to manage within the severe space limitations. The care of both behavioral and general acute emergency patients is compromised under the current setup.

The ED is overcrowded, and efficient patient flow is difficult within the existing configuration. The existing configuration of treatment bays compromises patient confidentiality. The expanded space and new facility and program design will allow St. Mary's to efficiently and effectively respond to patient needs, as well as to triage patients to the most appropriate, cost effective level of care. Accessibility, patient confidentiality, quality of patient care, affordability and public safety will be enhanced with the implementation of this project.

I. Project Description

A. From Applicant

The applicant provided the following information regarding the project:

"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. There were 21,608 visits to the St. Mary's ED in 2000. St. Mary's is on track for 31,106 visits in 2006 and is projecting 33,349 visits in 2007."

"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 will be 19,375 square feet, exclusive of the existing ED entrance and the existing staff locker/lounge, which will be maintained in their current location. The project also maintains the existing proximity of the ED to the Radiology and Surgery departments."

"Emergency hospital care is a vital component of public health and safety. In 2005, over 30,686 medical, surgical and behavioral patients sought emergency care at St. Mary's. This care was provided in a 15-year-old facility designed to accommodate approximately 20,000 patients a year. Currently space for waiting, triage and registration is not adequate. Support spaces and nursing stations are not adequate. The number of treatment spaces is not adequate and there are not enough accommodations for patients with behavioral diagnoses. Many of the treatment spaces are not private and are open to the entire ED. The current space does not adequately support recently implemented electronic clinical documentation and the mobile technology associated with this new technology."

"The program and space design for the new ED focused on five key areas in an effort to enhance accessibility, affordability and quality of care:

- planning for staff flexibility
- reducing patient waiting time and increasing patient through-put
- providing greater infection control
- providing greater patient privacy and comfort
- supporting electronic clinical documentation."

"The new ED design at St. Mary's addresses all of these priorities. Project designs and schematics are included under Tab D *(not included, on file with CONU)*. A summary of program features is provided as follows:

- A dedicated entrance for walk-in patients, separate from the ambulance entrance. This separation of patient populations will improve patient privacy, confidentiality, and patient management.

- An entry area consisting of: two triage rooms, a dedicated security station, a registration workroom, and expanded waiting areas. Bedside registration will be implemented utilizing mobile and wireless technology.

- A total of 30 treatment rooms, including four (4) observation rooms, two (2) trauma rooms, two (2) isolation rooms, four (4) urgent care rooms, one (1) GYN room, (1) fracture/cast room, eight (8) behavioral health rooms and eight (8) general exam rooms. The proposed plan allows for flexibility among the various treatment rooms, as well as expansion and contraction of staffing, as patient needs and volumes change, supporting an efficient staffing model and enhanced patient care.

- A Rapid Treatment area for patients requiring emergency services of a lower acuity. This will be staffed by a nurse practitioner, and will result in more efficient and cost effective care for these individuals.

- A dedicated, secure behavioral health suite has been incorporated in order to provide greater patient safety and privacy, and for observation from the workstation. Eight rooms are available for behavioral health. Four of the eight are located to allow access from both the acute and behavioral areas. In addition, there is a separation between pediatric behavioral patients, and the adult population, with separate waiting and toilet areas. There is one swing room that can be used for either adult or pediatric patients. Maximum staffing flexibility can be maintained when this planning is implemented. Further discussion of the behavioral component of this project is included under Section III Needs To Be Addressed.

- All treatment rooms are fully enclosed with full height partitions and doors. Patient privacy will be significantly enhanced by these design improvements.

- The layout of the new ED is a modified racetrack design with core staff functions in the middle and treatment rooms around the perimeter. This allows staff to have a general visual awareness of the entire ED, clear definition of public areas and staff areas and provides an efficient circulation pattern.

- The nursing station is subdivided into four areas within the central core. These areas will support nursing staff, registration staff, providers and consultants.

- The new ED will rely on increased use of computers and technology. Computers will be used at the bedside. In addition, multiple computer work areas are planned at the nursing stations to accommodate staff needs.

- A dedicated EMT space is included for ambulance personnel. In addition, dedicated storage space for EMT functions has been provided.

- A family consult room is included for private discussions with physicians, clergy, counselors, etc.

- Decontamination spaces are included and provide flexibility in the event of various potential disasters. These spaces are directly adjacent to the ambulance bay."

"The square footage in the new and renovated space is detailed as follows:

- The gross departmental square footage for the St. Mary's ED is 19,375 square feet. This will support 30 treatment rooms at a ratio of 646 gsf/procedure room. (CON Health Care Facility/Agency Space and Needs Guidelines cite a space range of 600-800 gsf per procedure room.)

- 30 treatment rooms falls within the range of 25-33 recommended by the American College of Emergency Physicians to support 37,000 annual visits projected for 2011 and beyond.

- 30 treatment rooms will support projected annual volume of 37,000 visits at a ratio of 1 treatment room per 1,233 visits. This falls within the range established by the American College of Emergency Physicians of 1,600-1,200 visits per room.

- The new American College of Emergency Physicians guideline recommends a range of 21,875-28,875 gsf to support 37,000 visits/year. The total square footages for St. Mary's ED are limited due to site constraints and existing structures. We believe our programmatic needs can be fulfilled within the proposed square footage by using the proposed space more efficiently."

"The proposed project will be implemented according to the following schedule. Assuming CON approval is obtained sometime during the summer of 2007, final design and engineering will be completed between September and February of 2008. Construction would then begin in March of 2008, and would likely continue over a 21- month period. Based on these premises, construction would be completed by December 2009. The first full year of operation of the expanded facility would be 2010. Third year of operation of the expanded facility would be 2012. At this point in time, we project that volume will have grown to 37,000 annual visits. St. Mary's does not presently anticipate any significant additional emergency service growth beyond this level given the continued focus on primary care, prevention and wellness, and aggressive management of chronic illnesses, all of which are directed to stem further growth."

"The overall goal of this project is to develop the facility and programming necessary to meet the needs of the population seeking emergency services at St. Mary's. The project as described will allow St. Mary's to accommodate the growth in patient volume, and will ensure high quality, cost effective and patient-centered care for all who seek emergency services here."

"The St. Mary's ED expansion and renovation project will be designed to incorporate best practices in building construction, renovation and operation to minimize environmental impact. The design team selected for the project includes design professionals accredited by the U.S. Green Building Council LEED (Leadership in Energy and Environmental Design) program. They will assist St. Mary's with the development of the project that will be designed to operate efficiently using materials and resources that minimize environmental impacts."

"St. Mary's is also aggressively implementing information technology. In October of 2005, St. Mary's implemented the Meditech electronic medical record (EMR) and immediately began electronic capture of patient demographics, registration, scheduling, order entry, and results reporting. The EMR is equipped with an HL7 interface. In March of 2006, surgical services implemented the OR patient management system. In April 2006, the ED implemented clinical (nursing and physician) documentation. This allows immediate access to emergency patient information throughout the house and in affiliated physician practices. Primary care physicians now have immediate clinical information on the status of their patients receiving care in the ED. This interface between primary care and emergency medicine supports high quality patient care."

B. <u>CONU Discussion</u>

St. Mary's Hospital facilities are located on the southern side of Campus Avenue in Lewiston, Maine. The land mass is roughly triangular with the shortest side being an access road between Campus Avenue and Sabattus Street, the two major roads on which the hospital is located. This shortest side is where the ED is located. The additional footprint is developed by expanding the existing outside wall of the ED in a sweeping curve to the Western most point of the existing building; subsequently this will move the ambulance entrance some 55 feet to the west of its current location. Other areas of the hospital are unaffected by this expansion. The current entrance vestibule will remain virtually unchanged at the Northwest corner of the building except for some added space for wheel chair storage.

Security for the building entrance and for the ED will be located to the left of the entrance vestibule in its current location. The greeter is now facing the entrance. The triage/registry area is being transformed into private walled office spaces to ensure patient privacy. The new waiting area is adjacent to the greeter station and is separated into three parts with convenient bathroom access. There is a small triage waiting area and separate acute care and urgent care waiting areas. The urgent care area is a separate area containing 4 beds with separate post care waiting and work areas that will be staffed by nurse practitioners. Two of the rooms in this area have double access points to include access to the acute care exam area.

The acute care area encompasses 6 different room types for a total of 18 rooms. There are eight exam rooms primarily laid out along the outside wall in an arc. This design allows for improved visual contact from the nursing work areas toward the patient rooms. The plan also incorporates an Ob-Gyn specific room and two isolation rooms with an isolation ante-room. Both room types include a private toilet facility. There is a separate fracture/cast room as well as 4 observation rooms rounding out the generally u-shape of the acute care area. The inside of the "U" consists of conference and equipment space as well as the urgent care rooms. All work areas consist of tables and surfaces that provide for all of the rooms to be in one direction from the work areas and not on two sides of the hallway. This appears to be a safety consideration because staff observation of the exam rooms will not be divided by having patients on both sides of the work spaces.

The two critical care rooms are located adjacent to the ambulance vestibule and entrance. A separate work area is located here with doors separating this space from the remainder of the

acute care area. Diagnostic imaging remains in the southeast quadrant of the plan and is accessible by a short hallway connecting the ED managing offices and the imaging department. A unique area to this ED is the PES or psychiatric emergency service. This is a distinct 8 bed/room unit with separate pediatric and adult psychology services. Since St. Mary's is the primary emergency Behavioral Health service provider, for Androscoggin, Oxford, Franklin and northern Cumberland counties, this is a special detail unique to the design and service considerations of this particular application. Current PES space is converted office space contained adjacent to the existing ambulance entrance and controlled by a security officer. Its present space is only adequate for a few persons. On the day of the site visit, from CONU staff, 6 persons overwhelmed the space. The current space contains no physical barriers between the PES service patients and all other patients. A metal detector sits to the side of the area. The current area was not designed for patient support and was developed as a better alternative to intermingling the patient populations.

The majority of beds are located in a combination of three room clusters with supplies and equipment constricting access. The existing configuration isolates the patients from the staff. Staff has camera monitors to maintain visuals of the patients but staff work areas in the new construction seem considerably less remote in comparison to the existing areas. Visual confirmation of the patient's condition will not be incumbent on the staff winding around equipment and narrow pathways. Additional beds are presently located in curtained areas which are in very close proximity to the work stations and do not provide for any patient confidentiality, privacy or comfort.

The Maine Quality Forum (MQF), in their assessment of the project, presented its opinion that the applicant has "arrived at a complimentary range of emergency services with its local competitor. The expansion of services in this application is not expected to adversely impact the quality of similar services in the community."

II. Profile of the Applicant

A. From Applicant

The applicant provided the following information regarding the project:

"St. Mary's Regional Medical Center is a not-for-profit charitable corporation that operates a 233 bed community hospital in Lewiston, Maine. The organization is state licensed and JCAHO accredited. Copies of licenses, accreditation results, quality measures and statement of deficiencies with corrective action plans are attached under Tab A. St. Mary's and its affiliates provide the following health care services, among others:

- Primary and specialty care physician services.
- Prevention and community health assessment services.
- Community outreach services such as school-based health centers, food pantry and annual flu shot clinics.
- Emergency services.

- Acute care services including intensive care, medical/surgical care, obstetrics and gynecology, and behavioral care.
- Full service lab, imaging and rehabilitation services for both inpatients and outpatients.

The medical center's primary service area is Androscoggin County, with 72.4% of discharges originating from this region in 2005. The secondary service area also includes Franklin and Oxford counties. The St. Mary's behavioral service has been designated a tertiary referral site by the State of Maine (identified as the primary behavioral provider for Androscoggin, Franklin, Oxford, and northern Cumberland counties), and draws a significant number of patients from this region. St. Mary's receives nearly 5,000 behavioral intake calls per year from referral sources throughout Androscoggin, Franklin, Oxford and northern Cumberland counties."

"St. Mary's Regional Medical Center is a subsidiary of Sisters of Charity Health System (SOCHS). SOCHS is also a not-for-profit charitable corporation and is the parent company of St. Mary's, Ste. Marguerite d'Youville Pavilion (a 280 bed long term care facility), and Maison Marcotte (a 128 apartment senior independent living facility). SOCHS also has a distinct relationship with Community Clinical Services (CCS), a Maine not-for-profit corporation that employs physicians and manages their practices. While CCS is an affiliate of SOCHS, it is not controlled by SOCHS. SOCHS provides management and administrative support to each of its subsidiaries and CCS. Together, SOCHS and its affiliates are collectively referred to as the "health system."

