

STAFF REPORT TO THE PUBLIC HEALTH COUNCIL FOR A DETERMINATION OF NEED	
Applicant Name	Tenet Healthcare Corporation
Applicant Address	1999 Bryan Street, Suite 900
Date Received	July 26, 2018
Type of DoN Application	Substantial Change in Service
Total Value	\$4,191,369.00
Ten Taxpayer Group (TTG)	None
Community Health Initiative (CHI)	\$209,568.45 (all statewide)
Staff Recommendation	Approval
Public Health Council (PHC) Meeting Date	December 12, 2018

Project Summary and Regulatory Review

The Applicant is Tenet Healthcare Corporation (Tenet or Applicant), a for profit corporation with a principal location in Dallas, Texas. The Application concerns Tenet’s subsidiary, Saint Vincent Hospital (SVH) located in Worcester, MA. SVH is an acute care teaching hospital and proposes to expand its behavioral health (BH) services by adding seven inpatient psychiatric beds and adding a BH area to its emergency department (ED).

The Proposed Project is a Substantial Change in Service as that term is defined in the DoN Regulation 105 CMR 100.000. For hospitals, Substantial Change is Service includes: the Addition or Expansion of, or Conversion to “(b) Any services that may be provided by facilities that are not Hospitals”: in this case, psychiatric services, which may be provided by DMH licensed facilities. The DoN regulation requires that in reviewing an application for Substantial Change in Service the Department must determine that need exists for a Proposed Project, on the basis of material in the record, where the Applicant makes a clear and convincing demonstration that the Proposed Project meets each Determination of Need factor set forth within 105 CMR 100.210. This staff report addresses each of the six factors set forth in the regulation.

The Department received no public comment on the application.

Background

SVH states that it provides a continuum of psychiatric and substance use disorder (SUD) (collectively, behavioral health or BH) care. This continuum includes thirteen licensed and operating psychiatric beds at its main campus; 24-hour access to emergency mental health evaluation and SUD care; a partial hospital program (PHP) which they say helps BH patients transition from inpatient to outpatient care; and an intensive outpatient program (IOP) to help BH patients following the PHP level of care. SVH seeks to expand its number of inpatient psychiatric beds and renovate its Emergency Department (ED) to include a BH area (collectively, the Proposed Project) in order to address high volumes as evidenced by annual patient counts and patient visit volume. Tenet submits patient panel data for the last three fiscal years which it says demonstrates that SVH has experienced a 45.9% increase in the number of total unique BH inpatients and outpatients treated, a 78.4% increase in total combined inpatient and outpatient visits, and a 24.7% increase in BH ED patient visits from FY15 to FY17. Tenet asserts that SVH experiences high inpatient occupancy rates, with inpatient beds full 91% of the time, and extended wait and boarding times in the ED. Tenet asserts that extended boarding impacts access, quality and outcomes and causes increased costs, all of which issues are to be addressed by implementation of the Proposed Project.

Analysis

Factors 1 and 2

Factor 1 of the DoN regulation asks that the Applicant address patient panel need, public health value, and operational objectives of the Proposed Project. Under factor 2 of the regulation, the Applicant must demonstrate that the project will meaningfully contribute to the Commonwealth's goals for cost containment, improved public health outcomes, and delivery system transformation. Under factor 1, the Applicant must provide evidence of consultation with government agencies that have licensure, certification or other regulatory oversight which, in this case, has been done and so will not be addressed further in this staff report. This analysis will approach the remaining requirements of factors 1 and 2 by describing each element of the Proposed Project and how each element complies with those parts of the regulation.

