

HEALTH SERVICES AND DEVELOPMENT AGENCY

MINUTES *

May 25, 2016

AGENCY MEMBERS PRESENT

Johnson, D. Lynn, Chair
Wright, James, Vice-Chair
Doolittle, Robert S.
Burns, Charlotte
Fleming, Martin, M.D.
Mills, Thom
Grandy, Joe
Ridgway, Corey
Gaither, Keith, designee for the TennCare Director
Jordan, Lisa, designee for the Commissioner of Commerce and Insurance

ABSENT

Harding, Jaclyn, designee for the Comptroller of the Treasury

AGENCY STAFF PRESENT

Hill, Melanie, Executive Director
Ausbrooks, Mark, Administrative Assistant III
Christoffersen, Jim, General Counsel
Craighead, Alecia, Statistical Analyst III
Earhart, Phillip, HSD Examiner
Farber, Mark, Deputy Director
Finchum, Rhonda, Administrative Officer

COURT REPORTER

Daniel, April

GUESTS PRESENT

Bowen, Joe, CFO, TriStar Centennial Medical Center
Bozeman, Andy, Controller, TriStar Centennial Medical Center
Brent, Michael D., Esq., Bradley Arant Boult Cummings, LLP
Culp, Joe, CON Program, TDH
Darling, Cory, COO, TriStar Hendersonville Medical Center
Davis, Dennis, Chief Legal Officer, Lauderdale Community Hospital
Duncan, Bruce, Assistant Vice President, National HealthCare Corporation
Elrod, Dan, Esq., Butler Snow
Estes, Blake, Executive Director, Planning, Saint Thomas Health Services
Hardy, Tammy, CEO, Lauderdale Community Hospital
Jolley, Bill, VP, THA
Kohl, Kathy, RN Director of NICU Services, Erlanger Children's Hospital
Lane, Chuck, CFO, Methodist University Hospital
Liebman, Jeffrey CEO, Methodist University Hospital
Marger, Brian, COO, TriStar Centennial Medical Center
Mattus, Janina, Imaging Manger, TriStar Centennial Medical Center
Merville, LaDonna, Vice President, Hospital Alliance of Tennessee
Mescan, Jed, Media/Marketing, Erlanger Health System
Mueller, Don, FACHE, CEO, Erlanger Children's Hospital
Nusbaum, Paul, President, RCHA-Lauderdale Community Hospital
Reed, Ann, R., RN., BSN, MBA, Director of Licensure, TDH, Division of Health Care Facilities
Sansing, Trent, CON Director, TDH

Scott, Chris, Director of Strategic Planning, RCHA
Skaggs, Trent, Executive Vice President, Lauderdale Community Hospital
Tahboub, Samir, Director, RCHA-Lauderdale Community Hospital
Taylor, Jerry W., Esq., Burr & Forman
Thompson, Pamela, M.D. FACHE, Chief Nursing Executive, Erlanger East Hospital
Tongate, Scott, Lauderdale Community Hospital
Trauger, Byron R., Esq., Trauger & Tuke
Tutor, Andrea, Planning Analyst, Methodist HealthCare
Vetter, Stacia, Assistant Vice President, National HealthCare Corporation
Weidenhoffer, Carol, Senior Director of Planning Research and Development, Methodist HealthCare
Wellborn, John L., Consultant, Development Support Group
Winick, Joseph, FACHE, Senior Vice President, Planning, Erlanger Health System

ROLLCALL TO ESTABLISH QUORUM

Mr. Johnson requested roll call to establish quorum.

PRESENT: Jordan, Mills, Gaither, Ridgway, Doolittle, Wright, Burns, Fleming, Grandy, Johnson

Ten (10) members present.

DIRECTOR'S ANNOUNCEMENTS

Melanie Hill, Executive Director, made general announcements regarding the following:

- 1) Instructions were provided for those providing testimony on the scheduled agenda items;
- 2) The Agency will hear Mountain States Health Alliance's appeal of the Administrative Law Judge's Initial Order granting a certificate of need to SBH-Kingsport at the June Agency meeting.
- 3) The June meeting has one application scheduled for now, July has three and the August meeting has the possibility of five.
- 4) Due to the situation effective July 1, a reduction in the number of meetings per year will need to be discussed including moving the July agenda items to the August or September agenda.