"Covenant Health Systems (CHS) is the sponsor and owner of SOCHS and its subsidiaries. CHS is a not-for-profit health care system formed in 1983 under the sponsorship of the Sisters of Charity of Montreal (Grey Nuns) to carry forth their century-long mission of providing value-driven, high quality health care services. Covenant Health Systems is based in Lexington, Massachusetts. SOCHS became an affiliate of CHS in 1992."

"The mission of SOCHS and St. Mary's is to continue the healing ministry of the Catholic Church in the spirit of Ste. Marguerite d'Youville by providing preventative, curative, restorative and supportive services with compassion and respect for everyone. The health system attempts to identify community needs and to respond to these needs with innovative, high quality, cost effective programs and services. St. Mary's has served its community with distinction for over 100 years, and is part of a health care continuum unlike any other in the state. Primary care, emergency care, acute care, long term care and prevention and wellness services are all available through SOCHS and its subsidiaries and affiliates. This integrated health delivery system is a vital resource to the residents of central Maine. In 2005, SOCHS and its affiliates employed 1,511 full time equivalents and returned over $68 million in wages to the community. A copy of audited financial statements for the last two fiscal years is attached under Tab B. *(On file with CONU)*

"Several key individuals will oversee implementation of the ED Expansion and Renovation project. Michael Grimmer, VP Facilities, will provide direct oversight of construction. Sidney Steinkeler MD, ED Chief, Michael Kelley MD, Behavioral Medicine, and Anita Lalonde RN, ED Clinical Manager, have provided clinical leadership during program design. They will

ensure continuity and quality of care throughout implementation. Overall project management will be the responsibility of the Chief Operating Officer, Susan Keiler. A CV for each of these individuals is attached under Tab C." *(On file with CONU)*

B. CONU Discussion

i. Criteria

Relevant criteria for inclusion in this section are specific to the determination that the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards;

ii. Analysis

The applicant provided a copy of its license issued September 26, 2006 effective until March 31, 2007. Additionally, the Joint Commission accredited St. Mary's Regional Medical Center on July 13, 2006 for a period of 39 months.

The ED's self-reported Avatar Patient Satisfaction Results showed that all measured areas of satisfaction in the scoring were rated 3 stars (out of a possible 5). The lowest score was for patient waiting that received a 75.65 which differed from the comparison mean by the greatest margin. This indicates that while quality of care, as measured by patient satisfaction, is generally good, improvements in waiting for care need to be made. This finding is consistent with this proposal.

Significant areas for correction are noted by licensing. One specific area noted was related to documentation of the hospital's contract with Tri-County Mental Health Services regarding the Protocol for Crisis responses. The contract did not specify the contractor's duty to the hospital's performance improvement plan.

Specific areas of concern were also noted in the ED related to cleanliness and repairs. There were 10 areas cited mostly related to drywall damage and chipped and damaged paint. According to the plan of correction, all affected areas were repaired or replaced by May 2006. Upon inspection by the analyst of the CONU on January 17, 2007, the ED was relatively full but in reasonable repair. No obviously damaged areas were noticed.

There were significant findings related primarily to treatment plans and goals in the behavioral unit. Specifically, a number of findings indicated the lack of completeness in term of dates to achieve patient-specific goals in the behavioral units. According to the applicant, most of the conditions identified in the ED were attributable to the crowded and busy nature of the ED.
As noted by the Maine Quality Forum in their review of this application, the applicant submitted a list of quality metrics for the ED without actual results. This omission did not affect the ability of CONU to make a recommendation relative to the applicant's fitness to provide the proposed services. However, as a condition of this CON, if approved, the applicant will develop and report results of quality metrics as recommended by the Maine Quality Forum.

The Medical Facilities Unit of the Division of Licensing and Regulatory Services completed a site survey on March 2, 2006. St. Mary's plan of correction was deemed to be acceptable on May 12, 2006. St. Mary's has been providing emergency care for the Androscoggin county area for a considerable time and continues to meet the standards of care set by the state medical licensing agency.

iii. Conclusion

CONU recommends that the Commissioner find that the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards.

III. Capital Expenditures & Financing

A. From Applicant

The proposed capital expenditures as presented by the applicant for this project are as follows:

Total Construction Costs:	$6,461,844
Contingency at 5%	$320,000
Architectural and Engineering	$750,000
Movable Equipment:	$498,679
Capitalized Interest:	$477,969
Purchase of Land:	none
Purchase of Buildings:	none
Other Fees:	(included in construction costs)
Total Capital Costs:	$8,508,492

"Construction estimates and related costs were compiled with the assistance of H. E. Callahan Construction Co. and the architectural firm of SMRT. As described in further later, the design team selected for this project includes design professionals accredited by the U.S. Green Building Council LEED (Leadership in Energy and Environmental Design) program. They will assist St. Mary's with the development of the project to ensure the design operates efficiently using materials and resources that minimize environmental impact."

"Movable equipment related to this project totals $498,679. A detailed inventory of this equipment is included below:"

#	ITEM	COST	Extended Cost
22ea	Stretchers	4,500.00	99,000
22ea	Overbed Tables	500	11,000
22ea	Otoscopes/BP Cuffs	500	11,000
20ea	Suture Lights	750	15,000
2ea	Minor Surgery Lights	2000	4,000
8ea	Security Beds	1000	8,000
8ea	Cameras	2000	16,000
1ea	Access Control	18,000	18,000
1ea	Metal Detector	10,000	10,000
8ea	Flatscreen TVs	450	3,600
1ea	Scheduling Monitor	20,000	20,000
1ea	ENT Chair	2,000	2,000
8ea	Computer Workstations	1,250	10,000
4ea	Dictation Stations	750	3,000
5ea	Office Furniture	2,000	10,000
8ea	Computers on Wheels	5,000	40,000
1ea	22 Station Telemetry System	218,079	218,079
TOTAL			498,679

"St. Mary's projected consolidated financial statements are included under Tab E *(On file with CONU)*. These include six year pro forma projections, service volumes, capital and operating assumptions, and revenue, expense and income figures for St. Mary's. Given current and anticipated service volumes and prevailing payment mechanisms, the proposed project is financially and economically feasible since it can be implemented and financially sustained while at the same time maintaining pricing for consumers at competitive rates."

"No rate increases are planned to support this expansion and any future increases in rates will be driven by external factors other than this project."

"The project will be financed with a $6.5 million loan for 30 years at 5.5%. St. Mary's understands tax-exempt bond financing is available through the Maine Health and Higher Educational Facilities Authority (MHHEFA) if the project receives Certificate of Need approval. Based upon the St. Mary's projected consolidated financial statements, St. Mary's has adequate debt capacity to add the additional debt required to finance this project as proposed. The additional $2 million dollars in capital will be raised through a capital campaign."

Staffing, Financial Feasibility and Economic Feasibility

"The staffing plan and incremental operating costs associated with this project are included under Tab G *(On file with CONU)*. Third year operating costs are projected to be $736,387. (This has been modified by CONU staff, see discussion below.) As the analysis indicates, the incremental operating costs associated with the emergency department expansion are driven in large part by the behavioral treatment service enhancement related to the implementation the

Psychiatric Emergency Service (PES). These costs are offset somewhat by the reduction in inpatient length of stay related to the more aggressive assessment and treatment provided by the PES."

"St. Mary's ultimate objective is always to focus on quality patient care and safety. To ensure quality, St. Mary's has developed a comprehensive ED Performance and Patient Safety Quality Indicator Plan for 2007. This plan is included under Tab H *(On file with CONU)*. Also included is the St. Mary's 2006 Performance and Patient Safety Quality Indicator Plan upon which the ED plan is based."

"Tab H *(On file at CONU)* also provides some trend data for crisis patients in the ED, 2001-2006. As the data indicates, crisis volume has increased dramatically. This has required a significant commitment from the St. Mary's ED to ensure safety of behavioral patients, medical patients, and St. Mary's employees. The expanded facility will create a discrete behavioral treatment area that will enhance St. Mary's ability to better manage the increasingly violent situations in our ED."

"St. Mary's will begin implementation of Midas quality tracking and monitoring software in early 2007. This will provide another tool to measure the effectiveness of our quality and patient safety initiatives. St. Mary's also believes in total transparency, recently beginning to report on key quality indicators on the hospital's website, www.stmarysmaine.com."

"St. Mary's projected consolidated financial statements are included under Tab E. *(On file with CONU)*. These include six year pro forma projections, service volumes, capital and operating assumptions, and revenue, expense and income figures for St. Mary's." (After consultation with CONU Staff, adjustments were made and a projection *(On file with CONU)*, including audited financials for 2002-2005 and then through 2012 including all assumptions, debt and depreciation amounts was provided by the applicant.) "Given current and anticipated service volumes and prevailing payment mechanisms, the proposed project is financially and economically feasible since it can be implemented and financially sustained while at the same time maintaining pricing for consumers at competitive rates."

"No rate increases are planned to support this expansion and any future increases in rates will be driven by external factors other than this project."

"As noted above, the project will be financed with a $6.5 million loan for 30 years at 5.5%. St. Mary's understands tax-exempt bond financing is available through the Maine Health and Higher Educational Facilities Authority (MHHEFA) if the project receives Certificate of Need approval. Based upon St. Mary's projected consolidated financial statements, St. Mary's has adequate debt capacity to add the additional debt required to finance this project as proposed. The additional $2 million dollars in capital will be raised through a capital campaign."

"St. Mary's has engaged the firm of Donovan, Sloane and Guthrie to conduct a capital campaign feasibility study. Their work is nearing completion, and a full report will be presented to the CEO and Board in January 2007. Preliminary feedback is that there is strong support for the St.

Mary's ED Expansion and Renovation project, and that the $2,000,000 capital fundraising goal appears conservative."

"St. Mary's Regional Medical Center is licensed by the State of Maine and accredited by JCAHO. St. Mary's is also a certified Medicare and Maine Care provider. As such, the Medical Center is mandated by these agencies to meet pertinent standards of care."

"In addition, Goal 1 of St. Mary's Strategic Plan (Board Approved, June 2005) articulates the organization's commitment to patient safety and quality of care and adherence to all applicable standards. This goal is to support and sustain an organizational culture that proactively addresses performance improvement opportunities and patient safety initiatives through a comprehensive system-wide strategy. This includes (1) assure regular communication and oversight of the quality of patient care and continuous performance and patient safety improvement efforts by the medical staff, administration and board. (2) Utilize knowledge learned from experiences and best practices to proactively improve our services. (3) Maximize patient safety by reducing the opportunity for medical/ health system errors. (4) Promote collaborative efforts among physicians, nurses, clinical professionals, support staff and administrators to advance patient care and safety. (5) Develop and support valid data systems that can be used to measure and assess the organization's performance both internally and in comparison to external data sources. (6) Promote customer service excellence and improve patient satisfaction as well as employee, physician and provider job satisfaction. (7) Develop and adhere to processes that assure compliance with State, Federal and other regulatory/accrediting requirements."

"The proposed ED Expansion and Renovation will be operated in Accordance with the same standards now utilized in the current ED, but will permit us to more readily achieve the above goals through the many improvements described elsewhere in the filing. As detailed in Section II, the project design elements comply with applicable standards for Space and Need Guidelines, American College of Emergency Physicians, and related guidelines and standards. This project represents an extension of that existing service. Mechanical upgrades, additional square footage and improved clinical flow will only serve to enhance patient safety and quality."

"There are mechanical and HVAC facilities that are currently out of compliance that will be addressed. AIA provides guidelines related to size of treatment rooms, privacy and safety, HIPAA, air exchange requirements, etc. These guidelines are significantly more stringent than those in place at the time the current ED was built in the early 1990's. Through this project the ED will be brought into compliance with the current AIA hospital guidelines."