Patient Panel and Need

Tenet, a national healthcare corporation with facilities in 47 states suggests, and staff agrees, that patient panel information for its two Massachusetts hospitals is the relevant metric to assess need for the proposed project.¹ Over the past 36 months, an average of over 200,000 unique patients per year utilized all of Tenet's services in Massachusetts. SVH alone provides services to approximately 91,000 patients annually across all services. The Massachusetts patient mix (like the patient mix at SVH, alone) is approximately 42% male and 58% female; the majority (61%) of patients is between the ages 18-74; 31% is over age 65; and between 7-8% is under the age of 17. Self-reporting on race reflects that the panel is 70% White; 11% Hispanic/Latino; 4.5% Black; 2.8 % Asian. Approximately 11% of the patient population in 2017 opted not to report their race or self-identified as a race that did not align with the surveyed categories. Tenet points out, therefore, that the racial composition may be understated. Patient origin across all

¹ The Two Massachusetts Acute Care Hospitals are SVH and Metro West Medical Center, the latter of which includes Leonard Morse Hospital and Framingham Union Hospital.

services indicates that about 98% reside in Massachusetts and that almost 63% of the visits are for patients from the MetroWest and Central regions of the state (including, mostly, Worcester and Framingham). The payer mix data reveals that almost 55% of the visits are for patients that are covered by Medicare/Managed Medicare, or MassHealth/Managed MassHealth; fewer than 40% are for commercially insured patients, with the remaining 5% either self-pay or covered by another type of insurance.

Tenet also provided patient panel data for the BH population at SVH which they determined was largely consistent with the demographic data for the Tenet Massachusetts and the SVH population with the exception that the payer mix reflects about 55% commercial insurance (compared to 40% in the broader population) and just under 43% Medicare/MassHealth coverage (as compared to about 50% in the broader population) and that in the BH population there is a larger percentage of patients from Worcester – just under 56% (compared to about 43% for the SVH populations in all services).

Tenet describes two factors giving rise to the need for this project: an increase in the numbers of patients and of unique visits; and an increase in the acuity of inpatients, resulting in longer lengths of stay. While the number of unique patients rose about 46% from 2015 to 2017, overall patient visits across the inpatient and outpatient BH settings increased by 78.4% between 2015 and 2017: from 552 BH visits in 2015 to 985 BH visits in 2017. Tenet reports that the SVH inpatient capacity runs at about 91% and at the same time acknowledges that there has been a significant shift of patients and visits from inpatient to the outpatient setting and a concomitant decrease in inpatient visits. Tenet attributes this shift to implementation of the outpatient BH programs (PHP and IOP) in 2015 and to the increase in the number of higher acuity BH patients which results in an increase in average length of stay; slower turnover and less availability of inpatient beds; and higher ED boarding rates.

Tenet points to rates of increase in Massachusetts in mental health and substance use disorders, citing data from the National Survey on Drug Use and Health (NASDUH) and the Behavioral Risk Factor Surveillance System (BRFSS) from 2016 which evidence an increase in Massachusetts and in national prevalence of people living with a mental illness or a serious mental illness. Tenet also looks to the 2015 Worcester Community Assessment of Mental Health Needs in support of the proposition that Worcester residents over the age of 18, experience poor mental health at rates that are higher than Massachusetts as a whole. Finally, Tenet points to 2018 data from the Massachusetts Department of Mental Health (DMH) which indicates that hospital beds for patients with psychiatric conditions are not distributed evenly across the state and that Central Massachusetts has a lower bed-to-person ratio in comparison to other regions.² Tenet also points to the increasing number of opioid-related discharges which, while growing throughout Massachusetts, more than doubled in central Massachusetts.³

Public Health Value (access and outcomes)

² DMH Licensed Hospitals, MA DEPARTMENT OF MENTAL HEALTH (May 1, 2018), <https://www.mass.gov/files/documents/2018/05/04/dmh-licensed-hospitals-list.pdf>

³ MA HEALTH POLICY COMMISSION, OPIOID USE DISORDER REPORT UPDATES 7 (Aug. 2017), available at <http://www.mass.gov/anf/budget-taxes-and-procurement/oversight-agencies/health-policy-commission/publications/20170822-opioid-chart-pack.pdf>

