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Director

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MINUTES
STATE HEALTH FACILITIES COUNCIL
THURSDAY, JULY 26, 2018
IOWA LABORATORY FACILITY, CONFERENCE CENTER, ROOM 208
DMACC CAMPUS, ANKENY

8:42 AM Roll Call

MEMBERS PRESENT: H.W. Miller, M.D, Chairperson; Roberta Chambers; Steve Dingle; Brenda Perrin and Connie Schmett.

STAFF PRESENT: Becky Swift and Laura Steffensmeier, Counsel for the State

I. PROJECT REVIEW

1. PHS Council Bluffs, Council Bluffs, Pottawattamie County: Build a 72 bed nursing facility
\$22,989,074

Staff Report by Becky Swift. The applicant was represented by Ed McIntosh, Dorsey & Whitney; and Mark Hudson, Allison Bass and Amber Rogers. The applicant made a presentation and answered questions posed by the Council. A motion by Dingle, seconded by Chambers to enter exhibits presented by the applicant in support of oral testimony into the record carried unanimously by voice vote.

Affected parties in opposition included Todd Muckey, Bethany Lutheran Home; Steve Chamley, Northcrest Living Center; and Mark Anderson, Midlands Living Center. The opposition made remarks and answered questions posed by the Council.

The applicant, represented by Ed McIntosh and Mark Hudson, provided rebuttal and made closing remarks.

A motion by Chambers, seconded by Dingle to Grant a Certificate of Need carried 4-1. Perrin voted no.

2. Mercy Behavioral Health Hospital, Polk County: Build a 100 bed freestanding joint venture behavioral health hospital
\$5,129,657

Staff report by Becky Swift. The applicant was represented by Ed McIntosh, Dorsey & Whitney; and Sandy Swanson, Dr. Sasha Khosravi, and Mary Thompson, Mercy Medical Center – Des Moines, and Karen Johnson, Universal Health Services, Inc. The applicant made a presentation and responded to questions posed by the Council. A motion by Perrin, seconded by Schmett to enter exhibits presented by the applicant in support of oral testimony into the record carried unanimously by voice vote.

Affected parties in support included, Robert Brownell, Polk County Board of Supervisors; Laurie Conner, Skiff Medical Center; Loretta Sieman, Community Activist; Mary Neubauer, Clive resident; Larry Loss, Clive resident; Peggy Huppert, NAMI Iowa; Anne Starr, Orchard Place; and Cindy Peeler, Dallas County Hospital. The affected parties made remarks and responded to questions posed by the Council.

No affected parties in opposition appeared at the hearing.

The applicant, represented by Ed McIntosh, Sandy Swanson and Karen Johnson made closing remarks and responded to question posed by the Council.

A motion by Dingle, seconded by Chambers to Grant a Certificate of Need carried 5-0.

II. 2019 COUNCIL MEETING DATES – PROPOSED

Chairperson Miller shared the tentative dates of the 2019 Health Facilities Council meetings and asked members to review their calendars and let Becky Swift know as soon as possible if they had a conflict. The tentative dates are:

February 20 and 21
May 15 and 16
July 17 and 18
October 23 and 24

A motion by Perrin, seconded by Schmett to adjourn was carried unanimously by voice vote.

The meeting adjourned at 12:08 PM.