APPROVAL OF MINUTES

Mr. Johnson presented April 27, 2016 minutes for approval.

Mr. Wright moved for approval of the minutes as presented. Ms. Burns seconded the motion. The motion CARRIED [10-0-0]. **APPROVED by unanimous voice vote**

AYE: Jordan, Mills, Gaither, Ridgway, Doolittle, Wright, Burns, Fleming, Grandy, Johnson
NAY: None

STATE HEALTH PLAN UPDATE

Jeff Ockerman, Division of Health Planning, Department of Health, presented a brief update as follows:

1. The nearly final draft on Freestanding Emergency Department standards have been sent out for comment.
2. Information for the Organ Transplant Services Criteria and Standards has been sent out.
3. As part of a CMS grant with TennCare, a statewide population health improvement plan regarding Obesity, Tobacco Cessation, Diabetes, Perinatal Health, and Children's Health, is to be included in the State Health Plan. The Neonatal Intensive Care Unit Standards and Standards for Psychiatric Inpatient

Services will also be included in the State Health Plan update, which is expected to be updated in August or September.

CERTIFICATE OF NEED APPLICATIONS

Mark Farber summarized the following CON Applications:

Children's Hospital at Erlanger and Erlanger East Hospital, Chattanooga (Hamilton County), TN – CN1601-002

Ms. Burns recused.

The initiation of a 10 bed Level 3 Neonatal Intensive Care service, through the transfer of 10 medical/surgical beds from Erlanger Medical Center to Erlanger East Hospital located at 1755 Gunbarrel Road in Chattanooga (Hamilton County), TN, 37416 and reclassification of the 10 beds as Level III Neonatal Intensive Care beds. These beds will be built in 8,805 sf of new construction resulting in a project cost in excess of \$5M. If approved, the licensed bed complement of Erlanger East Hospital will increase from 113 to 123 total beds. The project does not contain the acquisition of major medical equipment or the initiation or discontinuance of any other health service. The estimated project cost is \$7,021,555. **Deferred from April 2016 meeting.**

Joseph M. Winick, Senior Vice President, Planning. Erlanger Health System, addressed the Agency on behalf of the applicant.

Previously not speaking but responding to Agency member questions were: Kathy Kohl, RN Director of NICU Services, Erlanger Children's Hospital and Dr. Pamela Thompson, FACHE- Chief Nursing Executive, Erlanger East Hospital.

Summation waived.

Mr. Doolittle moved for approval of the project based on the following: 1) Need – Is demonstrated both by the occupancy rates in the NICU in both Erlanger East and the main Erlanger facility. Furthermore, the demand to complete the suite of NICU services in Erlanger East as a major improvement in the convenience for the fastest growing side of the Chattanooga area and from the east and southern direction from there; 2) Economic Feasibility – Is demonstrated by the profit and loss of the existing facilities and the financial strength of the Erlanger organization; and 3) The project does contribute to the orderly development of adequate and effective health care by providing a demonstrably-needed service in an area of Chattanooga, east and south, which geographically is more contiguous than perhaps downtown or going west. Mr. Wright seconded the motion. The motion CARRIED [9-0-0]. **APPROVED**

AYE: Jordan, Mills, Gaither, Ridgway, Doolittle, Wright, Fleming, Grandy, Johnson
NAY: None

CAH Acquisition Company 11, LLC d/b/a Lauderdale Community Hospital, Ripley (Lauderdale County), TN – CN1601-004

The construction and replacement of a 25 bed Critical Bed Access Hospital located at 326 Asbury Avenue, Ripley (Lauderdale County), TN 38063. The estimated project cost is \$20,262,987.

Tammy Hardy, CEO, Lauderdale Community Hospital and Scott Tongate, Former CFO, Lauderdale Community Hospital, addressed the Agency on behalf of the applicant.

