



North Shore
HEALTH
COOK COUNTY | MINNESOTA

515 W 5TH AVE
GRAND MARAIS, MN 55604-3017
(218) 387-3040

September 1, 2021

Commissioner Jan Malcolm
Minnesota Department of Health
P.O. Box 64975
St. Paul, MN 55164-0975

Dear Commissioner Malcolm:

Enclosed please find an application from North Shore Health in Grand Marais, MN requesting a public interest review of our proposal to increase our licensed Critical Access Hospital bed capacity from 16 beds to 25 beds. North Shore Health is planning to seek an exception to the bed moratorium to increase by nine beds.

It is our intent to rearrange licensed beds capacity between the Critical Access Hospital and Skilled Nursing Facility. The goal would be to allow the use of Swing Beds rather than Nursing Home Beds to reduce the financial loss associated with the cost allocations of a small hospital-attached nursing home.

Should the staff members from the Minnesota Department of Health reviewing this application have any questions or require additional information, they are welcome to contact me via telephone or email as follows:

Direct: 218-387-3260
Cell: 701-228-8668
Email: kimber.wraalstad@northshorehealthgm.org

Thank you for your consideration and attention to this application.

Sincerely,



Kimber L. Wraalstad, FACHE
CEO/Administrator



Application for Public Interest Review

Increase North Shore Health Licensed Hospital Bed Capacity From 16 beds to 25 beds

North Shore Health Overview

North Shore Health is a rural health care facility located on the beautiful north shore of Lake Superior in Grand Marais, Minnesota; the area of the state known as the Arrowhead Region. The organization, which is the Cook County Hospital District, is comprised of a 16 bed Critical Access Hospital, 37 bed Skilled Nursing Facility, Ambulance Service and Home Health Agency. Available services include 24/7 Emergency Services and a variety of diagnostic and therapeutic services such as Cardiac Rehabilitation, Colonoscopy, IV infusion, EKG's, Non Stress Tests, Physical and Occupational Therapy, CT Scans, MRI, Dexascan, Radiology, Digital Mammography, Ultrasound, Laboratory, Palliative Care, and new in 2019, Chemotherapy.

The hospital opened for business in 1958 as a county owned facility. The first wing of the original care center was added in the 1960's, followed by a second wing in the early 1970's. In 1990, the hospital and care center were re-organized under Minnesota statutes to become a hospital district with taxing authority. The district is governed by a five member elected board of directors. Approximately eleven years ago, North Shore Health entered into a management agreement with St. Luke's Hospital, Duluth. This management agreement allows North Shore Health to remain independent while receiving administrative leadership and support from a larger health system. North Shore Health is also a member of Wilderness Health, an organization formed to allow rural independent hospitals to participate in an Accountable Care Organization.

With the completion of a three year building and renovation project in 2018, North Shore Health now provides single resident rooms in the care center forming a household structure to allow for a resident led culture, single patient rooms in the hospital, expanded space and additional equipment to accommodate added services.

As the only hospital and care center in Cook County, the North Shore Health service area is both large and diverse. North Shore Health serves not only year-round and seasonal residents, but also the many people who visit Cook County and the Boundary Waters Canoe Area. Cook County is one of the largest counties in the State, 3,340 square miles, with the greatest distance to the nearest healthcare facility. There are approximately 5,200 residents in Cook County. Our facility is 84 miles from the nearest hospital in Two Harbors, also a Critical Access Hospital, and 110 miles from the nearest trauma centers in Duluth. The nearest nursing home is the Minnesota Veterans' Home located in Silver Bay, 54 miles from Grand Marais. Besides the Veterans' Home, Two Harbors has the next closest nursing home. Cook County has