3. PHS Council Bluffs intends to construct and operate a campus with a full continuum of care for its residents and it is expected that the nursing facility beds will meet the needs of those in its independent and assisted living area as they age in place. The project will also meet a portion of the unmet bed need in Pottawattamie County and surrounding area.
4. The 72 nursing beds will include 42 designated for long-term care, 12 dedicated for short-term transitional care, and 18 designed for high acuity memory care.
5. PHS Council Bluffs states that approximately 20% of residents in Presbyterian Homes and Services communities are low or very low income and that they have a benevolence fund to help bridge the gap between income and expenses. Noted during testimony was that 42% of the residents at the PHS facility in Williamsburg are on Medicaid.
6. All of the proposed beds will be dually certified for Medicare and Medicaid. In addition, staff will assist residents in obtaining other funding that may be available to them.
7. PHS Council Bluffs notes that based on PHS experience, one out of every seven persons in independent living will require nursing facility services at some point in their lives. They note that they will serve 78 residents in their independent and assisted living units, so approximately 11 nursing facility beds would be required to serve these residents. The remainder of the beds will help meet the need for beds in the service area.
8. In 2017, the number of individuals 65+ needing assistance in the primary service area, Pottawattamie County, was 11,722 and it is projected that this number will increase to 13,367 in 2022. The secondary service area will consist of the Omaha, Nebraska metropolitan area.
9. The nursing care center will offer home like settings with suites grouped in four neighborhoods, following the PHS Liberty model of care which puts the residents preferred schedule and preferences first. Each neighborhood will also reflect a home – like setting with living room and family space. There will be 66 private rooms and 3 semi-private for couples. Each room will have its own bathroom with shower.
10. The calculated bed need formula indicates a current underbuild in two of the five counties around Pottawattamie County. The underbuild for Pottawattamie County is 470 beds. Overall the six-county area, as calculated by the bed need formula is underbuilt by 474 beds. See the following table for additional bed information.

Nursing Facility Beds by County
Number Needed by CON Formula/Number Licensed/Difference

County	Projected 2023 Population Age 65+	# of NF Beds needed per bed need formula	# of licensed & approved NF Beds as of June 2018	Difference – Formula vs. Licensed & Approved*
Pottawattamie	17,088	962	492	-470
Cass	3,189	221	239	18
Harrison	3,470	241	291	50
Mills	3,230	226	107	-119
Montgomery	2,630	182	232	50
Shelby	2,914	201	198	-3
TOTALS	32,521	2,033	1,559	-474

*A positive (+) number means the county is overbuilt and a negative (-) indicates an underbuild

11. Over the span of the last three years, the total number of beds in the six county area has decreased by 140 beds. There has been a decrease of 130 beds in the past three years for Pottawattamie County. See the following table for additional details.

Nursing Facility Beds by County
Difference in Number Between June 2015 and June 2018

County	# of NF Beds (facilities) as of June 2015	# of NF Beds (facilities) as of June 2018	Difference in # of NF Beds
Pottawattamie	622 (7)	492 (6)	-130
Cass	239 (4)	239 (4)	0
Harrison	291 (4)	291 (4)	0
Mills	107 (2)	107 (2)	0
Montgomery	242 (4)	232 (4)	-10
Shelby	198 (3)	198 (3)	0
TOTALS	1,699 (24)	1,559 (23)	-140

12. There are currently 1,559 licensed and approved nursing facility beds in the six-county area, with 121 licensed beds in dedicated CCDI units. According to the Department of Inspections and Appeals, there are no nursing facility beds in hospital-based settings.

Number of CCDI Beds by County

County	# of CCDI Beds (facilities)
Pottawattamie	37 (2)

Cass	34 (2)
Harrison	18 (1)
Mills	0
Montgomery	0
Shelby	32 (2)
TOTALS	121 (7)

Data Sources: Department of Inspections & Appeals –
Summary of Long Term Care Facilities

13. PHS Council Bluffs projects a 53% occupancy in year one, and 93% occupancy in years two and three following its opening.
14. There are six nursing facilities in Pottawattamie County, ranging in occupancy from 95% (Northcrest Living Center) to 69% (Oakland Manor) for an average of 85%. Oakland Manor had a census of 69% and could not provide a reason for their low numbers. If this facility is suppressed, the overall census for the county increases to 88%. The five contiguous counties reported censuses ranging from 72% (Montgomery County) to 86% (Mills County). In the phone survey conducted in June, there were several facilities that reported a low daily census. Reasons provided included using semi-private as private rooms, closure of a unit, struggles with the census for the past year, and censuses being down in the area overall.

