



150 YEARS
OF ADVANCING
PUBLIC
HEALTH

Massachusetts Department of Public Health

Consolidation under Determination of Need WEBINAR

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October 25, 2019

Today's Webinar

- Outline how Consolidation will change the way DPH will accept DoN Applications
- Provide examples of how Consolidation will work
- Answer questions you have about Consolidation

Purpose of the DoN

- **Encourage competition & development of innovative health delivery methods & population health strategies within the health care delivery system**
- **....ensure that resources will be made reasonably and equitably available to every person ...at the lowest reasonable aggregate cost**
- **...advance goals for cost containment, improved public health outcomes, and delivery system transformation**



What is Consolidation?

Simply put, Consolidation requires Health Care Facilities submit DON applications differently.

- It requires consolidating capital expenditures and/or changes in service planned over a single FFY into one DoN application
- There are specifics around how applicants are to categorize expenditures/changes in service when filing a consolidated application
- Consolidated applications are required beginning October 1, 2019

New DoN regulations 2017

100.715: Substantial Capital Expenditure and Substantial Change in Service

<https://www.mass.gov/files/documents/2018/12/31/jud-lib-105cmr100.pdf>

(A) Substantial Capital Expenditure. Effective October 1, 2019 , an Application for Substantial Capital Expenditure must be submitted when the total of any Capital Expenditures, excluding those Capital Expenditures consisting of construction defined as a Conservation Project, by a Health Care Facility, as that term is defined in 105 CMR 100.100, for any construction ... reasonably foreseeable during the course of a single Federal Fiscal Year, exceed, or may be reasonably regarded as likely to exceed, the Expenditure Minimum with Respect to Substantial Capital Expenditures when consolidated over the course of a single Federal Fiscal Year. Such Applications must also include all proposed Substantial Changes in Service consolidated over the same Federal Fiscal Year. An Applicant may separately submit an Application for those Capital Expenditures consisting solely of construction defined as a Conservation Project that, when consolidated over the course of a single Federal Fiscal Year, exceed the Expenditure Minimum with Respect to Substantial Capital Expenditures. A Hospital or comprehensive cancer center ...may separately submit an Application for Substantial Capital Expenditure for those Capital Expenditures concerned solely with outpatient services other than Ambulatory Surgery and not otherwise defined by the Department as DoN -required Equipment or DoN -required Services; provided that such an Application includes all such reasonably foreseeable Capital Expenditures across all locations on the Health Care Facility License that exceed the Expenditure Minimum with Respect to Substantial Capital Expenditures when consolidated over the course of a single Federal Fiscal Year. Such Applications must also include all planned Substantial Changes in Service consolidated over the same Federal Fiscal Year.



(B) Substantial Change in Service. Effective October 1, 2019 , a Health Care Facility...that is not required to submit an application ...but proposes any reasonably foreseeable Substantial Change in Service over the course of a single Federal Fiscal Year, must submit an Application for any Substantial Change in Service that consolidates all such Substantial Changes in Service at the Health Care Facility over that Federal Fiscal Year. A Hospital or comprehensive cancer center ...may separately submit an Application for Substantial Change in Service for outpatient services; provided that such an Application consolidates all such reasonably foreseeable Substantial Changes in Service across all locations on the Health Care Facility License over the course of a single Federal Fiscal Year.

Guidance Posting and Public Comment

Added clarifications

Final posted
October 4, 2019

<https://www.mass.gov/files/documents/2019/10/10/don-consolidation-guideline-final.pdf>

 <p>The Commonwealth of Massachusetts Executive Office of Health and Human Services Department of Public Health Determination of Need Program 250 Washington Street Boston, MA 02108</p> <p>CHARLES D. BAKER Governor</p> <p>KARYN E. POLITO Lieutenant Governor</p> <p>MARYLOU SUDDERS Secretary</p> <p>MONICA BHAREL, MD, MPH Commissioner</p> <p>PUBLIC COMMENTS ARE BEING ACCEPTED ON THIS MEMORANDUM Public Comments will be accepted for 14 days, ending on September 10, 2019. Comments should be sent to: dph.don@state.ma.us</p>	
<p>M E M</p> <p>TO: Determination of Need Applicants</p> <p>FROM: Margo Michaels MPH, Director</p> <p>DATE: August 23, 2019</p> <p>RE: Consolidated Applications</p> <p>Effective October 1, 2019 and pursuant to 105 CMR 100.705 (DoN) will be required to submit Proposed Projects with reasonably foreseeable capital expenditures for a single Federal Fiscal Year (FFY). This includes the Facility's main location and any satellite sites on its license. Applicants seeking to file Proposed Projects must provide information as to how the proposed expenditures meet the DoN factors and the Applicant's plan to demonstrate Sufficient Interest in the Site or Facility and evidence it has commenced the process to obtain any necessary municipal authorization within a date certain as necessary to meet the requirements of 105 CMR 100.310(A)(6)(a), or no later than 12 months after the date of the Notice of Determination of Need.</p>	 <p>The Commonwealth of Massachusetts Executive Office of Health and Human Services Department of Public Health Determination of Need Program 250 Washington Street Boston, MA 02108</p> <p>CHARLES D. BAKER Governor</p> <p>KARYN E. POLITO Lieutenant Governor</p> <p>MARYLOU SUDDERS Secretary</p> <p>MONICA BHAREL, MD, MPH Commissioner</p> <p>MEMORANDUM</p> <p>TO: Determination of Need Applicants</p> <p>FROM: Margo Michaels MPH, Director</p> <p>DATE: October 4, 2019</p> <p>RE: Consolidated Applications</p> <p>Effective October 1, 2019 and pursuant to 105 CMR 100.715, Applicants for a Determination of Need (DoN) will be required to submit Proposed Project applications that consolidate all planned or reasonably foreseeable Capital Expenditures or Substantial Changes in Service for a licensed Health Care Facility during a single Federal Fiscal Year (FFY). This includes the Facility's main location and any satellite sites on its license.</p> <p>Applicants seeking to file Proposed Projects that include location(s) that do not yet meet the requirements of 105 CMR 100.705 must provide adequate information as to how the proposed expenditures meet the DoN factors and the Applicant's plan to demonstrate Sufficient Interest in the Site or Facility and evidence it has commenced the process to obtain any necessary municipal authorization within a date certain as necessary to meet the requirements of 105 CMR 100.310(A)(6)(a), or no later than 12 months after the date of the Notice of Determination of Need.</p>
	<p>1. Determining if Capital Expenditures at a Health Care Facility Require a DoN Application</p>