"St. Mary's has engaged SMRT of Portland, Maine to design the ED Expansion and Renovation to comply with all applicable standards and to fulfill our programmatic needs. The firm has been involved in several projects at St. Mary's, and it was chosen because it has an excellent awareness of municipal, state and federal ordinances, statutes, life safety codes and other regulations. The design of the project incorporates all of these requirements, and necessary approvals will all be obtained prior to the start of construction. On November 14, SMRT met with Steve Dodge (State Fire Marshal's Office) and submitted an application for the ED addition. Mr. Dodge issued a Preliminary Letter of Approval on November 17, 2006. On Friday, November 17, SMRT and St. Mary's met with Deb Nickerson and Paul Farnum (DHHS)

and reviewed the project. An approval letter was issued by Denise Osgood on November 27, 2006. These letters are provided under Tab I. Should we be awarded CON approval, all other approvals (other than final DHHS licensure which we understand will be contemporaneous with completion of the project) will be obtained prior to implementation."

"The ED Expansion and Renovation will include a building addition on land immediately adjacent to the existing ED. No additional land will need to be acquired as the expanded facility will be developed on exiting hospital property. Consequently there will be no sprawl into abutting neighborhoods."

B. CONU Discussion

i. Criteria

Relevant criteria for inclusion in this section are specific to the determination that the economic feasibility of the proposed services is demonstrated in terms of the:

a. Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and

b. The applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules;

ii. Analysis

The main question regarding the ability to fund the capital portion is related to the ability of the hospital to raise the $2Million in contributions. A feasibility study was commissioned and the report, while not provided to CONU, concludes in part:

Recommended Campaign Goal

Donovan Slone & Guthrie recommends a minimum goal should be established at $3 million. Our findings demonstrate a minimum goal of $3 million is achievable. If the project secures a few 6-figure lead gifts, a $3.5 to $4 million goal is attainable. Several gifts at the $250,000 to $1 million level would be required to raise $5 million, and this level of giving does not appear to be present. SOCHS will need to ultimately decide what is the right goal, based on needs and the collective willingness of the Board to aggressively pursue goal achievement.

"Following receipt of this report, the Board of the health system voted to pursue a fundraising Campaign with a goal of $3.0 million, viewing this figure to be achievable, but also recognizing that until the goal is achieved, it remains a goal and not a matter of certainty. Against this

background we believe our proposed equity contribution of $2.0 million from this source is realistic and conservative."

St. Mary's intends to apply any additional funds raised to other facility improvement projects, to be determined if and when the hospital achieves this fundraising effort.

Financial Ratio Analysis

In an effort to sustain readability, the pertinent financial ratios, as well as financial projections are on file with CONU. The following discussion relies on the information as presented by the applicant.

The years presented are 2002 through 2005 (audited) and 2006 through 2012 (projected). Also, since the third operating year of the proposed project is 2012, that year is presented as modified for the effects of the CON on hospital operations. A final column related to the difference between third year with CON compared to third year results without CON project is also presented.

There are four areas of financial ratio analysis related to the ability of the project to be successful. They are profitability, liquidity, capital structure and activity ratios.

Profitability: Profitability ratios attempt to show how well the hospital does in achieving an excess of revenues over expenditures or providing a return. Generating revenue in excess of expenditures is important to secure the resources necessary to update plant and equipment, implement strategic plans, or respond to emergent opportunities for investment. Losses, on the other hand, threaten liquidity, drain other investments, and may threaten the long-term viability of the organization. The profitability ratios reported here include the operating margin, which measures the profitability from operations alone, the net margin, which measures profitability including other sources of income, and the return on total assets.

	2004 NORTHEAST MEDIAN	2004 MAINE STATE MEDIAN	2002-2005 ST. MARY'S AVERAGE	2012 ST. MARY'S PROFORMA
Operating Margin	2.08%	2.6%	3.58%	5.34%
Net Margin		3.1	6.54%	6.61%
Return on Total Assets		4.2%	8.52%	7.30%

All three margins indicate that if the proposed operations occur that St. Mary's would remain profitable. However, the comparison between operating year 2004 and 2005 indicates that operating margins were decidedly higher in 2004 than in 2005. St. Mary's has the means to take on additional expenses in regards to its excess of revenues over expenditures.

The CONU financial analysis considers information contained in the 2006 Almanac *of* Hospital Financial *and* Operating Indicators and generally accepted accounting standards in determining the financial capability of a hospital to support a proposed project.

The review of financial indicators is important because they present a fair and equitable representation of the financial health of an organization and can present appropriate comparisons. This provides a sound basis for a determination of whether the hospital has the ability to commit the financial resources to develop and sustain the project. While there are a number of indicators that are used in the industry, the ones applied to this review have been selected due to their direct relevance to the financial health of the applicant. The following analysis is based upon information provided by the applicant in its application. One item of terminology needs to be defined. Throughout the analysis a comparison of high-performance and low-performance hospitals is referenced. These groups are based on the uppermost and lowermost quartiles of hospitals based on their return on investments. This analysis chose to not specifically discuss return on investment but decided instead to use that ratio to group all hospitals in regards to making a comparison to the particular project and applicant.

Non-profit hospitals need to perform at financially sustainable levels in order to carry out their public missions. An adequate operating margin is a key indicator of the financial health of a hospital.

Operating margins in the high performing hospital group have seen greater improvements in margins while hospitals in the low performing group are sliding. High performing hospitals are doing better now than five years ago. Over the same time, lower performing hospitals are generally doing worse than five years ago. There is a widening gap between high and low performing hospitals. Improvement in operating profits for high-performing hospitals drives this widening performance gap. As a comparison, operating margins in the Northeast Region are considerably lower than in other regions.

The Maine State average for 2004 was 3.1%. St. Mary's in 2004 was -0.51, significantly below the average which puts them in the 25th percentile.

The trend for the State of Maine has been inconsistent with a low of -1.2 and a high of 3.1 over the 2000 to the 2004 period. St. Mary's in the past four operating years averaged 3.5%. 2005 was 7.65% erasing the effect 2004 had on the average. Over the course of the projection through 2012 it is projected that the hospital will have an operating margin rising to greater than 5%. This is reflective of the greater capacity of the hospital to complete its new objectives of providing mental health services for the Androscoggin, Oxford and parts of Cumberland and Franklin counties.

The effect of this project on operating margins, as projected by the applicant, is an increase from 4.90 to 5.34. This project is not expected to cause a significant impact on the operating margin on the hospital.

Liquidity: Current ratios and acid test ratios are indicators of the ability of a hospital to meet its short-term obligations. The acid test ratio is generally considered to be a more stringent measure

because it recognizes only the most liquid assets as resources available for short-term debt; the current ratio assumes that inventory and accounts receivable can be liquidated sufficiently to meet short-term obligations. Days in accounts receivable and average payment period also are used to monitor liquidity. Respectively, they indicate the average length of time the hospital takes to collect one dollar of receivables or pay one dollar of commercial credit. Together, they provide a cursory indication of cash management performance.

	2004 NORTHEAST MEDIAN	2004 MAINE STATE MEDIAN	2002-2005 ST. MARY'S AVERAGE	2012 ST. MARY'S PROFORMA
Current Ratio	1.68	1.72	3.99	4.99
Days in Patient Accounts Receivable	49.17 Days	44.3 Days	41.46 Days	52.36 Days
Days Cash on Hand	80.11 Days	73.4 Days	68.32 Days	135.47 Days
Average Payment Period	63.40 Days	53.6 Days	28.03 Days	34.35 Days

In terms of liquidity, St. Mary's Hospital currently has adequate liquidity, with a payment lag of 14 days between being paid and paying for services. The average payment period rebounded in 2004 to 27 days from a high in 2003 of 35 days. Days in accounts receivable increased by 8 days in the same period. Days cash on hand was in a range of 50-60 days in the 2002-2006 periods and is projected to increase significantly during the course of the project.

Liquidity measures a hospitals ability to manage change and provide for short-term needs for cash. This liquidity alleviates the need for decision making to be focused on short term goals and allows for more efficient planning and operations of a hospital.

Days Cash On Hand is a ratio that is an industry accepted, easily calculated, method to determine a hospital's ability to meet cash demands.

High performing hospitals have approximately 80 days cash on hand while low performing hospitals have 45 days. Hospitals with revenue between $60-100 million have approximately 73 days cash on hand. Hospitals with revenue of $100-150 have 81 days cash on hand.

In 2004 the average days cash on hand for all sources for hospitals in the State of Maine was 73.4 days. The CONU calculated days cash on hand for St. Mary's in 2004 was approximately 58 days indicating that St. Mary's was in the 25-50th percentile.

According to same source, between 2000 and 2004 the average days cash on hand remained about 68 days. Between 2002 and 2012 average days cash on hand for St. Mary's is projected to increase by 65 days. Maine had 15% less days cash on hand than the Northeast Region at 80 days, 12 days more than the Maine average.

The impact of the proposed project is calculated at approximately an increase of 10 days cash on hand in the third operating year as compared to the non CON operating projection (with and without this project). This approximates an 8% increase in days cash on hand. Based upon source information this hospital is projected to be in greater than the 90th percentile for days cash on hand with or without the project. Therefore this project will not have a substantial impact on St. Mary's operating ability to meet its cash demands. Even if actual cash on hand is lower, based on additional investments in programs and technology, St. Mary's should be able to adequately support this project.

Activity and Capital Structure: Activity ratios indicate the efficiency with which a firm uses its resources, typically to generate revenue. Activity ratios can present a complicated picture because they are influenced both by revenues and the value of assets owned by the organization. The total asset turnover ratio compares revenues to total assets. Total assets may rise (or fall) disproportionately in a year of heavy (dis)investment in plant and equipment, or decrease steadily with annual depreciation. Thus, it is helpful to view total asset turnover at the same time as age of plant. Debt service coverage is reviewed in greater detail. Debt Service coverage measures the ability of a hospital to cover its current year interest and balance payments.

	2004 NORTHEAST MEDIAN	2004 MAINE STATE MEDIAN	2002-2005 ST. MARY'S AVERAGE	2012 ST. MARY'S PROFORMA
Equity Financing	47.45%	56.9%	58%	72%
Debt Service Coverage	3.11	3.45	5.55	5.86
Cash Flow to Total Debt	16.38%	19.7%	33%	40%
Fixed Asset Financing	62.88	54.3	81%	60%

Many long term creditors and bond rating agencies evaluate capital structure ratios to determine the hospital's ability to increase its amount of financing. During the past 20 years, the hospital industry has radically increased it percentage of debt financing. This trend makes capital structure ratios important to hospital management because these ratios are widely used by outside creditors. Values for these ratios ultimately determine the amount of financing available for a hospital. Debt service coverage is the most widely used capital structure ratio. Debt service coverage minimums are often seen as loan requirements when obtaining financing. Debt service coverage is the ratio of earnings plus depreciation and interest expense to debt service requirements. In 2004 the median Maine hospital's debt service coverage (DSC) was 3.45x.

St. Mary's Hospital had a DSC in 2004 of 2.09x which places it in the range of 25-50th percentile. The trend for 2000-2004 is inconsistent with a low of 2.39 in 2002 and a high of 3.71 in 2000. The trend for St. Mary's has been increasing for the last 4 years from 3.15x to 4.85x and to a combined 7.0x for 2004 and 2005. The trend as projected by St. Mary's for this project 2007-2012 is that DSC is expected to improve to greater than 6.25x. As compared to the non-CON projection DSC is expected to decrease by .41x.

St. Mary's has the capacity and the ability to have adequate debt service coverage. If St. Mary's were to maintain its debt service coverage at a ratio consistent with its recent history, a change of .41x would not significantly impact its debt service ratio.

Fixed Asset Financing**:** "Low performance hospitals have historically used more debt to finance net fixed assets than high performance hospitals. With the removal of capital cost pass through, long term debt will become most costly relative to equity. High performance hospitals are restructuring their capital positions to reflect this shift in the relative costs of debt and equity capital. However, we expect fixed asset financing ratios to continue to remain stable during the next 5 (five) years as hospitals curtail their growth in new capital expenditures and reduce their reliance on long term debt."

The Northeast has considerably higher rates in financing fixed assets than other regions.

The 2004 average for hospitals in the State of Maine was 54.3 percent in regards to fixed asset financing. In 2004 St. Mary's was at 80 percent which is the 75th-90th percentile for the State of Maine. For the years 2000-2004, for hospitals with revenues similar to St. Mary's, 60 percent is about the average.