**Phone Survey of Nursing Facilities Located in Pottawattamie County
& Counties Contiguous to Pottawattamie County
Conducted June 2018**

Facility by County	Licensed Beds	Current Occupancy	Percent Occupied
Pottawattamie County			
Avoca Specialty Care	46	36	78%
Bethany Lutheran Home	121	114	94%
Midlands Living Center LLC	100	85	85%
Northcrest Living Center	62	59	95%
Oakland Manor	61	42	69%
Risen Son Christian Village	102	84	82%
TOTAL	492	420	85%
Cass County			
Atlantic Specialty Care	90	79	88%
Caring Acres Nursing & Rehab Center	46	30	65%
Griswold Rehab & Health Care Center	42	35	83%
Heritage House	61	59	97%
TOTAL	239	203	85%

Harrison County			
Dunlap Specialty Care	57	39	68%
Longview Home, Inc.	112	103	92%
Rose Vista Home	76	67	88%
Westmont Healthcare Community	46	30	65%
TOTAL	291	239	82%
Mills County			
Glen Haven Home	75	61	81%
On With Life at Glenwood	32	31	97%
TOTAL	107	92	86%
Montgomery County			
Accura Healthcare of Stanton	46	43	93%
Good Samaritan Society – Red Oak	82	56	68%
Good Samaritan Society – Villisca	46	38	83%
Red Oak Healthcare Community	58	29	50%
TOTAL	232	166	72%
Shelby County			
Elm Crest Retirement Community	71	64	90%
Little Flower Haven	53	30	57%
Salem Lutheran Home	74	53	73%
TOTAL	198	147	74%

15. The following table displays other levels of service available in the six-county area.

County	RCF Beds (Facilities)	Home Health Agencies	Adult Day Services	Assisted Living Units (Facilities)	ALP/D
Pottawattamie	36 (1)	3	0	466 (6)	236 (4)
Cass	43 (1)	1	0	206 (3)	0
Harrison	0	2	0	63 (3)	0
Mills	0	1	0	50 (1)	0
Montgomery	0	1	0	0	64 (1)
Shelby	40 (1)	1	50 (1)	64 (1)	0
TOTALS	119 (3)	9	50 (1)	849 (14)	300 (5)

Data source: DIA web site

16. There were two letters of support received. These letters, one from a local attorney and one from the director of case management at Methodist Jennie Edmundson, cite a shortage of skilled and long term beds for the residents of Council Bluffs, the growing aging population and the need for more choices to provide for the needs of the population. The letter from Jennie Edmundson further cites the closure of a nursing

facility several years ago creating a shortage of skilled and long term beds for residents of Council Bluffs, which has caused residents to be placed in facilities outside of the area causing hardship on the residents and family. This issue was also noted during testimony at the hearing.

17. There were four letters of opposition received. These letters from the administrators of Bethany Lutheran Home, Dunlap Specialty Care, Midlands Living Center and Northcrest Living Center cite static or declining occupancy rates, concerns about the availability of staff, the per day cost cited in the CB application and its contribution to financial spend down and increased numbers of participants in the Iowa Medicaid program, concerns about whether CB will serve low income persons, and the proximity to nursing facilities in the Omaha area as reasons for their opposition. Many of these same issues were brought forth by opposition during the hearing.
18. PHS Council Bluffs noted during testimony, that the three homes appearing in opposition to the project were built in the 1970's in an institutional model and that none are CCRC's. Also noted was that Dunlap Specialty Care, which submitted a letter in opposition, is roughly 50 miles from the PHS Council Bluffs site.
19. PHS Council Bluffs will enter into transfer agreements with local hospitals prior to its opening.
20. PHS Council Bluffs will need 74 personnel, including 46 nursing staff, for the nursing facility. They state they will work with the Iowa Western Community College healthcare department to recruit staff. They also note that due to their proximity to Iowa Western, they will offer the facility for training opportunities for Nursing, Dietary, CNA, Medication Aide, and other career paths at the college. PHS Council Bluffs notes they provide on-campus training for new staff which includes education reimbursement for staff to obtain additional training. They also provide a competitive package of salary and benefits to staff. During testimony it was stated that PHS Council Bluffs is not concerned about staffing the new facility.
21. During testimony it was noted that 40% of all PHS leadership is filled from within and that career development opportunities are offered.
22. PHS Council Bluffs will fund the start-up of the project from a combination of cash on hand and an equity contribution from Presbyterian Homes and Services. The applicant proposes building a 45,797 square foot facility, with 23,840 square feet dedicated to resident rooms, 66 of which will be private and three semi-private. The applicant notes \$1,615,000 in site costs, \$18,148,028 in facility costs, \$1,250,000 in movable equipment, and \$1,976,046 in financing costs for a total of \$22,989,074. The applicant indicates a turn-key cost of \$319,293.