Do we need to complete a DoN Application for Capital Expenditure?

- Take a look at your planned expenditures over the Federal Fiscal year
 - add them up...
 - see if total costs for any category exceed \$ minimum

Planned or reasonably foreseeable Capital Expenditures across 6 different categories

- Category 1: Non -Conservation Inpatient
- Category 2: Non -Conservation Outpatient

- Category 3: Conservation Inpatient
- Category 4: Conservation Outpatient

- Category 5: Non -Conservation at a Long -Term Care Facility
- Category 6: Conservation at a Long -term Care Facility

Do we need to complete a DoN Application for Substantial Changes in Service?

- Will either become incorporated into Application for Capital Expenditure
- Or, if for a particular category, you don't need a Capital Expense, all Substantial Changes in Service need to complete a DoN

Planned or reasonably foreseeable Substantial Changes in Service across 3 different categories

- Category 7: Inpatient Substantial Change in Services
- Category 8: Outpatient Substantial Change in Services
- Category 9: Substantial Change in Services at a Long-term Care Facility

Capital Expenditures Minimum \$ Thresholds

Updated yearly on the DON website

Currently:

- ~\$18M for Capital Expenditures at hospitals and comprehensive cancer centers
- ~30M for Outpatient Service Expenditures and Acquisitions
- ~\$2M for Capital Expenditures at other health care facilities

Situation 1

Hospital A is building a Tower for inpatient services including ICU, a new inpatient cardiac floor, and MRI to support these services. In addition, the Hospital is doing routine maintenance on other sections of the hospital on the same campus, affecting only outpatient services.

- Cost for tower: \$20 million
- Cost for routine maintenance: \$18 million



Add up to see if it is > than Minimum Thresholds

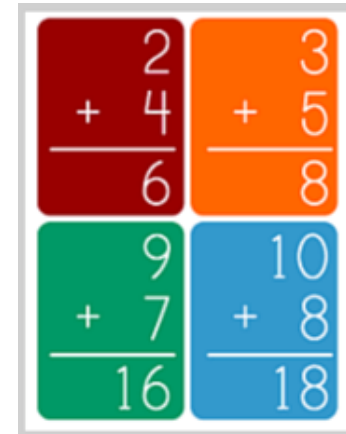
How should they handle their DoN Application?

Only apply for the Tower, because the routine maintenance is outpatient conservation below the \$30 million threshold

Situation 2

Hospital B is expanding services to include a new Ambulatory Surgical Wing and a Emergency New Room, and extensive expansion of their MED/SURG services. In addition at a satellite location the hospital is adding a outpatient cardiac service.

- Cost for Ambulatory: \$30 million
- Cost for ED: \$27 million
- Expansion of Med/Surg: \$19 million
- Outpatient Cardiac Clinic: \$6.5 million



**Add up to
see if it is
> than
Minimum
Thresholds**

How should they handle their DoN Application? They could do 1 or 2 applications

1-includes everything

OR

1- outpatient and ambulatory surgery, and cardiac

2- the other with expansion of Med/Surg and ED

Situation 3

Hospital A is revising its plans to build a Tower for inpatient services including ICU, a new inpatient cardiac floor, and MRI to support these services. This will be in 3 phases, over a 3 year period.

- Total cost for tower: 20 million → exceeds minimum thresholds

In year 3, the hospital decides they also need to reduce the number of double rooms to single rooms, at a cost of \$23 million

How should they handle their DoN Application?

- Apply once for the Tower. Once it is approved, no additional Application is required. On year 3, the hospital must apply for DoN approval for the inpatient construction.

Today's call ...

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- Provide some examples of how Consolidation will work
- Answer questions you have about Consolidation

Questions?





MASSACHUSETTS DEPARTMENT OF PUBLIC HEALTH

Determination of Need Consolidation

Questions?

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