The fixed asset financing ratio over the past 5 years has remained relatively consistent in the State of Maine.

The proposed financing is consistent with the way St. Mary's is spending the funds on fixed assets. This is because a significant portion of St. Mary's current debt is expected to be repaid during the next five years. Total debt in year three of the project (2012) is expected to be approximately the same as 2004. This allows St. Mary's to decrease their fixed asset financing to 60% from 80% during the projected time period.

Efficiency Ratios: Efficiency ratios measure various assets and how many times annual revenues exceed these assets.

	2004 NORTHEAST MEDIAN	2004 MAINE STATE MEDIAN	2002-2005 ST. MARY'S AVERAGE	2012 ST. MARY'S PROFORMA
Total Asset Turnover	1.06	1.18	1.34	1.10
Fixed Asset Turnover	2.72	2.67	3.32	3.64
Current Asset Turnover	3.91	4.00	3.56	2.33

Total asset turnover (TAT) provides an index of the number of operating revenue dollars generated per dollar of asset investment. Higher values for this ratio imply greater generation of revenue from the existing investments of assets. Larger hospitals usually have lower values for turnover than smaller hospitals. This can be attributed to two factors. First, larger hospitals are

most likely to have newer physical plants. Second, capital intensity is often greater in larger hospitals due to more special services and higher levels of technology.

In 2004, according to the source cited above Maine hospitals had a TAT ratio of 1.18.

For 2004 St. Mary's had a TAT of 1.34 times, this is indicative of the relative age of the hospital and expected because of the lack of significant hospital improvements over the past decade.

In the period of 2000 – 2004 there has been a steady increase in the TAT for Maine hospitals. The expected trend for St. Mary's is for TAT to lower slightly through 2007-2012. This is reflective of a hospital planning to spend significant funds for capital improvements or investments in technology. This is a capital intensive project. The capital nature of this project is indicated by the fact that revenues are expected to increase by only 20 percent of the increase investment in assets. However, as a percent of the overall hospital assets it is only a 10 percent decrease.

Operating Costs in the third operating year are expected to increase by $1,810,138. For the Department of Insurance this amount is adjusted for inflation to $1,608,996 for the impact on the CIF. The $1,810,138 includes $370,260 in depreciation and $345,138 in interest expense. Additional costs for staffing and supplies amounts to $1,094,720 in 2012 dollars.

In completing this section of the analysis, the CONU concludes that, as proposed, the applicant can financially support the project. Expected 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 significantly impacted by this project.

Changing Laws and Regulations

A decreased length of stay for behavioral health patients is part of a program that St. Mary's has currently developed and plans to begin in 2007. The final phase of this program cannot be implemented without the increased space provided for in this application. As part of this application, CONU will recommend that the average length of stay be reported on.

CONU staff is not aware of any imminent or proposed changes in laws and regulations that would impact the project. St. Mary's has the organizational strength to adjust to reasonable changes in laws and regulations.

iii. Conclusion

The project encompasses improvements to a facility that clearly, in its current condition, cannot continue to meet demands for services. Services are not being made available in an orderly and efficient manner encompassing the best practices available. Because of the unique clinical needs of the population to be served by this project, a need has been demonstrated for improved

physical spaces and an expanded psychiatric emergency service. St. Mary's has the capacity to support the project and the proposed service is economically feasible.

CONU recommends that the Commissioner determine that the economic feasibility of the project is demonstrated.

IV. Needs to be Met

A. From Applicant

As commented by the applicant, "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 current volume is expected to exceed 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. Annual visits in 2000 were 21,608. In 2005 they totaled 30,686. This growth has occurred even as St. Mary's has aggressively developed primary care and prevention services to address inappropriate utilization of emergency services. During this same period Mary's has also seen an increase in the percentage of its total admissions coming from the ED. In 2000, 46.56% of hospital admissions (3,026) came through the ED. In 2006, 58.29% of hospital admissions (4196 annualized) have come through the ED. 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. Therefore, the focus of the St. Mary's ED Expansion and Renovation project is truly targeted at better meeting the more complex emergent needs of our community (especially the behavioral/ crisis patients who rely on St. Mary's given its role as the regional center of excellence for emergency, outpatient and secure/involuntary inpatient behavioral services.) Copies of St. Mary's behavioral contracts are included under Tab F *(On file with CONU)*."

"The ED is being designed to meet anticipated annual demand of 37,000 visits by the year 2011, the second full year of operation following implementation of this project. This will accommodate 11% total volume growth over the period 2007-2011. This represents 3% growth in each of the first 3 years, and 1.5 % growth in the year 2010-2011. Given historical growth trends that have far exceeded an annual growth rate of 3%, we believe this represents a reasonable approach of estimating future demand. As noted below, we expect overall demand for ED services to stabilize and flatten out over time."

"The behavioral component of the total ED volume is expected to grow at a faster rate than the medical component given St. Mary's role as a regional behavioral provider. Over the period 2007-2011, we anticipate behavioral volume growing from 4,200 to 5,200 visits (23.8%). General medical emergency volume is anticipated to grow from 29,149 to 31,800 (9%) over this same period. The aging demographic and immigration of the Somali population, however, will continue to fuel growth at least in the short term. Currently, 13.9% of Maine's citizens are age 65 and over. According to the US Census, this percentage is expected to increase to 21.4% by 2025. By the year 2010, Maine Census projections predict at least a 33 percent increase in people aged 55 to 85 and older. ED utilization for this age cohort has always been higher than the general population. In addition, Lewiston-Auburn is currently home to approximately 4,500

Somalis who have recently immigrated to Maine. About 1,000 of these are Somali Bantus, and the Bantus continue to arrive at a rate of about 100 per month. This new population growth will also have an impact on emergency utilization. However, St. Mary's believes with continued aggressive promotion of primary care, continued development of prevention and wellness initiatives, and proactive treatment of chronic diseases, St. Mary's will likely cap out at 37,000 annual visits. We do not believe the market will support growth beyond this level."

"We do not believe this growth will involve any market share shift or adverse impact on CMMC's ED services. CMMC has also seen increased demand for emergency services over the period 2000-2005. Volume there has increased 26% with volume growing from 34,268 visits to 43,288. CMMC's designation as the regional trauma center has likely impacted its volume growth much as St. Mary's has been impacted by its designation as the regional behavioral provider. In addition to general emergency services, each facility provides unique emergency services that are critical to the regional population."

"There are a number of ED volume drivers apparent throughout the country, and they are also applicable to our service area. These include:

- Aging of the population/elderly have the highest ED use rates and concurrent disease
- Demand for primary care exceeds current supply
- Growth of the uninsured population
- Changing disease prevalence
- The rising number of patients with multiple chronic conditions (increasing ED use and raising the complexity of ED cases)
- Recent severe acute respiratory syndrome (SARS) outbreaks in Canada, China and elsewhere represent new diseases that will require additional ED resources
- Increasing complex behavioral patients who need emergency services when in crisis.

"The project will allow St. Mary's to significantly enhance the treatment of complex behavioral patients who are referred here from throughout the region. On an annual basis, approximately 5,000 referrals come into the St. Mary's Behavioral Intake Office. These referrals occur when other providers lack the resources to meet the needs of a patient in crisis. Often they result in an emergency behavioral visit at St. Mary's. St. Mary's currently serves approximately 350 emergency behavioral patients per month (13.5% of total ED volume). With expanded space and program development, these emergency behavioral patients will not only be stabilized, they will be quickly assessed and will have treatment initiated in a timely manner."

"The needs of the behavioral population are particularly complex. Seven Community Service Networks were established following the Court Master's approval of the Bates vs. DHHS (AMHI) Consent Decree Plan in October. St. Mary's is a key member of Community Service Network 5 that encompasses Androscoggin, Franklin and Oxford counties (plus Bridgton area). St. Mary's is identified as the preferred provider for crisis patients requiring emergency care in this region. This will put extraordinary additional demands on the St. Mary's ED. It is essential that patient populations be segmented into discrete treatment areas as designed in the ED project. The State of Maine also contracts with St. Mary's for the provision of emergency and

involuntary behavioral inpatient care for the population it insures, and this status elevates the complexity of behavioral patients seeking services at St. Mary's."

"Currently, there is an average of 350 behavioral visits to the St. Mary's ED each month. This represents 13.5% of total ED visits. Once the expanded ED is operational, annual behavioral visits are projected to increase from 4200 to 5000. With an expanded and enhanced emergency facility that provides secure space for combative patients, St. Mary's will implement a more comprehensive Psychiatric Emergency Service (PES). The staffing costs associated with this enhanced service are included in the staffing estimates presented in this application."

"During the summer and fall of 2006, St. Mary's conducted a series of focus groups with behavioral patients, and their feedback provided the basis for development of the Psychiatric Emergency Service described below:

Benefits of the new service include:

- PES will be an integrated treatment service for behavioral crisis patients.
- PES will immediately activate admission and search procedures to ensure a more timely transfer to the inpatient units as appropriate.
- The assessment, treatment and admission process will be integrated. This will result in an admission within 20-30 minutes, often reducing the length of stay in the ED. This will also reduce waiting times and overcrowding of the behavioral treatment area.
- The PES will decrease risk management issues related to elopement of patients and decrease the number of code 44 calls (codes for potentially violent situations) required to care for violent patients."

"The PES will immediately begin identifying services most appropriate for each patient. These may include discharge after stabilization, inpatient admission, referral to Intensive Outpatient or Partial Hospitalization Program, outpatient counseling through St. Mary's or Tri County Mental Health, etc. Integration of services will lead to creative and comprehensive treatment plans for patients who frequently seek crisis services at St. Mary's, with the goal of reducing future ED visits."

"This will lead to better care for all patients, and will allow the behavioral service to begin treating patients immediately upon arrival in the ED, possibly shortening length of stay once the patient is admitted or even eliminating the inpatient admission altogether when appropriate."

"In summary, the ED expansion and renovation project will allow St. Mary's to accommodate growing demand for services, and will give the medical center an opportunity to implement a Psychiatric Emergency Service that will raise the standard of care for behavioral patients."

B. CONU Discussion

i. Criteria

Relevant criteria for inclusion in this section are specific to the determination there is a public need for the proposed services as demonstrated by certain factors, including, but not limited to:

- Whether, and the extent to which, the project will substantially address specific health problems as measured by health needs in the area to be served by the project;
- Whether the project will have a positive impact on the health status indicators of the population to be served;
- Whether the services affected by the project will be accessible to all residents of the area proposed to be served; and
- Whether the project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project;

ii. Analysis

The Maine Quality Forum (MQF), in its assessment of the project, presented its opinion that the applicant's "present ED facility does not support services necessary to fulfill its designation as the behavior health provider for its region."

ED overcrowding is most often seen as a local issue but it is also a national problem. The Institute of Medicine's Committee on the Future of Emergency Care in the United Health System released a series of reports in June 2006 that addresses the critical condition of the nation's emergency care system. These reports indicated that overcrowding increases the risk of multiple effects including:

- Delays to time-sensitive clinical interventions.
- Poor patient outcome
- Prolonged pain and suffering
- Medical Errors
- Compromised patient confidentiality
- Prolonged patient waits and dissatisfaction
- Ambulance diversions
- Patients leaving without being served
- Decreased physician and staff productivity

St. Mary's projects that the community need for its services will continue to increase and will not be decreasing. Additionally, the inadequate space for behavioral health patients necessitates change. Continuing advances in treatments for cardiovascular disease and stroke, as well as the aging population of the area, will result in more patients in general and more complicated patients presenting to the ER.

St. Mary's request for expansion addresses demands that St. Mary's is facing today. This project is necessary to improve public health and patient safety by reducing the present overcrowding of St. Mary's ED to appropriate levels of care. Until the overcrowding is addressed, St. Mary's ability to provide quality and timely emergency care to community residents will be severely compromised and constrained. The current situation represents an unnecessary and undesirable risk to the public health and patient safety.