23. The applicant does not anticipate an operating deficit after year one.

CONCLUSIONS OF LAW

In determining whether to issue a certificate of need, the Council considers the eighteen criteria listed in Iowa Code § 135.64(1)(a)-(r). In addition, the legislature has provided that the Council may grant a certificate of need only if it finds the following four factors exist:

- a. Less costly, more efficient or more appropriate alternatives to the proposed institutional health service are not available and the development of such alternatives is not practicable;
- b. Any existing facilities providing institutional health services similar to those proposed are being used in an appropriate and efficient manner;
- c. In the case of new construction, alternatives including but not limited to modernization or sharing arrangements have been considered and have been implemented to the maximum extent practicable;
- d. Patients will experience serious problems in obtaining care of the type which will be furnished by the proposed new institutional health service or changed institutional health service, in the absence of that proposed new service.

1. The Council concludes that less costly, more efficient or more appropriate alternatives to the proposed health service are not available and the development of such alternatives is not practicable. The Council concludes that there are no other appropriate alternatives available, and that the CCRC model will allow residents of PHS Council Bluffs to age in place and serve the community. The Council notes the letter from Jennie Edmundson which states there are no appropriate accommodations in the Council Bluffs area for their patients needing skilled or long-term care. The Council further notes the high occupancies of the facilities that appeared in opposition to the project. Iowa Code Sections 135.64(1) and 135.64(2)a.

2. The Council concludes that existing facilities providing health services similar to those proposed will continue to be used in an appropriate and efficient manner and will not be impacted by this project. According to the Bed Need Formula there is a current underbuild in two of the five counties around Pottawattamie County. The underbuild for Pottawattamie County is 470 beds. Overall the six-county area is underbuilt by 474 beds. The phone survey conducted by Department staff in June 2018 indicates an overall occupancy in Pottawattamie County of 85%. The Council traditionally requires utilization over 85% to indicate appropriate occupancy rates of long term care facilities. Here, the County utilization rate of 85% along with little opposition from existing facilities and opposition at the hearing having censuses of 85% or higher supports a conclusion that existing facilities are being utilized in an efficient manner. Iowa Code Sections 135.64(1) and 135.64(2)b.

3. The Council concludes that the proposed project includes building a 45,797 square foot facility, with 23,840 square feet dedicated to resident rooms, 66 of which will be private and

three semi-private. The Council further concludes that alternatives including modernization and sharing arrangements have been considered and implemented to the maximum extent practicable. Iowa Code Sections 135.64(1) and 135.4(2)c.

4. The Council concludes that patients will experience serious problems in obtaining care of the type which will be furnished by the proposed health service, in the absence of that proposed service. The Council notes that that PHS Council Bluffs will be a CCRC built in the PHS Liberty household model of care, including private rooms with bathrooms. The Council further notes that at least half of the existing facilities in Pottawattamie County are not CCRC's, but are older facilities built in an institutional model. The Council also notes the loss of skilled and long-term nursing beds in the county, which has caused individuals to be placed outside of Council Bluffs or Pottawattamie County, creating hardships for residents and their families. High county occupancy further supports the conclusion that patients will experience serious problems obtaining care if the project was denied. Iowa Code Sections 135.64(1) and 135.64(2)d.

The facts, considered in light of the criteria contained in Iowa Code Section 135.64 (1 and 2) (2017), led the Council to find that a Certificate of Need should be awarded.

The decision of the Council may be appealed pursuant to Iowa Code Section 135.70 (2017).