Tenet argues that implementation of this project will address access to services and the barriers to care created by the lack of capacity and delays in admission for treatment. Citing a survey of EDs in Massachusetts as well as data from the Health Policy Commissions (HPC), Tenet states that BH patients in Massachusetts who present in the ED and require hospital admission wait nearly four times longer for an inpatient bed and five times longer for a transfer to another facility as compared to medical/surgical patients.⁴ Tenet asserts that the wait for inpatient treatment drives delays and ED crowding. Further Tenet asserts that boarding in an ED can exacerbate the symptoms of a BH crisis with patients having to be restrained to gurneys, placed in corners or cubicles, surrounded by flashing lights, loud noises, and subjected to hectic activity all of which can be agitating and fear provoking.

The proposed project addresses what Tenet describes as input factors; such as how patients arrive at and move through the ED, and output factors; which Tenet describes as the availability of inpatient beds. Input is affected by volume, acuity, and type of patient and Tenet states that it has experienced an increase in all three. To address these inputs, Tenet proposes a redesign of the ED space to accommodate “streaming” in the ED. Tenet describes streaming as regionalization of the ED in which patients are regionalized in separate geographic areas and work streams within the ED based on condition. Tenet argues that streaming is a throughput intervention that is documented in literature as an effective solution to boarding. In accordance with this practice, Tenet proposes to renovate the SVH ED to include an eight-bay BH section clinically staffed 24 hours a day, 7 days a week and which Tenet argues will allow ED BH medical staff to evaluate patients in a safe, patient-centered environment. Tenet argues that these dedicated BH treatment stations will decrease its patient walkout rate and decrease overall ED crowding by creating efficiencies that allow BH patients to be promptly evaluated and moved out of the ED to an appropriate care setting as soon as possible. As discussed below, Tenet also argues that by decreasing boarding, SVH will reduce costs to patients.

On the output side, Tenet asserts that expanding inpatient capacity will, in addition to reducing crowding and boarding in the ED, also improve care and outcomes for patients. Tenet notes that hospitalization, as a part of a spectrum on mental health services, is not required for every patient but can be effective for patients with severe illness. Tenet cites literature describing a variety of evidence-based treatment interventions that are available in the inpatient setting for the proposition that the ability to offer access to inpatient treatment will help patients optimize mental health, stabilize severe symptoms and learn new ways to cope in a safe and controlled environment.⁵ Senior leadership at SVH determined that seven additional beds were appropriate for the Proposed Project based on available space at the hospital. The current occupancy rate of 91% will be sustained by the Proposed Project – increasing from thirteen beds that allow for 4,318 patient days (91% occupancy) to twenty beds that will account for 6,643 patient days (91% occupancy). At the same time that the inpatient capacity is increased, SVH states that its senior

⁴Massachusetts Health Policy Commission, BEHAVIORAL HEALTH-RELATED EMERGENCY DEPARTMENT Boarding IN MASSACHUSETTS 8-10 (Nov. 2017), available at <http://www.mass.gov/anf/budget-taxes-and-procurement/oversight-agencies/health-policy-commission/publications/20171113-hpc-ed-boarding-chart-pack.pdf>; Mark D. Pearlmutter et al., *Analysis of Emergency Department Length of Stay for Mental Health Patients at Ten Massachusetts Emergency Departments*, 70 ANNALS EMERGENCY MED. 193 (2017), available at [https://www.annemergmed.com/article/S0196-0644\(16\)31217-3/pdf](https://www.annemergmed.com/article/S0196-0644(16)31217-3/pdf)

⁵ *Behavioral Health Treatments and Services*, SUBSTANCE ABUSE & MENTAL HEALTH SERVICES ADMIN., <https://www.samhsa.gov/treatment> (last updated Sep. 20, 2017) and SAGINAW COUNTY COMMUNITY MENTAL HEALTH AUTHORITY, A GUIDE TO EVIDENCE-BASED PRACTICES FOR ADULTS WITH MENTAL ILLNESS 67 (Sep. 2005), available at <https://www.sccmha.org/userfiles/filemanager/260/>

leadership and clinical staff will be evaluating the demand for PHP and IOP services to determine if an expansion is warranted due to increased demand after implementation of the Proposed Project.