The community's need for additional ED resources is buttressed by a Letter of Intent from CMMC, indicating that it, too seeks to expand its ED service. This additional application is to be considered in January 2008 and will be evaluated on its own merits, but supports the determination that additional resources are necessary for ED service in the community.

iii. Conclusion

The project encompasses improvements to a facility that clearly, in its current condition, cannot continue to meet the community's need for services. The need for services is not being met because of the lack of space. Because of the unique clinical needs of the behavioral health population to be served by this project, a need exists for improved physical spaces and an expanded psychiatric emergency service. In its present state, the ED is inadequate at meetings its goals for patient safety and presents a danger to patient safety.

V. Alternatives Considered

A. From Applicant

As provided by the applicant, "The ED is a key service of any community hospital. Community members count on St. Mary's to be available when they have health care needs that require immediate medical attention. Federal EMTALA laws also require us to serve all those who present for care on our hospital campus. As the sole provider of inpatient behavioral care in the region, our ED is also a critical resource for crisis patients throughout Androscoggin, Franklin and Oxford counties. Therefore, eliminating St. Mary's ED services was never considered a viable option. On the contrary, this critically important service must be maintained and enhanced to meet these current and growing needs."

"St. Mary's has made a concerted effort to accommodate volume growth with the current physical plant. Several years ago existing square footage was reorganized to create a more discrete location for behavioral patients, waiting and treatment areas were reconfigured to accommodate the growing population, and staff worked diligently to protect patient confidentiality in areas with limited physical barriers."

"Beginning in the early 1990's, St. Mary's and SOCHS also worked to improve accessibility to primary care physicians in a systematic effort to discourage use of the ED for treatment of primary care needs. St. Mary's currently has over 30 primary care providers on staff with practice locations throughout several community neighborhoods, many offering open access scheduling. The primary care practices are designated as Federally Qualified Health Centers,

and as such, they increase accessibility and affordability of primary care services for many of our areas most at-risk individuals."

"These primary care services have served as a tremendous resource for the ED. Whenever a patient without a primary care physician presents in the ED, staff are able to make a referral to a provider within our network. Some individuals resist accepting such referrals, but on average 25-30 primary care referrals originate from the ED each month."

"Primary care providers also instruct patients with stable medical conditions to call them before seeking services at the ED. All affiliated offices provide off-hour nurse triage services that direct patients to appropriate treatment options. This may involve home treatment and instructions on when to call back for further assessment, a call back from the patient's provider, or direction to proceed immediately to the ED. On occasion, the provider may even direct the patient to meet him/her in the ED and the primary care provider will treat the patient. This approach is sometimes taken as a comfort measure, as in the case of a young child with a middle ear infection. Care could safely be deferred until normal office hours, but the child is in significant pain and the parent(s) are looking for immediate resolution."

"In addition, St. Mary's and its affiliates have created health and prevention programming to promote overall patient wellness. These efforts have included community risk appraisals and health screenings, annual flu shot clinics, exercise programs through Health Steps. Patients who participate in these initiatives minimize their risks for illness such as colds, influenza, etc. that can often lead to ED visits especially during the winter months when contagious diseases are more prevalent."

"Multidisciplinary clinical management of chronic diseases such as diabetes and asthma are also critical initiatives that can have an impact on minimizing emergency admissions. Affiliated primary care practices have adopted standard clinical protocols for these chronic diseases, and educational programs have been developed to assist patients in managing their chronic illnesses. The Diabetes Education Program offers instructional classes on meal planning, blood sugar testing, medications and exercise. The AH! Asthma Health Program stresses the importance of education and self-care, and the coordination of asthma care between patient, asthma educator and provider. Both programs help patients and their families recognize the triggers that indicate an escalation of their disease, and the appropriate intervention to stabilize their health status so as to avoid an ED visit. When diabetics and asthmatics do require emergency services, their discharge instructions include a referral to the appropriate educational resources in order to assist them with management of their disease. The open access model available in several of our affiliated primary care practices is particularly attractive to patients who prefer immediate access to providers (as is available in an ED) to advanced scheduling required for non-acute visits in a traditional practice. Many of our lower income patients and new immigrants have responded very positively to this option. In spite of these several efforts, volume in the ED has continued to increase. Therefore, in early 2006 it was clear that the only alternative was expansion and renovation of the current ED. This was the only option that would meet the increasing volume, promote quick access and rapid treatment in emergency situations, and enhance patient care, quality, safety and privacy.

The expanded and renovated ED will provide:

- a rapid treatment program for patients with lower acuities
- more treatment areas and waiting space to accommodate the increasing volume
- enhanced privacy and confidentiality with private treatment rooms rather than large, open treatment bays with no physical barrier other than a curtain
- discrete, secure space for the assessment and treatment of complex behavioral patients who are often disruptive and combative during the crisis phase of their illnesses.

Maintaining the status quo would not meet the needs of our community, and expansion and renovation of the current St. Mary's ED is the only viable option."

B. <u>CONU Discussion</u>

i. <u>Criteria</u>

Relevant criteria for inclusion in this section are specific to the determination that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

- The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;
- The availability of state funds to cover any increase in state costs associated with utilization of the project's services; and
- The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available;

ii. <u>Analysis</u>

According to the applicant there are three identifiable key factors related to the increased utilization (15,000 to 27,000 visits) of the ED at St. Mary's. The first is a growing elderly population. Aging citizens account for a significant portion of growth in visits. A second reason for increased visits to the ED is related to the increase in the immigrant population. Community members count on St. Mary's to be available when they have health care needs that require immediate medical attention and Federal EMTALA laws require that the hospital serve all those who present for care. The plan as proposed includes significant allocation of resources for urgent but not acute care. The applicant has outlined its resource development in the areas of developing more appropriate outpatient health care responses for these individuals. Based on the information provided by the applicant, it appears that the reallocation and community education has provided some relief to this problem. As the sole provider of inpatient behavioral care in the region, the third driver of ED visits is due to St. Mary's role as a critical resource for crisis patients throughout Androscoggin, Franklin and Oxford counties. Therefore, eliminating St. Mary's ED services was never considered a viable option. On the contrary, the applicant feels

that this critically important service must be maintained and enhanced to meet these current and growing needs.

The major thrust of alternatives is a discussion of ways to assuage the impact and growth of these three different sources for continuing patient growth. Starting with determining the role for the hospital in conjunction with Central Maine Medical Center, the Maine Quality Forum mentioned that the hospitals have worked well together to determine needs and allocate resources appropriately. St. Mary's has made a concerted effort to accommodate volume growth with the current physical plant. A more discrete location for inpatient behavioral patients, and waiting and treatment areas are reconfigured to accommodate the growing population. Staff has worked diligently to protect patient confidentiality in areas with limited physical barriers because of the design of the patient spaces.

Beginning in the early 1990's, St. Mary's and SOCHS also worked to improve accessibility to primary care physicians in a systematic effort to discourage use of the ED for treatment of primary care needs by members of the community without access to primary care physicians. The primary care practices are designated as Federally Qualified Health Centers, and as such, they increase accessibility and affordability of primary care services for many of the at-risk individuals in the area. ED staff are able to make a referral to a provider for patients without a primary care physician. According to the applicant, some individuals resist accepting such referrals but on average 25-30 primary care referrals originate from the ED each month. A concern for St. Mary's has been the recent immigration of a specific cultural group that traditionally has had a much different medical services delivery system. Culturally, immigrant patients have been known to wait at hospitals for considerably long time periods and despite the efforts of the applicant, resistance to change in this area continues. Cultural acceptance of scheduled appointments has also led to hospital initiatives for walk-in primary care services.

Primary care providers also have a role to play. Affiliated doctors instruct patients with stable medical conditions to call them before seeking services at the ED. Affiliated offices provide off-hour nurse triage services that direct patients to appropriate treatment options. This involves appropriate care.

In addition, St. Mary's and its affiliates have created health and prevention programming to promote overall patient wellness. These efforts have included community risk appraisals and health screenings, annual flu shot clinics, exercise programs through Health Steps. Patients who participate in these initiatives minimize their risks for illness that can often lead to urgent not acute ED visits, especially during the winter months.

Multidisciplinary clinical management of chronic diseases such as diabetes and asthma are also critical initiatives for minimizing emergency admissions. Educational programs have been developed to assist patients in managing their chronic illnesses. The Diabetes Education Program offers instructional classes. The AH! Asthma Health Program stresses the importance of education and self-care, and the coordination between patient, educator and provider. Both programs help patients and their families improve quality of life and reduce patient visits to the ED, although no statistics were provided. Discharge instructions include referrals to the appropriate educational resources in order to assist them with management of their disease.

The open access model available in several of its affiliated primary care practices is particularly attractive to patients who prefer immediate access to providers. Many lower income patients and new immigrants have responded very positively to this option, yet no statistics were provided. The proposal was the only option that would meet the increasing volume, promote quick access and rapid treatment in emergency situations, and enhance patient care, quality, safety and privacy. Maintaining the status quo would not meet the needs of the community, and expansion and renovation of the current St. Mary's ED remained the only viable option. It is planned that the large space dedicated to crisis patients will improve the care of these patients and allow for quicker stabilization and more appropriate space for the patients and staff.

The applicant mentions two alternatives. First, they mention reducing demand. The applicant presented numerous programs looking at meeting the need for services currently conducted in the ED. These programs help to reduce demand for services but are not adequate in reducing the level of patients to an acceptable level. The second alternative as presented by the applicant is to do nothing. This is not an acceptable alternative because the current situation is not sustainable as demonstrated by the application.

A third alternative is to look at the community options, CMMC serves the same general area as St. Mary's. Information from the applicant and from Charles M. Gill, Jr. of CMMC indicate that CMMC is contemplating changes to their ED due to overcrowded situations and indeed has filed a letter of intent to be followed up by a CON application in the January 2008 cycle. Based on this information, the current situation faced by St. Mary's cannot be eliminated by moving demand for services to CMMC.

Central Maine Medical Center (CMMC) submitted a Letter of Intent dated March 12, 2007. This letter advised CONU that CMMC plans to renovate and expand the existing ED on their hospital campus. Information contained in this letter implies there is no excess ED capacity in the communities served by St. Mary's or CMMC. On May 7, 2007, CMMC faxed a letter to Larry Carbonneau, CONU Health Care Financial Analyst stating, in part, as follows:

1. **"St. Mary's ED Project planning implications** – Central Maine Medical Center has become one of the three tertiary medical centers in Maine. CMMC is a designated regional trauma center and has been verified as a Level II Trauma Center by the American College of Surgeons. The volume of cardiac patients treated in the CMMC ED is constantly increasing as CMMC has become a recognized leader in providing emergency cardiac angioplasty. One of the two LifeFlight of Maine helicopters in based on a helipad located across the street from the CMMC Emergency Department this fiscal year in a space designed for about half this number of visits. To rectify acute space problems, a myriad of other associated problems and to prepare for the future, CMMS has filed a letter of intent to renovate and expand its Emergency Department. A Certificate of Need Application for this project will be filed on or before December 21, 2007 (see attachment)."

   "In light of the State's interest in controlling hospital capital expenditures, it is pertinent to ask whether two Emergency Department renovation and expansion projects are needed

in Lewiston. If the answer is yes, then each application should be reviewed on its merits. If the answer is no, the fact that CMMC has filed a letter of intent to renovate and expand its Emergency Department is relevant to your Need Analysis of the St. Mary's ED Project. We strongly believe we can demonstrate that the CMMC ED is the more crucial component in the statewide healthcare infrastructure of Maine."

CONU Comment: All CON applications are 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. It is not, presently, an application competing in the 2007 cycle in which St. Mary's is under review.

The request by CMMC to make a determination whether two EDs are needed in Lewiston cannot be made at this time since each application is reviewed based upon the merit of that application. Letters of Intent are not applications and do not always result in applications. Sometimes applications are filed and withdrawn or suspended.

2. **"St. Mary's role in psychiatric emergencies and involuntary commitment** – This Applicant's case for renovation and substantial expansion of the emergency department is strongly linked to their role as the primary provider of behavioral health services in this region. What is not clear from a review of this Application is a commitment to define St. Mary's unique role in behavioral health via outreach initiatives to police departments, EMS and mental health agencies thereby ensuring that psychiatric patients are directed to the St. Mary's ED and not the other Emergency Departments in this region. CMMC has also experienced periodic difficulties in transferring appropriate patients to St. Mary's for involuntary commitment. To this end, we would ask the Department to include (if the St. Mary's ED project is approved by the Department) the following two conditions of approval":

   A. The Applicant be required to develop and commit to an outreach plan to police departments, EMS and mental health agencies to ensure that psychiatric patients are directed to the St. Mary's ED and not the other Emergency Departments in this region; and

   B. The Applicant is required to enter into written agreements with other hospitals in this region for expedited involuntary commitment to the St. Mary's behavioral health unit.