It is required in accordance with 641 Iowa Administrative Code 202.12 that a progress report shall be submitted to the Iowa Department of Public Health six (6) months after approval. This report shall fully identify the project in descriptive terms. The report shall also reflect an amended project schedule if necessary.

The Certificate of Need is valid for a twelve (12) month period from the date of these findings. This is subject to the meeting of all requirements of the Iowa Department of Public Health. Requests for extension of a Certificate of Need must be filed in writing to the Iowa Department of Public Health from the applicant no later than forty-five (45) days prior to the expiration of the Certificate. These requests shall fully identify the project and indicate the current status of the project in descriptive terms.

No changes that vary from or alter the terms of the approved application including a change in the approved dollar cost shall be made unless requested in writing to the department and approved. Failure to notify and receive permission of the department to change the project as originally approved may result in the imposition of sanctions provided in Iowa Code section 135.73 (641 Iowa Administrative Code 202.14).

Dated this 7 day of September 2018


H.W. Miller, M.D., Chairperson
State Health Facilities Council
Iowa Department of Public Health

cc: Health Facilities Council
Department of Inspections & Appeals, Health Facilities Division

2. The hospital will serve children, adolescents, adults and older adults with inpatient and intensive outpatient services (partial hospitalization and intensive outpatient programs). The proposed hospital will serve patients experiencing a behavioral health crisis that cannot be treated in a less restrictive or intensive environment in the community.
3. Both Mercy and UHS will contribute cash and business value to the new hospital.
4. In keeping with Mercy's mission and values, all patients presenting for evaluation at the new hospital will be assessed and treated as indicated regardless of their ability to pay, race, ethnicity, age or handicap.
5. Mercy states that the proposed project will build on its existing commitment to serve vulnerable populations in central Iowa, including refugees and immigrants. They further state that Mercy has been a key participant in addressing health disparities among vulnerable populations.
6. Based on historical Mercy payor mix the joint venture anticipates the following: 3% private pay, 13% Medicare, 52% Medicaid (both traditional and managed), 31% HMO, and 1% other. They plan to contract with Medicare, Medicaid and commercial insurance; they will also provide charity care and financial counseling for those without insurance coverage.
7. The hospital anticipates serving patients primarily from 43 counties in central Iowa, with Polk, Dallas and Warren Counties comprising the primary service area and Boone, Story, Marshall, Jasper, Marion and Madison comprising the secondary service area; the remaining counties are the tertiary service area. Due to a lack of behavioral health beds in the state, it's possible that patients from outlying counties will also seek care and be served by the addition of these beds.
8. In the central Iowa area (43 counties surrounding Des Moines), there are currently 259 inpatient behavioral health beds; approximately 19 beds per 100,000 population. National studies estimate a bed need of approximately 50 beds per 100,000 population. The applicant states that by 2022, the population of the central Iowa area is expected to grow by more than four percent to 1.4 million, which equates to a total need for approximately 706 inpatient behavioral health beds for central Iowa by 2022, or 447 more beds than are currently available.
9. Mercy currently operates 34 behavioral health beds at its downtown Des Moines campus, and these beds operate at greater than 87 percent occupancy, frequently requiring patients who present to the emergency department for behavioral health services to wait for a bed to become available at Mercy or elsewhere. These beds will remain open and will be operated by the joint venture. The applicant notes that if approved, the joint venture will be licensed as 134-bed psychiatric hospital with 100 of the beds located at the new hospital to be constructed.