Tenet proposes to assess the impact of the Proposed Project by looking at wait and ED boarding times, as well as readmission rates. In addition, Tenet believes that the addition of the proposed seven beds will allow SVH to admit more BH patients and decrease the overall transfer rate of BH patients out of SVH.

Tenet asserts that implementation of the Proposed Project will not affect accessibility to services for the poor, and/or MassHealth eligible individuals, and will increase access to high quality BH services for underserved patients and individuals facing barriers to care. In this context Tenet points to studies that indicate that for people living below poverty level, rates of depression are much higher than those at or above the poverty level. Tenet points to studies that show that while trends for overall rates of BH treatment have increased nationwide, the gaps in access to BH services between African-Americans, Latinx, and non-Latinx whites continue to persist.⁶ To promote health equity for all patients and eliminate gaps in service, SVH describes certain programs which it asserts help to address barriers to care and ensure timely follow-up care is provided. SVH points to its Care Continuity program within its ED. Through this program, ED-based care coordinators meet with patients to assist them in establishing follow-up appointments with primary care and/or specialty physicians. The care coordinators notify the patient's primary care physician and/or care team that the patient has been seen in the ED and should be contacting their provider for a follow-up appointment. Post-discharge, these care coordinators contact the patient to remind and confirm that the patient has made follow-up appointments.

To address gaps in service for all inpatients, SVH provides social work and case management services through pre-discharge visits. At these visits, social workers or case managers meet with patients to address any post-discharge needs, such as transportation, housing and/or food assistance, as well as to ensure patients can afford any medications that have been prescribed. All of SVH's social work and case management staff have received cultural and sensitivity training to ensure appropriate care for all patients. In the context of the SVH Partial Hospitalization Program ("PHP"), the patient is assessed by a community counselor for ongoing BH support needs, such as medication management and social determinant of health factors and a plan is implemented to meet the patient's needs.

Efficiency and effectiveness, continuity and coordination of care, and care and delivery system transformation.

Tenet describes a continuum of care through which BH patients transition from inpatient to the outpatient setting. Upon discharge from inpatient, a patient can transition to the Partial Hospitalization Program

⁶ LAURA A. PRATI & DEBRA J. BRODY, CTRS. FOR DISEASE CONTROL & PREVENTION, DEPRESSION IN THE U.S. HOUSEHOLD POPULATION, 2009-2012 (NCHS DATA BRIEF No. 172) (Dec. 2014), *available at* <https://www.cdc.gov/nchs/data/databriefs/db172.pdf>; Larry Shushansky, *Disparities Within Minority Mental Health Care*, NAT'L ALLIANCE ON MENTAL HEALTH (Jul. 31, 2017), <https://www.nami.org/Blogs/NAMI-Blog/July-2017/Disparities-Within-Minority-Mental-Health-Care>; Benjamin Le Cook et al., *Trends in Racial-Ethnic Disparities in Access to Mental Health Care, 2004--2012*, 66 PSYCHIATRIC SERVICES 9 (2017), *available at* <https://ps.psychiatryonline.org/doi/full/10.1176/appi.ps.201500453>

(PHP), open five days a week. PHP is both a transition from inpatient, and an alternative program for BH patients seeking treatment in the ED who are in need of a structured treatment plan but do not pose a danger to themselves or others. PHP offers a program for dual diagnosis patients (SUD and mental health) and one for primary mental health. The Intensive Outpatient Program (IOP) is a step-down from the PHP for adults. PHP operates three to five days per week depending upon demand and transitions patients from PHP back to their own day-to-day. Tenet also describes its case management approach and linkages to primary care which it states prevents unnecessary readmissions and provides BH patients with resources to combat relapses. Tenet states that case management and other formal linkage processes will continue upon implementation of this Proposed Project.