   C. The outreach plan (A.) and the hospital transfer agreements (B.) should be in place within six (6) months of the CON approval (if approved), must remain in effect and be subject to review and approval by DHHS.

CONU Comment: Prior to receipt of Mr. Gill's letter, CONU staff spoke with representatives from the Office of Adult Mental Health 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 is responsible for contracting and entering into agreements for services within the State. Mr. Gill should direct his wishes for

written service agreements, outreach, and matters relative to involuntary commitment to the Office of Adult Mental Health.

Additionally, strong letters of support for this project were received from Communities, Mental Health Coalition and Evergreen Behavioral Services.

iii. Conclusion

CONU recommends that the Commissioner determine that the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State.

VI. State Health Plan

A. From Applicant

"St. Mary's is committed to developing health services and programs that are consistent with the orderly and economic development of health facilities and health resources for the entire state of Maine, and in a manner that is consistent with the State Health Plan (SHP). To this end, St. Mary's Strategic Plan (Board approved June 2005) includes St. Mary's commitment to the following public health initiatives (many of which mirror the goals and objectives of the SHP):"

Public Health and Community Reinvestment Goals

"Goal 9: Pursue specific strategic initiatives that serve to improve the overall health of the general public, and are consistent with state public health objectives/ Dirigo Health Plan.

A. Ensure direct access to quality healthcare, disease prevention and health promotion services for potentially underserved populations through sponsorship of Bates Street Family Health Center, FQHC, School-based Health Centers, and Take Charge! Community Screening Program.

B. Sponsor or actively participate in outreach activities that promote the common good of underserved members of our community: lead screening, healthy families home visitation, Food Pantry, Lots to Gardens, Neighborhood Housing Initiative, cultural diversity initiatives.

C. Heighten awareness of state public health priorities through participation in the Healthy Androscoggin Project.

D. Work closely with area employers in order to assist them in maintaining the good health of the populations they employ.

E. Pursue activities that demonstrate SOCHS' commitment to maintaining the health and wellness of its own employees.

F. Ensure that all SOCHS entities clearly understand their particular role in emergency preparedness, and that employees are adequately trained to respond appropriately in the case of either a regional or national medical emergency.

"St. Mary's has committed significant organizational resources towards these initiatives. The preventative efforts detailed in items A-E above have specifically impacted the health and wellness of the communities we serve. In recognition of these accomplishments, in January 2007, St. Mary's will be formally recognized as one of the American Hospital Association's four finalists for the coveted Foster McGaw Prize for Excellence in Community Service. Some of the health system's accomplishments highlighted in St. Mary's achieving finalist status for this award included":

Making Healthcare Affordable: FQHC and the B Street Health Center

"In the fall of 2003, our downtown Lewiston medical practice became a central component of the newly created B Street Community Center. Located in the heart of a federally designated Enterprise Community, the Community Center houses 12 agencies that provide services to the city's poor. The Health Center is a true medical practice where one would not normally be found. It accepts all patients, though many are Maine Care - (Medicaid) -eligible and sliding scale self-pay clients. It provides comprehensive primary care as well as behavioral healthcare in an innovative primary-care mental-health collaborative with the Common Ties Mental Health Coalition. This initiative integrates a range of targeted specialty mental health services with primary care medical services in a multidisciplinary treatment team model. It is driven by the need to address all the issues that present in a primary care setting."

"Androscoggin Country is a designated dental health professional shortage area (HPSA). In April 2004 we opened a pediatric dental program providing a range of dental services to underserved youth. We are staffed with one dental hygienist and one dental assistant 4 days per week for cleanings, sealants, fluoride treatments and education. Of those clients coming in for routine care, at least 20 percent require additional complex care that requires them to be seen by a dentist. Serving the dental needs of the B Street Center clients has proved rewarding and frustrating, with an average rate of 25 percent no shows. One day per week a dentist sees patients with complex dental health issues. Some visits require up to 2 hours."

"Delivering healthcare to the downtown immigrant population has presented special challenges that involve meeting their physical needs as well as assisting them with their complex social needs. Through a series of focus groups with Somali women, we have learned much about their cultural health and nutrition practices, such as":

- How to schedule appointments with people who have not used clocks
- How to ensure safe, full-term pregnancies for women who fast during a month-long religious holiday and stop eating in the seventh month so that their babies will not grow too large
- How to deliver the babies of women who have had female circumcision
- How to respond when they ask that the circumcision be repaired

"One way we have addressed these challenges is through partnerships with other agencies. For example, working with both the March of Dimes and the Women Infants and Children (WIC) program, we provide a Somali-speaking woman who works side-by-side with our practitioners and WIC counselors to translate and coach women on Western health practices, prenatal care, and nutrition."

"Six to eight hundred clients visit the B Street Health Center every month. Since May 2004 when the dental portion of the Health Center opened, through 800 visits we have served over 500 children from Lewiston-Auburn's poorest families who might otherwise never see a dentist. Since October 2004, over 15 Somali women have received prenatal care through the March of Dimes partnership program. At B Street, 59 percent of all patients seen at the clinic receive a mental health diagnosis, with 33 percent of those patients having an addiction-related diagnosis. All of this care was provided in a primary care setting, rather than the ED."

Take Charge! Identifying Risk

"Take Charge!, a comprehensive health screening program established in 2001, changes the way people receive health information. It eliminates the barrier of health insurance coverage, and reduces the barriers of cost, and transportation. Maine has some of the nation's highest chronic disease rates, which Take Charge! addresses in a way that is both low-cost and preventive."

"The screening takes about 30 minutes and involves answering 18 questions, providing a finger-stick blood sample and breathing into a machine. Based on this information, a report is generated detailing the individual's complete lipid profile (cholesterol); glucose measurement (diabetes); pulmonary function measurement (lungs); blood pressure; sleep habits; body mass index; smoking impact; and physical activity levels."
"At the end of those 30 minutes, a medical professional discusses the results and as appropriate makes referrals to a primary care doctor or a community-based prevention-related services (e.g. a smoking clinic or exercise program. If more immediate action is necessary, Take Charge! Clinicians refer the person directly to a specialist. A cardiologist reviews and follows up on all at-risk results and often refers people back to a primary care physician (a reversal of the traditional healthcare referral process)."

"Individuals requiring ongoing cardiac care are invited to become part of a research study by Androscoggin Cardiology Associates with access to low-cost medications and case management. People with e-mail receive a monthly prevention-related newsletter."

"These screenings are held throughout the community and in locations where people are likely to be - including at St. Mary's Regional Medical Center. Businesses have increasingly begun scheduling screenings at their locations and paying for their employees to have these tests done. In these instances, Take Charge! also aggregates results and provides them to employers so they may target prevention strategies to areas of highest employee health need."

"For individuals, any cost can be a barrier to seeking health information. Take Charge! uses the income from company-sponsored workplace screenings to fund lower-cost and free community mini-screenings and referrals."

"Recently, Maine largest Tertiary care hospital (Maine Medical Center) has begun offering this program both independently of St. Mary's, and in conjunction. They are achieving similar results, which attests to the replicability of this program."

"To date, approximately 4500 individuals have gone through the screen, 60% female, 40% male. Of those, 77% were of working age, and the average age was 49. 65% of individuals are classified as either moderate or high risk (ACSM), most have cholesterol levels greater than desirable, 26% have elevated glucose levels, about the same number have elevated blood pressure, and a majority have a BMI that is considered either overweight or obese. In 3-6 month follow-up surveys on lifestyle changes after the screening, 57% report they have made changes since the screening, with a slightly higher percentage (61%) among moderate to high-risk individuals doing so. About 67% report dietary changes, and 22 % report increased physical activity following the screening. Just as important, 71% report having followed up with their physician as recommended, with a slightly higher percentage (83%) among moderate or high risk individuals doing so. Take Charge! works."

A. Malnutrition and Obesity: Prescription: Food and Exercise

"The Sisters of Charity Food Pantry has been providing emergency food assistance to residents of the greater Androscoggin County for over 25 years. Originally known as Lewiston/Auburn Emergency Food Pantry, the Sisters of Charity Food Pantry was founded in 1981 by the Good Shepherd Food-Bank. In 2002, the Food Bank, needing to focus more on its mission of state-wide food distribution, asked Sisters of Charity Health System to assume operation of the Pantry.

The Food Pantry is conveniently located in the heart of downtown Lewiston. It operates 5 days a week. The primary focus of the Food Pantry is to obtain and distribute food to individuals seeking assistance from the Pantry and educate families on food purchasing, nutritious eating, and cooking. In addition, we direct clients to alternative sources of assistance, both financial and supportive."

"Local service agencies, churches, hospitals, and schools regularly refer clients to the Food Pantry. Furthermore, the Sisters of Charity medical staff and physician groups distribute Food Pantry vouchers to needy patients."

"Lots to Gardens was started in 2000 with youth and community members to create community gardens and green spaces in Lewiston. Heading into our sixth season, we have gardens and weekly programs focused on healthy eating. The purpose of Lots to Gardens is to empower people to develop the skills and knowledge to produce and access fresh and nutritious food at the community level. We help families and youth develop skills for lifelong and community-wide change. Through this program, participants eat more fresh and nutritious food, support local growers and farmers, share meals with neighbors, and are actively involved in physical activity that brings them outdoors.

In partnership with Coastal Enterprises Inc., we were instrumental in starting the Lewiston Farmers' Market, which provides outlets for excess produce from the gardens as well as a place for people who aren't gardening to purchase fresh nutritious food. At every level, we develop existing skills in the community to teach each other. Participants gain many job and life skills, become knowledgeable in agriculture and nutrition, and become valuable leaders in their community."

"The Food Pantry currently distributes 12,980 boxes of food annually to over 26,000 people. Seventy percent of those served are families with children under the age of 12. Recent trends also show that many are elderly or "working poor," individuals holding paying jobs yet not earning enough to meet their family's basic needs."

"Lots to Gardens has 14 seasonal gardens supplying food to 50 families. Over 120 youth and 100 adult volunteers help in the gardens and workshops. Another 700 individuals a year participate in workshops, veggie stands and cooking classes. In 2004, Lots to Gardens provided over 7000 pounds of food to the Good Shepherd Food Pantry and other emergency food distributors in the community."

"We understand that DHHS will be evaluating this project and other proposals from other hospitals against the criteria and priorities set forth in the State Health Plan 2006/2007. We offer the following in response to the specific priorities described at pages 56-60 of the current SHP.

PRIORITY: Projects that protect public health and safety are of utmost importance.
We understand that projects that protect the public's health and safety are assigned the highest priority. Several aspects of our project reflect this priority."

"First, as detailed elsewhere in this application, this project will permit St. Mary's to provide more effective treatment to our behavioral population. St. Mary's is the only hospital in the tri-county area to accept involuntary admissions in secure behavioral units. Because of our commitment to serving this population, many of the individuals presenting in our ED for crisis services are potentially dangerous to themselves or others. Many are combative and destructive. The expansion of dedicated space for behavioral patients will permit us to address and serve these patients in a better fashion, and in a way that will provide greater safety to both these and other medical patients that will be treated in other portions of the ED. Providing timely access to emergency care for crisis patients will also minimize risk of danger to the family members and the community at-large."

"Second, the medical center has, over the past three years, developed a behavioral treatment model that better integrates primary care and behavioral health providers. Four affiliated primary care practices have a behavioral nurse practitioner on site. This behavioral health provider serves as a supportive resource to the primary care physician, and is able to provide ongoing monitoring and intervention for behavioral patients in that practice. Issues with medication management can be identified and resolved immediately, and prompt referral to psychiatry can be made when appropriate. This is yet another mechanism to deliver quality care in the least restrictive, safest setting possible."