10. Maintaining the 34 beds at Mercy's downtown location will provide care for patients with mental illness who also have medical issues best addressed in close proximity to acute medical hospital services. In addition to Mercy, UnityPoint Health and Broadlawns offer inpatient behavioral health services. It was noted that neither UnityPoint nor Broadlawns appeared at the hearing in opposition to this project. Also, the letter received from Brown Winick on behalf of UnityPoint did not oppose the project, but rather raised the question about the IMD exclusion and payment.
11. The hospital will also have mobile assessor teams that will provide on-site psychiatric evaluation by a licensed professional within approximately one hour of request. The teams will be available 24/7, and will support Emergency Departments, Nursing Homes, and Courts across the service area. Also provided will be Teleassessment Services, which provides rapid access to psychiatric evaluation via a tele-video service using secure, encrypted, HIPAA compliant technology to conduct level of care assessments. Teleassessments will be made by licensed behavioral health specialists and will be available to facilities located in communities outside the immediate greater Des Moines metro area. In addition, the applicant will employ a team of Community Liaisons who will serve as the primary contact with external stakeholders who are engaged in some way with behavioral health; this position will establish connections with possible referral sources to the facility and they will identify/connect with resources in the community that can support patients post discharge from inpatient care.
12. The projected average length of stay at the proposed hospital is six days. The applicant projects 4,904 admissions and 80 percent occupancy by year three.
13. A Complex Service Needs Workgroup was convened in December 2017 by the Iowa Department of Human Services ("DHS"). The workgroup made recommendations regarding mental health, disability and substance use disorders and supports and recommended that the DHS and community hospitals with inpatient psychiatric programs identify additional tertiary psychiatric hospitals. In March 2018, the Iowa Legislature and Governor enacted legislation to pursue implementation of the Workgroup's recommendations.
14. There were two alternatives considered, but ultimately rejected. These included a smaller building, which would not meet the documented demand for behavioral health services; and renovating or building-out existing space. Mercy does not have additional space for renovation or build-out, as their facilities are occupied with established medical services that meet other needs in the community. Also, the building where behavioral health services are currently housed is more than 40 years old, so options for expansion are limited and the site cannot be renovated to create a modern building.
15. Iowa is divided into fourteen Mental Health and Disability Services ("MHDS") regions that provide core mental health services. The applicant's proposed project covers several of the MHDS regions.

16. The Iowa Department of Human Services supports a psychiatric bed tracking system, a tool that allows healthcare institutions the ability to locate beds when mental health inpatient treatment is needed.
17. On three dates in June 2018 (June 20, 23 and 28), according to the bed tracking system, there were an average of three adult inpatient psychiatric beds available and four child/adolescent inpatient beds available in the nine counties comprising the primary and secondary services areas of the proposed hospital, Statewide, there was an average of 46 adult psychiatric beds available and 15 child/adolescent psychiatric beds available for the three June dates.
18. Section 1905(a)(B) of the Social Security Act defines an IMD as any hospital, nursing facility, or other institution of more than 16 beds, that is providing diagnosis, treatment, or care of persons with mental diseases for over 50 percent of the patients in the facility. The IMD exclusion states that no federal Medicaid payment can be made for services provided to individuals between 21 and 65 years of age in an IMD.
19. In May 2016, the Centers for Medicare and Medicaid Services implemented new rules related to the IMD exclusion. Based on feedback provided by DHS on October 10, 2016, the Centers for Medicare and Medicaid Services adopted a new managed care rule that allows the DHS to make monthly capitation payments to managed care organizations meeting certain specification. Correspondence has taken place since then with the DHS regarding whether freestanding behavioral health hospitals will qualify for the Medicaid payment. In correspondence, dated July 19, 2018, DHS notes, "If the IMD is properly licensed, Medicaid enrolled, and under contract with an MCO to provide in lieu of services to qualify for payment, the Department will authorize Medicaid payment for adult inpatients receiving services in the proposed hospital."
20. The site in Clive for the proposed hospital is in close proximity to the intersections of interstates 35, 80 and 235. These main traffic arteries run north/south and east/west across the state allowing patients and their families' convenient access to the services offered by the joint venture. Also, the potential exists for the provision of other services, such as mobile assessment and tele-psych, which may ease travel burdens or eliminate it in certain situation.
21. The applicant provided 13 letters of support for the proposed hospital in the application. In addition there were 27 letters provided with the response to staff questions. These letters, from healthcare providers, community service organizations, government officials, and educators, cite the following in support of the project: inadequate local behavioral health services; the need to transport patients/clients out of the area for care and the challenge of finding appropriate transportation; long waits for assessment and care at existing hospitals due to full capacity, the Des Moines area having only 156 psychiatric beds that are full every day; Mercy beginning a four resident/four year residency program for psychiatry in 2019 with an option to increase the number of residents per year in the program; and the importance of community collaboration to enhance access to psychiatric care. In addition, eight affected parties appeared at the hearing in support of the application. Testimony cited the general lack of mental health beds, the cost of transporting patients to other facilities across the state, the long wait times for people needing mental health beds, the commitment

by Mercy to psychiatric care via the residency program, and the inability to treat mental health patients in the emergency department.