Previously not speaking but responding to Agency member questions was Dennis Davis, Chief Legal Officer, RCHA.

Summation waived.

Ms. Burns moved for approval of the project based on the following: 1) Need – There is a need for this project due to the age and condition of the current facility; and as a result of the facility's age and infrastructure challenges that Mr. Tongate mentioned, significant facility upgrades or additions were not financially feasible therefore a replacement of the facility is indicated; 2) Economic Feasibility –It is economically feasible with the use of a commercial loan and the new market tax credits and the fact that it is a Critical Access Hospital with cost reimbursement. Projections are positive in years one and two; and 3) The project does contribute to the orderly development of adequate and effective health care by providing a new updated hospital to care for patients locally, preventing them from having to travel long distances for healthcare. The new facility will also be designed to be more operationally efficient and allow for future expansion. Ms. Jordan seconded the motion. The motion CARRIED [10-0-0]. **APPROVED**

AYE: Jordan, Mills, Gaither, Ridgway, Doolittle, Wright, Burns, Fleming, Grandy, Johnson
NAY: None

TriStar Centennial Medical Center, Nashville (Davidson County), TN – CN1602-008

Ms. Burns and Mr. Ridgway recused.

To acquire an additional 1.5 Tesla MRI unit at a cost in excess of \$2 million. The project will also renovate existing space of the imaging department located on the 1st floor of the hospital inpatient tower. If approved, the proposed unit will be 1 of 4 MRI units operated under the hospital's license on the main hospital campus at 2300 Patterson Street, Nashville, TN, 37203. The estimated project cost is \$3,128,317.

Jerry Taylor, Esq., addressed the Agency on behalf of the applicant.

Summation waived.

Mr. Wright moved for approval of the project based on the following: 1) Need – The need is met based on the numbers we have seen on the average utilization, which exceeds the optimum standards as directed by the State Health Plan; 2) Economic Feasibility – will be met by cash reserves of the parent corporation; and 3) Orderly development is met in that the project will have no impact on other providers and it will help alleviate stresses on the current utilization of the machines and to help meet future demand based upon population growth. Mr. Mills seconded the motion. The motion CARRIED [8-0-0]. **APPROVED**

AYE: Jordan, Mills, Gaither, Doolittle, Wright, Fleming, Grandy, Johnson
NAY: None

Methodist Healthcare-Memphis Hospitals d/b/a Methodist University Hospital, Memphis (Shelby County), TN CN1602-009

Dr. Fleming and Mr. Ridgway recused.

Modification of a hospital requiring a capital expenditure greater than \$5 million and the addition of major medical equipment. The construction and renovation of approximately 470,000 square feet of space at Methodist University Hospital located at 1211-1265 Union Avenue in Memphis (Shelby County), TN 38104. The project involves the onsite replacement and modernization of the hospital campus including the construction of a new patient tower and an adjacent building to consolidate ambulatory services. The project will not increase or decrease the hospital's existing 617 licensed beds. Of the 617 licensed beds, 204 beds will be relocated to the new patient tower and 28 medical-surgical beds will be converted for use as critical beds. As a part of the project, the hospital will add an interoperative, GE Discovery 3.0 Tesla MRI unit (iMRI), an Elekta Versa Linear Accelerator unit and will relocate existing PET, CT and infusion equipment and services. The estimated project cost is \$280,000,000.

Byron Trauger, Esq., and Jeffrey Liebman, CEO, Methodist University Hospital, addressed the Agency on behalf of the applicant.

Summation waived.