Competitiveness and Cost Containment

Tenet argues that implementation of the proposed project will allow SVH to meet the high demand for BH services. This will, they assert, ensure timely access to inpatient psychiatric services, and reduce costlier avenues of care, such as prolonged boarding times in the ED, as well as the transfer of patients to alternative psychiatric facilities. Tenet cites studies which show that the average cost of psychiatric patient boarding is approximately \$100 per hour - with the average boarded psychiatric patient generating costs up to \$1,198.56. They suggest that when the costs of lower bed turnover are factored in, the total cost per boarded patient can increase to \$2,264 per patient.⁷ Tenet points out that the costs rise based upon increased boarding times and that being able to expedite transfer of BH patients from the ED to an inpatient psychiatric bed will reduce costs for the patient as well as allow SVH to admit more patients, decreasing the expense of having to transfer a patient from the ED to an alternative facility. Tenet argues that the creation of a regionalized area within SVH's ED for BH patients will also lead to cost efficiencies through increased throughput, access to timely care, as well as appropriate staffing patterns. Finally, Tenet argues that the IOP follows patients from inpatient to outpatient setting, offering appropriate care in a lower cost community setting

Community Engagement

Tenet states that in contemplation of this proposed expansion, SVH's leadership sought feedback from the Hospital's Patient Family Advisory Council ("PFAC") meeting twice, on November 15, 2017 and again on March 21, 2018, to discuss the need for expanded BH services in Central MA and at SVH. Tenet indicated that PFAC members had a lengthy discussion around the need for enhanced BH services in the inpatient setting and PFAC supports the Proposed Project. This information was documented in meeting minutes.

Factor 3

Tenet has certified that it is in compliance and in good standing with federal, state, and local laws and regulations, including, but not limited to M.G.L. c. 30, §§ 61 through 62H and the applicable regulations thereunder, and in compliance with all previously issued notices of Determination of Need and the terms and conditions attached therein.

⁷ *The True Cost of Psychiatric Patient Boarding*, BEHAVIORAL HEALTH RESPONSE, <https://www.bhrworldwide.com/case-study-the-true-cost-of-psychiatric-patient-boarding/> (last visited May 4, 2018)

Factor 4

Factor 4 requires that the Applicant have provided sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs, and that the documentation be completed by an independent certified public accountant (CPA). Tenet submitted the report of Bernard L. Donohue, III, CPA (Donohue) who concluded that the projections for the SVH BH Unit are financially feasible for the Applicant. Donohue reviewed the actual operating results for Tenet, a publicly traded company based in Dallas Texas⁸, as well as the projections for the SVH BH Unit. Donohue indicated that he has drawn conclusions concerning the potential impact of the SVH BH Unit on Tenet as a whole assuming that Tenet continues to operate as it has for the past 2 ½ years for which Donohue received financial statements. Based upon his analysis of certain key metrics, Donohue has opined that the revenue growth projected by Management and the growth in operating expenses projected by the Applicant reflect reasonable estimations based primarily upon the Tenet's historical operations; that the pro-forma capital expenditures and resulting impact on Tenet cash flows are reasonable; and, finally, that because the impact of the proposed capital project at SVH represents a relatively insignificant portion of the operations and financial position of Tenet, Donohue determined that the Projections for the SVH BH Unit are not likely to result in insufficient funds available for capital and ongoing operating costs necessary to support the proposed project.

Factor 5

Factor 5 requires the Applicant to "describe the process of analysis and the conclusion that the Proposed Project, on balance, is superior to alternative and substitute methods for meeting the existing Patient Panel needs and addressing, at a minimum, the quality, efficiency, and capital and operating costs of the Proposed Project relative to potential alternatives or substitutes."