22. An affected party in support of the proposal from the Polk County Board of Supervisors indicated at the hearing that it costs the county nearly \$500,000 a year in law enforcement costs to transport patients to mental health facilities in other parts of the state. He further stated that the hospital needs to be in Polk County.
23. There were four letters/emails of opposition provided. One letter, from Brown Winick Law on behalf of UnityPoint Health –Des Moines, cites the lack of confirmation regarding whether the hospital would be able to accept adult Medicaid patients between the ages of 21 and 64 due to the federal “IMD exclusion.” They note that the Council needs specific written assurances related to this issue to determine the impact the proposed inpatient psychiatric hospital would have on the community. This issue was resolved in the letter from DHS on July 16, and in emails from the Managed Care Organizations who indicated they intend to contract with the hospital.
24. The remaining three letters were from community members who cite UHS not being a company with a good reputation or record, concerns that there was not enough time for Clive citizens to react to the proposal, whether other locations have been considered, the feel that this is a “money grab,” wanting to know if there is a better location or better partner, concern over UHS being a for profit organization, and the need being better served by the existing Mercy West hospital in West Des Moines as reasons for their opposition. It was noted that no affected parties in opposition appeared at the hearing.
25. At five year maturity, the hospital is projected to employ the 190 FTE’s, to include 140 clinical and 50 support staff. They state that they will seek to fill the majority of the positions with professionals from Mercy and through established UHS and Mercy recruitment efforts.
26. In July 2018, Mercy will host the inaugural class of its new psychiatric residency program. During the next four years the program will grow to a full complement of 16 residents. The program is designed to train high-quality physicians who will remain in Iowa. Mercy notes their partnership with Mercy College of Health Science in Des Moines, and indicated that of the 314 students who participated in the spring 2018 commencement ceremony, approximately 60 percent were in nursing.
27. The proposed hospital will be an approximately 73,000 square foot structure with a one-story clinical and support services area, and three-story bed unit. There will be six patient areas, with two units on each floor. Each patient room will be sized to accommodate two beds and has a patient toilet and shower room. Each patient unit will have a nurse work area that has direct access and visibility to the primary therapy area. The hospital will also have support areas (e.g., emergency services/assessment, admin, business office, kitchen, etc.) and an Outpatient Department for one-on-one and group therapy.

28. Patient safety will be the most important element of the hospital design, with each area of the facility plan being assessed for the appropriate level of risk. The applicant states that the risk levels follow the nationally published Behavioral Health Design Guide (Edition 7.2).
29. The hospital will be financed through a third party real estate investment trust ("REIT"), which will received a lease payment from the joint venture formed by Mercy and UHS. The total project cost is \$5,129,657, which includes \$2,838,000 in equipment for the new hospital and the first year REIT lease payment of \$2,291,657. The applicant notes that they have \$2,838,000 cash on hand for the furniture, fixtures and equipment; information systems; and a vehicle.
30. The lease payments will be funded with initial investments from the joint venture partners and from on-going operating funds. The new joint venture will lease the building under a 20-year lease, with five 10-year extension options.
31. The applicant does not project an operating deficit after year one.