"The expanded and renovated ED includes upgraded facilities for responding to public health threats in the community, such as bioterrorism and rapidly spreading communicable diseases. The plan calls for 2 isolation rooms, decontamination spaces immediately adjacent to the ambulance bays, a separate air handling system and segregation of key administrative functions from other patient care areas. The increase in space also provides the flexibility to handle more patients simultaneously in the event of a major public health disaster or emergency."

PRIORITY: Best Practices in Building, Construction, Renovation and Operation

"The State Plan also prioritizes projects that "demonstrate best practices in building construction, renovation and operation to minimize environmental impact both internally and externally (e.g. "green energy".)" The St. Mary's ED expansion and renovation project will be designed to incorporate best practices in building construction, renovation and operation to minimize environmental impact. The design team selected for the project includes design professionals accredited by the U.S. Green Building Council LEED (Leadership in Energy and Environmental Design) program. They will assist St. Mary's with the development of the project that will be designed to operate efficiently using materials and resources that minimize environmental impacts."

Energy efficiency will be achieved through the use of:

- high performance heating, ventilation and air conditioning equipment
- variable speed drives
- heat recovery
- maximizing the use of natural light
- providing multiple options for controls of lighting and mechanical systems
- commissioning the building to ensure that systems are operating at optimal efficiencies.

Materials and resource consumption will be controlled by:

- limiting the area of new construction and renovating as much of the existing building as is practicable
- using locally available materials where possible to reduce the environmental impact of transportation
- using rapidly renewable materials and materials with high recycled content where possible
- requiring the contractor to recycle construction waste
- requiring the contractor to salvage materials where possible
- providing adequate areas for waste recycling

Indoor Environmental Quality will be controlled by:

- requiring the contractor to replace filters and flush out the mechanical system prior to occupancy

- use of low-emitting materials
- providing a smoke-free environment
- providing occupants natural light and the ability to control artificial light and temperature

PRIORITY: Projects that contribute to lower costs of care and increased efficiencies are also high priorities.

"St. Mary's and its affiliated organizations offer a full continuum of care. The health system attempts to ensure that individuals always seek care at the appropriate point on the care continuum. We have expanded access to primary care and prevention/wellness services, and have addressed related aspects of health such as nutrition and housing. While these initiatives minimize the need for emergency care, St. Mary's is equipped to offer this more advanced level of care. While emergency services are more costly than primary or prevention services, they are less costly than an inpatient admission. With an adequately sized and appropriately managed emergency service, St. Mary's providers can provide more cost effective and efficient care, often eliminating the need for an inpatient admission. This is especially true of the behavioral population, where any effort to eliminate or shorten an inpatient stay can have a profound effect on the cost of care provided."

PRIORITY: Projects that advance access to services and reflect a collaborative, evidence-based strategy for introducing new services and technologies are also priority projects.

"The emergency service is a core program component of the health care continuum offered by St. Mary's. This project does not involve the introduction of a new service or new clinical technology.
However, this project will improve the quality of emergency services for all patients. In particular, St. Mary's will be better equipped to serve in its role as regional provider for complex behavioral patients. St. Mary's looks forward to continued collaboration with the State of Maine in order to optimize patient care and positive outcomes for this challenging segment of the population."

PRIORITY: Projects that include a complementary preventive component that will lead to reduced need for services at the population level will receive the highest priority among all applications reviewed in a given cycle.

"St. Mary's is committed to continued development of the primary care network, prevention and wellness initiatives, and aggressive management of chronic illnesses in order to minimize the need for an ED visit. We will also continue our primary care referral program for patients presenting in the ED without a primary care physician."

"Other aspects of the project entitle St. Mary's to priority. St. Mary's is also aggressively implementing information technology. In October of 2005, St. Mary's instituted the Meditech electronic medical record (EMR) and immediately began electronic capture of patient demographics, registration, scheduling, order entry, and results reporting. The EMR is equipped with an HL7 interface. In March of 2006, surgical services implemented the OR patient

management system. And in April 2006, the ED went live with clinical (nursing and physician) documentation. This allows immediate access to emergency patient information throughout the hospital and in affiliated physician practices. Primary care physicians now have immediate clinical information on the status of their patients receiving care in the ED. This interface between primary care and emergency medicine supports high quality patient care."

"Approximately 85% of St. Mary's providers affiliated through Community Clinical Services utilize an ambulatory EMR. These providers utilize Centricity, which is interfaced with Meditech for efficient flow of information between the two systems. The Medical center also has RIS/PACS (radiology information system/picture archiving and communication system) that interface to these systems as well."

"St. Mary's has heavily invested in information technology throughout its entities, and looks forward to developments spearheaded by the MHINT to promote interoperability and integration throughout the state."

PRIORITY: Projects that exercise less than a 0.5% increase on regional insurance premiums shall be given priority consideration under the CON review process.

"This analysis will be completed by the Bureau of Insurance and submitted to the CONU. No rate increases are planned to support this expansion and any future increase in rates will be driven by external factors other than this project. St. Mary's assumes current reimbursement methodologies continue through 2012."

As part of the CON process the Maine Centers for Disease Control evaluates the proposal in regards to its impact on the health of Maine's citizens in conjunction with the 2006-2007 State Health Plan. The Maine CDC comments are presented here.

"St. Mary's hospital serves a large behavioral population and crisis patients which exacerbates the issues of severe space limitations. The current ED is stated to be overcrowded with resulting compromises in patient confidentiality and effects on the care of both the behavioral patients as well as the general acute emergency patients. The hospital's behavioral service has been designated a tertiary referral site by the state (identified as the primary behavioral provider) and receives nearly 5,000 behavioral intake calls per year from referral sources throughout that section of Maine."

"Because the applicant is the tertiary referral site for emergency services for acute and behavioral patients it appears to address that specific health problem in the service area."

"Behavioral health services and emergency acute care services positively impact those in need of the emergency services; however, this project will have little effect on the overall health status of the general population."

"Because St. Mary's Regional Medical Center is a non-profit institution, it has to make its services accessible to all residents in the service area."

"Because the ED capacity will be increased and brought up to recommended size, improvements in quality of services, confidentiality and outcome measures should be evident at this hospital."

B. CONU Discussion

i. Criterion

Relevant criterion for inclusion in this section are specific to the determination that the project is consistent with the State Health Plan.

State Health Plan Ranking

State Health Plan goals targeted by Applicant	State Health Plan Priority
Improve Patient Safety	Highest Priority
Improve Quality of care	High Priority
Demonstrate best practices in building construction	Highest Priority

ii. Analysis

St. Mary's has made a commitment to allocate significant organizational resources toward initiatives related to promoting direct access to care for potentially underserved patient populations within its service area. This initiative takes the form of four different programs.

Projects that protect public health and safety are of utmost importance.

The Maine Center of Disease Control (MeCDC) comments: "We concur with projects that have as a primary, overriding objective the elimination of specific threats to patient safety are of highest priority."

- "The application indicates that public safety will be enhanced through the expansion of the ED as overcrowding will be eliminated and a dedicated entrance will be added for walk-in patients in addition to the ambulance entrance that will result in proper patient management and triage, confidentiality and patient privacy. Behavioral health and infectious disease threats are stated to be more effectively addressed in the project because of special accommodations for both. Because of the growing ED visits for mental health (expected to increase from 4500 to 5500 visits a year), the expanded area dedicated for mental health patients in the ED is increasing greatly. With 8 of the 30 rooms being utilized for behavioral health this is a dedicated area of at least 4500 square feet. However, the design still allows some adaptability in that four of the eight rooms will be dually accessible from the acute and behavioral sides allowing for increased adaptability while providing separation and security for the patients, family members and staff."

- "Projects that center on a redirection of resources and focus toward population-based health and prevention are considered highest priority. However, there is no such redirection of resources in this application as proposed."

- "Projects that clearly demonstrate they will generate cost savings either through verifiable increased operational efficiencies or through strategies that will lead to lower demand for high cost services in the near or long term. This project is not eligible for a priority here in that it was not demonstrated by the applicant that the project will contribute to a significant degree to lower costs of care."

- "Telemedicine projects that facilitate improvements and cost-efficiencies in the quality of diagnosis and treatment in smaller, rural communities are eligible for a priority since this project does not incorporate this issues it is not eligible for a priority in this instance. This application does not demonstrate an effect on reducing the demand for future health care services or will significantly lower health care costs for the facility. This project does not result in any abandoned infrastructure. Because of this, a priority for projects that physically consolidate hospitals or services that serve all or part of the same area that demonstrate an appropriate, cost effective use for the "abandoned" infrastructure, that do not result in increased costs to the health care system and that, in accordance with state policy as expressed in Maine's Growth Management Act, do not contribute to sprawl."

- "This project does not introduce new technologies or services, so a priority based on projects that advance access to services and reflect a collaborative, evidence-based strategy for introducing new services and technologies is not assignable."

- "This project does not include a comprehensive preventive program, though the applicant does demonstrate support and activity in numerous prevention initiatives."

- "Because, this construction project has been designed to incorporate best practices in building construction, renovation and operation to minimize environmental impact it is eligible for a priority for employing green building materials. The design team selected for the project includes professionals accredited by the US Green Building Council LEED (Leadership in Energy and Environmental Design)."

- "There is no mention of new investments in MHINT. This project does not include funds for an electronic medical record (EMR) as this hospital currently has an EMR in place that has the HL7 interface."

In a summary of the alignment of this project to the 2006-07 State Health Plan, the Maine CDC presented the following comments:

- "St. Mary's hospital serves a large behavioral population and crisis patients which exacerbates the issues of severe space limitations."

- "The current ED is stated to be overcrowded with resulting compromises in patient confidentiality and effects on the care of both the behavioral patients as well as the general acute emergency patients."

- "The hospital's behavioral service has been designated a tertiary referral site by the state (identified as the primary behavioral provider) and receives nearly 5,000 behavioral intake calls per year from referral sources throughout that section of Maine."
- "Whether, and the extent to which, the project will substantially address specific health problems as measured by health needs in the area to be served by the project is answered yes, "because the applicant is the tertiary referral site for emergency services for acute and behavioral patients it appears to address that specific health problem in the service area."

- "Whether the project will have a positive impact on the health status indicators of the population to be served is answered in the positive because "behavioral health services and emergency acute care services positively impact those in need of the emergency services; however, this project will have little effect on the overall health status of the general population."

- "Whether the services affected by the project will be accessible to all residents of the area proposed to be served was answered by the Maine CDC in the positive "because St. Mary's Regional Medical Center is a non-profit institution, it has to make its services accessible to all residents in the service area."

Bureau of Insurance Analysis:

A priority is established for a project that exercises less than 0.5% a increase on regional insurance premiums (to be determined by Bureau of Insurance). The Bureau of Insurance conducted an analysis of the statewide and service area impact on insurance premiums. In their analysis, the BOI determined that the project would have an impact no greater than 0.553% on service area premiums. Because this estimated impact is greater than the 0.5% increase in regional insurance premiums, it can not be considered a priority project.

iii. Conclusion

The project encompasses improvements to a facility that clearly, in its current condition, can not continue to meet demands for services. Because of the unique clinical needs of the population to be served by this project a need exists for improved physical spaces and expanded psychiatric emergency service. The clinical needs of the patients include cultural accessibility related to translators and more space for larger groups waiting on patients. A high percentage of ER visits to St. Mary's have behavioral issues.

This applicant meets two of the highest priorities of the state health plan: Improve patent safety and demonstrate best practices in construction. This, along with a high priority to improve quality of care, outweighs the cost of the project being over the 0.5% threshold established in the Maine State Health Plan in order to receive priority consideration. If the hospital can reduce the length of patient stays in the mental health unit because of the new facility, it may very well decrease costs below the 0.5% threshold. In addition, the need for behavioral health programs is an additional priority of the state health plan.

CONU recommends the Commissioner determine that the project is consistent with the State Health Plan as demonstrated by the applicant, comments from the Maine Centers for Disease Control and the Maine Quality Forum.

VII. Outcomes And Community Impact

A. From Applicant

The applicant provided material in support of the project. The most important points for this section are summarized be the applicant in a communication dated February 12, 2007.

"Safety is a key component of our application that we tried to stress in our original filing. This priority is described on pages 36 and 37 of the application. We comment on the combative and destructive behavior often displayed by the psychiatric population." Prompt, easily accessible emergency care will be maximized in our expanded ED, and risk to these patients and the general public will be reduced.