Ms. Burns moved for approval of the project based on the following: 1) Need – There is a need to provide up-to-date state-of-the-art new facilities and equipment, due to age and condition of the current buildings and utilization of the current equipment. The project will also provide highly specialized technology and neuro-surgical procedures. In addition there is a need to reallocate med-surg beds to critical care beds to improve patient flow, wait times and patient outcomes. Finally, there is a need to improve the efficiency and organization of the campus infrastructure and services; 2) Economic Feasibility – It is economically feasible with the use of cash reserves, and the renovation and expansion project will also provide a cost savings by being designed as a green building; thereby reducing operating costs by using less energy and water; 3) The project does contribute to the orderly development of adequate and effective health care by consolidating currently disjointed clinical services, improving operational efficiencies by centralizing support services and upgrading clinical space for high quality patient-centered care. The project will also provide better patient access and convenience to both inpatient and outpatient services. Mr. Wright and Mr. Doolittle seconded the motion. The motion CARRIED [8-0-0]. **APPROVED with an extended expiration date of four years.**

AYE: Jordan, Mills, Gaither, Doolittle, Wright, Burns, Grandy, Johnson
NAY: None

GENERAL COUNSEL'S REPORT

Mr. Christoffersen summarized the following CON modification requests:

Hendersonville Medical Center, Hendersonville (Sumner County), TN – CN1302-002A

Ms. Burns and Mr. Ridgway recused.

Request for an 18 month extension from August 1, 2016 to January 1, 2018

The project was previously approved June 26, 2013, by a 5-3 vote.

The construction of a new 4th floor of medical/surgical beds and the initiation of neonatal intensive care services in a new 6-bed level II-B neonatal nursery on the main campus of Hendersonville Medical Center located in Hendersonville (Sumner County), TN. The hospital currently holds a single consolidated licensed for 148 general hospital beds, of which 110 are at its main Hendersonville campus and 38 are at its satellite campus at 105 Redbud Drive, Portland (Sumner County), TN. The project will relocate 13 beds from the satellite campus to the main campus, resulting in 123 licensed beds at the Hendersonville campus and 25 licensed beds at the Portland satellite campus. The estimated project cost is \$32,255,000. The project was opposed by Baptist Hospital and Marta Papp, M.D., Neonatologist.

Mr. Wright moved for approval of the 18 month extension from August 1, 2016 to January 1, 2018. Mr. Doolittle seconded the motion. The motion CARRIED [8-0-0]. **APPROVED**

AYE: Jordan, Mills, Gaither, Ridgway, Doolittle, Wright, Burns, Fleming, Grandy, Johnson
NAY: None

OTHER BUSINESS - DISCUSSION OF COST CUTTING MEASURES

Director Hill reported that she had met with budget analysts from the Department of Finance and Administration to discuss the impact PC 1043 enacted in April 2016 had on the Agency's funding stream. Director Hill reported that the F&A budget analysts had informed agency staff that although the agency's FY 16/17 budget had been funded, PC 1043 requires the agency to be self-sufficient effective 7/1/16 which will require cost-cutting and fee adjustments. A hand-out was provided that summarized a number of cost-cutting measures including abolishing two recently vacant positions that were to be filled and moving to bi-monthly or quarterly meetings. These changes were estimated to generate \$162,000 in savings. However, due to the Agency's extremely small staff and already limited budget, there were no other options other than to adjust its fees so as to be self-sufficient as directed by Section 20 of the legislation.

Delegation of authority to the Executive Director pursuant to TCA § 68-11-1606(d) regarding approval or denial of modifications, changes of conditions or ownership, and extensions of certificates of need was discussed. A policy will be drafted and presented at the June meeting for agency approval.

EMERGENCY RULE MAKING/RULE MAKING

Mr. Christoffersen summarized the following:

Pub. Ch. 1043, enacted in April, 2016, directs the Health Services and Development Agency to adjust fees by rule to provide that the program is self-sufficient. To comply, fees must necessarily be adjusted upward. The Agency will consider which fees to raise, and by how much, to augment monies saved by staff reductions and other cost-cutting measures to comply with the requirement that the Agency be self-sufficient, while facing an anticipated loss of approximately \$560,000 – \$610,000 per FY due to Pub. Ch. 1043. An Emergency Rule may not be effective for longer than 180 days, per TCA 4-5-208.

ADJOURNMENT

There being no further business, the meeting adjourned.



Melanie M. Hill, Executive Director

* Minutes provide only a brief staff summary of the meeting and are not intended to be an all-inclusive report. The HSDA maintains a detailed record of each meeting (recording and transcript) that is available upon request by contacting the HSDA office at 615-7412364.