CONCLUSIONS OF LAW

In determining whether to issue a certificate of need, the Council considers the eighteen criteria listed in Iowa Code § 135.64(1)(a)-(r). In addition, the legislature has provided that the Council may grant a certificate of need only if it finds the following four factors exist:

- a. Less costly, more efficient or more appropriate alternatives to the proposed institutional health service are not available and the development of such alternatives is not practicable;
 - b. Any existing facilities providing institutional health services similar to those proposed are being used in an appropriate and efficient manner;
 - c. In the case of new construction, alternatives including but not limited to modernization or sharing arrangements have been considered and have been implemented to the maximum extent practicable;
 - d. Patients will experience serious problems in obtaining care of the type which will be furnished by the proposed new institutional health service or changed institutional health service, in the absence of that proposed new service.
1. The Council concludes that less costly, more efficient or more appropriate alternatives to the proposed health service are not available and the development of such alternatives is not practicable. The Council was convinced by compelling testimony from the affected parties in support that existing facilities are not meeting the need for inpatient psychiatric services in central Iowa. The Council noted the testimony from the member of the Board of Supervisors regarding the significant cost to the County for law enforcement to transport patients to other facilities across the state. The Council further concluded that Mercy and UHS considered

alternatives, such as a smaller building and renovation of the existing behavioral health unit at Mercy but found that none of these alternatives met the needs for psychiatric patients in central Iowa. Iowa Code Sections 135.64(1) and 135.64(2)a.

2. The Council concludes that existing facilities providing health services similar to those proposed are being used in an appropriate and efficient manner and will be not impacted by this project. The Council notes that based on data provided in application that there are 259 psychiatric beds in central Iowa, and that due to population growth, by 2022 there will be a need for 706 inpatient behavioral health beds in central Iowa, or 447 more beds than are currently available. The Council further notes that there was no opposition from existing providers of psychiatric services to the addition of the beds. Iowa Code Sections 135.64(1) and 135.64(2)b.

3. The Council concludes that the proposed project involves the construction of a 73,000 square foot structure with a one-story clinical and support services area, and three-story bed unit. They further note that the psychiatric hospital will be built with each area of the facility plan being assessed for the appropriate level of risk. The Council concludes that alternatives such as building a smaller facility and modernization of an existing building have been considered and implemented to the maximum extent practicable. Iowa Code Sections 135.64(1) and 135.4(2)c.

4. The Council concludes that patients will experience serious problems in obtaining care of the type which will be furnished by the proposed by the new institutional health service or changed health service, in the absence of that proposed service. The Council concludes that the letters and testimony from family members and advocates for those with mental illness establishes the serious difficulties persons with mental illness have encountered and will continue to encounter in obtaining treatment if this project is not approved. The Council also notes the long waits for mental health beds and the need to transport central Iowans out of the area for psychiatric treatment, indicate a lack of resources in the central Iowa area and provides further evidence of the problems patients have experienced in obtaining inpatient services in this region. Iowa Code Sections 135.64(1) and 135.64(2)d.

The facts, considered in light of the criteria contained in Iowa Code Section 135.64 (1 and 2) (2017), led the Council to find that a Certificate of Need should be awarded.

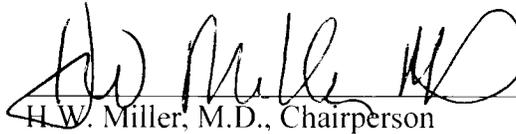
The decision of the Council may be appealed pursuant to Iowa Code Section 135.70 (2017).

It is required in accordance with 641 Iowa Administrative Code 202.12 that a progress report shall be submitted to the Iowa Department of Public Health six (6) months after approval. This report shall fully identify the project in descriptive terms. The report shall also reflect an amended project schedule if necessary.

The Certificate of Need is valid for a twelve (12) month period from the date of these findings. This is subject to the meeting of all requirements of the Iowa Department of Public Health. Requests for extension of a Certificate of Need must be filed in writing to the Iowa Department of Public Health from the applicant no later than forty-five (45) days prior to the expiration of the Certificate. These requests shall fully identify the project and indicate the current status of the project in descriptive terms.

No changes that vary from or alter the terms of the approved application including a change in the approved dollar cost shall be made unless requested in writing to the department and approved. Failure to notify and receive permission of the department to change the project as originally approved may result in the imposition of sanctions provided in Iowa Code section 135.73 (641 Iowa Administrative Code 202.14).

Dated this 7 day of September 2018



H.W. Miller, M.D., Chairperson
State Health Facilities Council
Iowa Department of Public Health

cc: State Health Facilities Council
Iowa Department of Inspections and Appeals:
Health Facilities Division