B. CONU Discussion

i. Criterion

Relevant criterion for inclusion in this section are specific to the determination that the project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

ii. Analysis

The Maine Center for Disease Control commented on the outcome of this project as follows: "Because the ED capacity will be increased and brought up to recommended size, improvements in quality of services, confidentiality and outcome measures should be evident at this hospital."

By improving quality, St. Mary's will be able to improve community outcomes. Patients that are currently unwilling to wait because of perceived delays or cultural issues may be seen by a physician to eliminate infectious disease threats and prevent more illness. The CONU repeats the concerns of the Maine Quality Forum that St. Mary's needs to develop measurable outcome goals.

iii. Conclusion

The project encompasses improvements to a facility that clearly, in its current condition, can not continue to meet the communities need for services. These services are being delivered in a less than optimal setting and continued stress to the system occurs from overcrowding and obsolete facilities. In the future this will exacerbate the problem and reduce quality to an unacceptable level. Services are not being made available in an orderly and efficient manner encompassing the best practices and materials available. Because of the unique population to be served by this project a need exists for improved physical spaces and an expanded psychiatric emergency service. In order to ensure these outcomes and as a condition of this Certificate of Need, St. Mary's should develop and report quantitative measures improving outcomes as recommended by the Maine Quality Forum as part of its semi-annual progress reports.

CONU recommends that the Commissioner determine that the project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers.

VIII. Service Utilization

A. From Applicant

"According to AHA Hospital Statistics 2006 (page 87), the ED use rate in Maine was 540.2/1000 population in 2004. This is higher than the 2000 rate, but below the 2001, 2002 and 2003 rates. Maine utilization is much higher than the US overall. St. Mary's and CMMC share a full service area (primary and secondary) of Androscoggin, Franklin and Oxford counties when looking at ED utilization. St. Mary's behavioral service and CMMC's trauma and cardiovascular services are drawing ED visits from throughout the tri-county area (and beyond). Therefore, if [one] look[s] solely at Androscoggin county [the affect would be to] artificially inflate ED use rates."

B. CONU Discussion

i. Criterion

Relevant criterion for inclusion in this section are specific to the determination that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum.

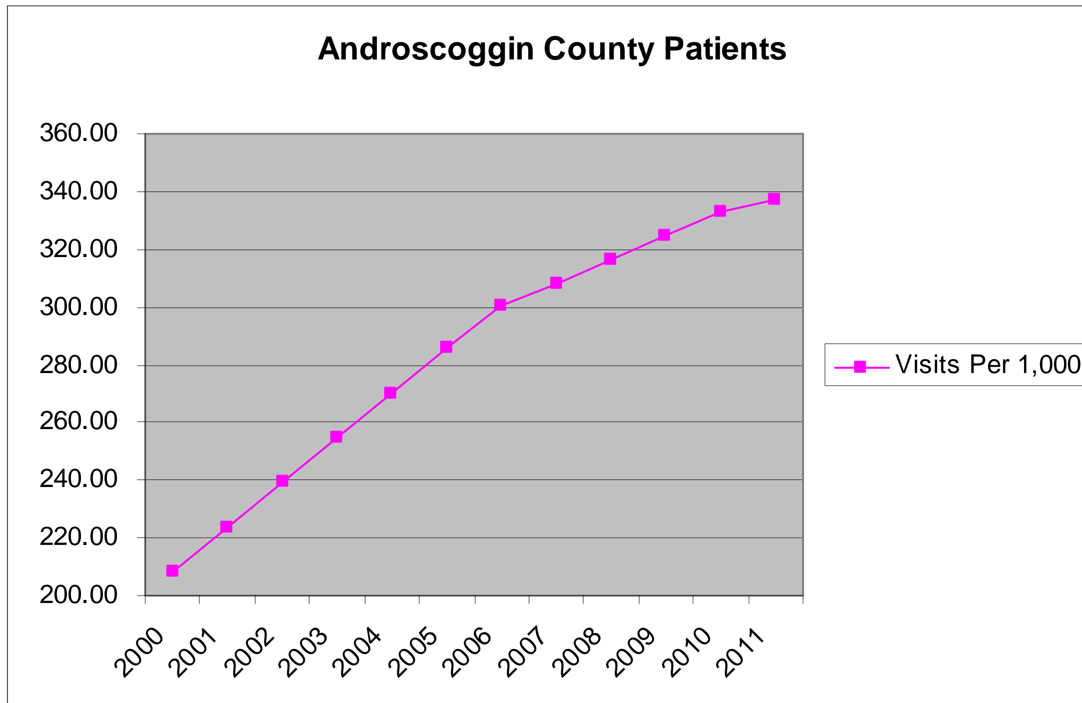
ii. Analysis

The Maine Quality Forum determined that the applicant has arrived at a complimentary range of services with its local competitor (Central Maine Medical Center). The expansion of services in this application are not expected to adversely impact the quality of similar services in the community. St. Mary's plans to expand and renovate the ED in order to accommodate current and future needs.

In regards to current conditions the department was built in the early 1990's to accommodate approximately 20,000 visits per year according to the applicant. The applicant reported that current volume is expected to exceed 31,000 visits in 2006.

However, the calculations set forth in the application show that 2006 admissions need to be 32,400 in 2006 to reach the 37,000 level by 2011 at the projected rate. The Bureau of Planning reports that the population of Androscoggin County is expected to grow by 5,000 persons over this 11 year period. This indicates a surge in ER visits per capita of the county as seen in Chart A. Currently; there are 3.3 persons in the county per ER visit. This is projected to continue its downward trend to 3.0 persons by 2011.

Chart A



Over the last 5 years (2000-2005) ED volume has increased 42%, or an average of 8.4% per year. This is at a time where population in Androscoggin County from 2000-2004 was growing at a 0.8% annual rate according to the Maine State Planning Office. Annual visits in 2000 were 21,608. In 2005 they totaled 30,686. This growth has occurred even as St. Mary's has aggressively developed primary care and prevention services to address inappropriate utilization of emergency services. It is important to note that the major shift in this dynamic has already occurred.

During this same period St. Mary's has also seen an increase in the percentage of its total admissions coming from the ED. In 2000, 46.56% of hospital admissions (3,026) came through the ED. In 2006, 58.29% of hospital admissions (4196 annualized) have come through the ED.

More than 27% of the increased ED visits will come from behavioral health patient visits (1,000 vs. 3650. Currently, behavioral health ED visits make up 12.5% of ED visits. St. Mary's reports

that the nearest alternative to major emergency care, CMMC has also seen significant increased visits to its ED in the past six years. St. Mary's reports that in 2005 CMMC had more than 43,000 visits to its ED. St. Mary's points to five drivers that have helped increase the numbers of ER visits. The first is aging of the population. St. Mary's indicates that this portion of the population is expected to increase from 13.9% of Mainers to 18.5% by 2010. St. Mary's also opines that demand for primary care exceeds current supply. This position was not supported by articles or other corroborating information. A third driver of increased visits was a growth in the uninsured population.

A major improvement to the physical set-up of the ED is planned for the section dedicated for emergency use. The treatment of complex behavioral patients are referred primarily from the service area but were reported by staff as to also come from mostly anywhere in the state. St. Mary's has approximately 5,000 referrals annually into the Behavioral Health intake office. These referrals occur when other provides lack the resources to meet the needs of a patient in crisis. Often these referrals result in an emergency visit at St. Mary's. 13.5% of ED patient volume is comprised of behavioral patients.

As a result, of the Bates vs. DHHS consent decree, in October 2006, St. Mary's expects a greater influx of patients requiring increased attention. With the contract with the State of Maine to provide emergency involuntary behavioral inpatient care, the current physical layout will not provide adequate safety for this parent population or others at St. Mary's ED.

The applicant mentions and discusses the development of its expanded Psychiatric Emergency Service. The implications of the costs and developed savings are discussed in the staffing portion of this analysis.

The Maine Quality Forum (MQF) in its assessment of the project presented its opinion the applicants "present ED facility does not support services necessary to fulfill its designation as the behavior health provider for its region."

iii. <u>Conclusion</u>

The project encompasses improvements to a facility that does not result in increased utilization.

CONU recommends that the Commissioner determine that the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum.

IX. Other

A. Funding in Capital Investment Fund

B. CONU Discussion

i. Criteria

Relevant criteria for inclusion in this section are related to the needed determination that the project can be funded within the Capital Investment Fund

ii. Analysis

The large hospital project cycle is a competitive cycle. The capital investment fund has been introduced to limit the development of hospital projects to a level sustainable in regards to its impact on the growth of healthcare costs.

iii. Conclusion

The project encompasses improvements to a facility that clearly in its current condition can not continue to meet demands for services. CONU recommends that the project be approved under the CIF.

X. Timely Notice

Letter of Intent filed:	September 21, 2006
Subject to CON review letter issued:	September 26, 2006
Technical assistance meeting held:	October 17, 2006
CON application filed:	December 15, 2006
CON certified as complete:	December 21, 2006
Public Information Meeting Held:	January 17, 2007

St. Mary's filed a Letter of Intent for this project on September 22, 2006. Upon notification of CON applicability, a technical assistance conference was scheduled. This conference occurred on October 16, 2006. Representing CON interests at this meeting were Division Director Catherine Cobb, CON Manager Phyllis Powell, Analysts Larry Carbonneau and Steven Keaten, and Dr. Dennis Shubert from the Maine Quality Forum.

St. Mary's was represented by CEO Lee Myles, SOCHS CEO James Cassidy, SOCHS VP Planning and Marketing René Dumont, and Attorneys John Doyle and John Geismar. St. Mary's

representatives provided an overview of the proposed project, and CON representatives highlighted key issues to be addressed in the CON application. The technical assistance meeting proved beneficial to St. Mary's staff, and the feedback provided has been incorporated throughout the application. St. Mary's also received communication from the CONU on December 7, 2006. This correspondence provided additional information and clarification to assist with the preparation of the CON application. St. Mary's has attempted to address these requirements as well.

XI. Findings and Recommendations

Based on the preceding analysis, the CONU recommends that the Commissioner make the following findings and recommendations:

A. That the applicant is fit, willing and able to provide the proposed services at the proper standard of care as demonstrated by, among other factors, whether the quality of any health care provided in the past by the applicant or a related party under the applicant's control meets industry standards;

B. The economic feasibility of the proposed services is demonstrated in terms of the:

1. Capacity of the applicant to support the project financially over its useful life, in light of the rates the applicant expects to be able to charge for the services to be provided by the project; and
2. The applicant's ability to establish and operate the project in accordance with existing and reasonably anticipated future changes in federal, state and local licensure and other applicable or potentially applicable rules;

C. There is a public need for the proposed services as demonstrated by certain factors, including, but not limited to;

1. Whether, and the extent to which, the project will substantially address specific health problems as measured by health needs in the area to be served by the project;
2. Whether the project will have a positive impact on the health status indicators of the population to be served;
3. Whether the services affected by the project will be accessible to all residents of the area proposed to be served; and
4. Whether the project will provide demonstrable improvements in quality and outcome measures applicable to the services proposed in the project;

D. That the proposed services are consistent with the orderly and economic development of health facilities and health resources for the State as demonstrated by:

1. The impact of the project on total health care expenditures after taking into account, to the extent practical, both the costs and benefits of the project and the competing demands in the local service area and statewide for available resources for health care;

2. The availability of State funds to cover any increase in state costs associated with utilization of the project's services; and
3. The likelihood that more effective, more accessible or less costly alternative technologies or methods of service delivery may become available;

In making a determination under this subsection, the commissioner shall use data available in the state health plan under Title 2, section 103, data from the Maine Health Data Organization established in chapter 1683 and other information available to the commissioner. Particular weight must be given to information that indicates that the proposed health services are innovations in high quality health care delivery, that the proposed health services are not reasonably available in the proposed area and that the facility proposing the new health services is designed to provide excellent quality health care.

E. That the project is consistent with the State Health Plan;

F. That the project ensures high-quality outcomes and does not negatively affect the quality of care delivered by existing service providers;

G. That the project does not result in inappropriate increases in service utilization, according to the principles of evidence-based medicine adopted by the Maine Quality Forum; and

H. That the project can be funded within the Capital Investment Fund.

This project should 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.