Tenet considered the implementation of fewer psychiatric beds at SVH facility and concluded that it would not allow SVH to meet the current demand for inpatient psychiatric services by its patient panel. Tenet states that the need for BH services (both psychiatric care and substance use disorder services) has increased over the last three fiscal years in the Commonwealth, as well as in SVH's service area, with ED BH visits at SVH rising nearly 25%, total BH patient boarding hours rising 46.3%, average ED boarding times for BH patients increasing 10.3%, and average length of stay for BH inpatients increasing nearly 25% due to higher acuity levels. Due to SVH's limited number of psychiatric beds, on a weekly basis, the Hospital is only able to accommodate approximately 20% of patients requiring admission for inpatient psychiatric care. For individuals that cannot be admitted to SVH, the hospital transfers patients to SVH's sister facility, MetroWest Medical Center, or other inpatient psychiatric providers in the state. Accordingly, the need for local, high quality BH services is critical to BH patients receiving timely treatment, achieving better quality

⁸ As a company whose stock is publicly traded, Tenet is restricted by securities laws from providing forward-looking guidance or projections. Providing projections for use in this DoN application would constitute material nonpublic information under the Securities Act of 1933 and the Securities Exchange Act of 1934.

outcomes and remaining in the outpatient setting. To meet this increased demand, Tenet argues, SVH must implement an appropriate number of beds.⁹

Factor 6

It is the intent of the relevant Guidelines which implement factor 6 to build on, and make use of, the CHNA/CHIPs supported as part of the AGO's Community Benefits Guidelines and/or federal IRS requirements for community benefits reporting (Schedule H, Form 990) routine community health planning activities required by IRS. It is not the intent of the Regulation or these Guidelines for any entity applying for a DoN to embark upon a separate, stand-alone Community Health Needs Assessment. Because the Applicant is not required to and otherwise does not conduct regular CHNAs/ CHIPs to fulfill standards set by the IRS or the AGO's Community Benefits program the CHI contribution shall be made to the CHI Statewide Initiative. In compliance with Factor 6 of the regulations, as a condition of approval, the Applicant will make payment in the amount of \$209,568.45 (5% of the total Capital Expenditure of the Proposed Project) to the DoN fund for Community Health Initiative Statewide Initiative pursuant to 105 CMR 100.210(6).

Findings and Recommendations

The Applicant has provided evidence that the Proposed Project is likely to improve patient access to care by expanding the number of inpatient psychiatric beds and renovating its ED to include a BH area; that the proposed project will support improved outcomes, access, and retain a commitment to health equity. The Applicant complies with factor 3; based upon the CPA analysis, the Proposed Project is financially feasible in the context of factor 4; the Proposed Project is appropriate for meeting the Patient Panel needs from the perspective of quality, efficiency, and capital and operating costs as required by factor 5.

Based upon a review of the materials submitted, and Tenet's compliance with the requirement to make a payment in the amount of \$209,568.45 (5% of the total Capital Expenditure of the Proposed Project) to the DoN fund for Community Health Initiative Statewide Initiative pursuant to 105 CMR 100.210(6), staff finds that the Applicant has met each DoN factor and recommends that the Department approve this Determination of Need application subject to all applicable standard conditions (105 CMR 100.310). In compliance with the provisions of 105 CMR 100.310(L) and (Q), which require a report to the Department, at a minimum on an annual basis, including the measures related to achievement of the DoN factors for a period of five years from completion of the Proposed Project, the Holder shall address its assertions with respect to the cost and quality and access benefits with appropriate metrics.

⁹ MetroWest Medical Center's Leonard Morse Campus has 86 psychiatric beds, including 48 adult psychiatrics beds, 14 child/adolescent psychiatric beds, and 24 geriatric psychiatric beds. Currently, the transfer rate to MetroWest Medical Center is approximately 34%. Additionally, approximately 43% of patients are transferred to other inpatient psychiatric providers in the state. Taking into consideration the projected increase in BH service demand through 2035, the Applicant anticipates that SVH will be able to admit an additional 4.7 patients per week for BH services following implementation of the Proposed Project.