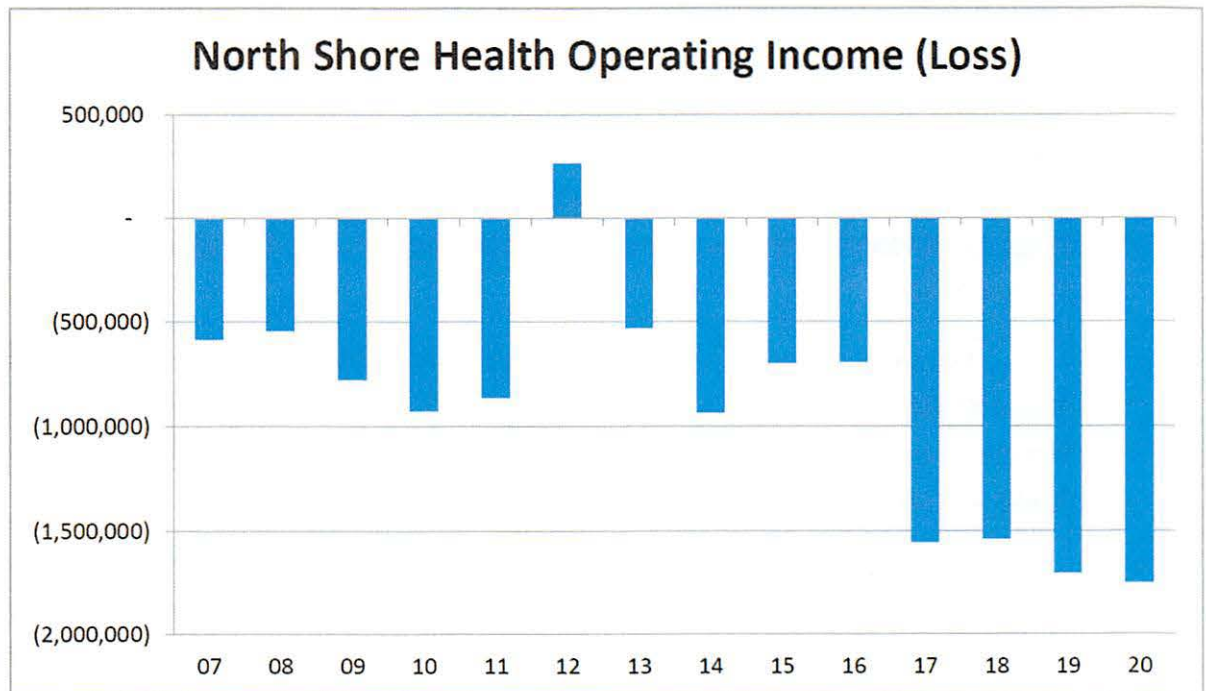
a high tourist volume enjoying a wide variety of year-round outdoor activities such as skiing, boating, fishing, canoeing, hiking, snowmobiling, and hunting, with many entry points to the Boundary Waters Canoe Area. Access to healthcare allows residents and tourists to enjoy this area with assurance that medical services are available if needed.

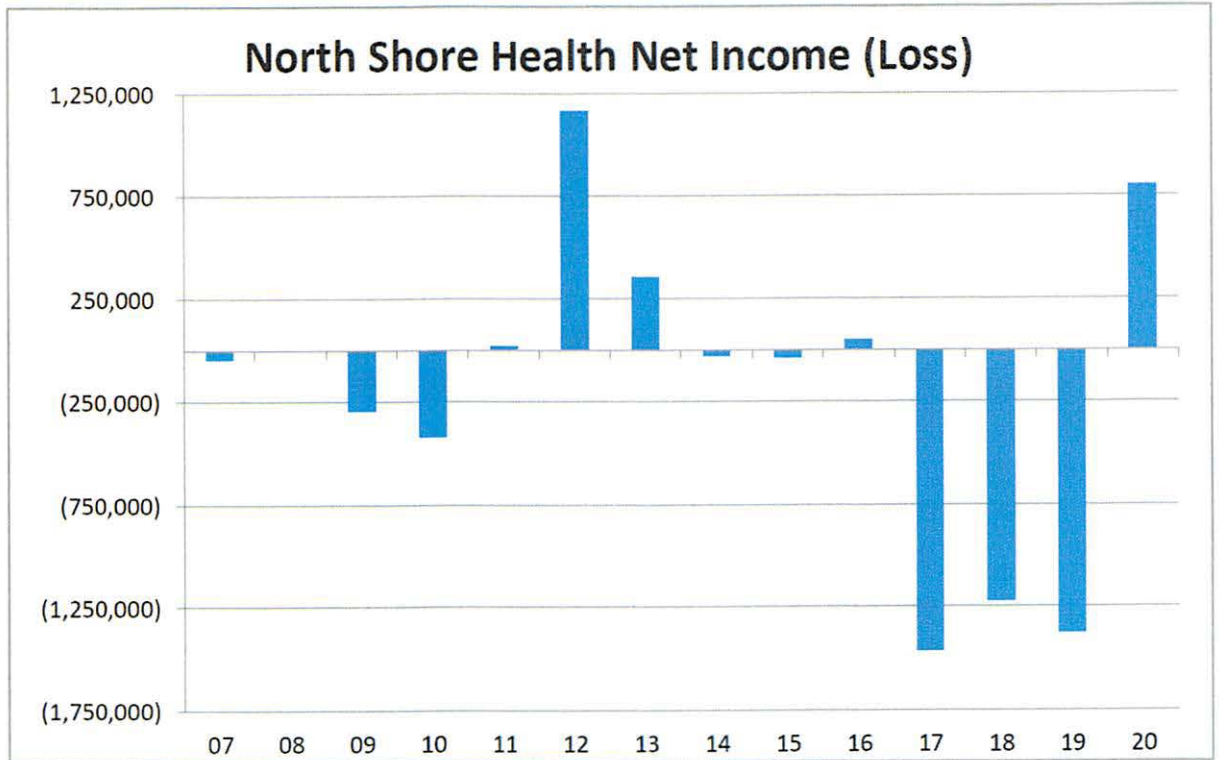
Project Description

- **Briefly describe the overall project, objectives, phases, and timelines.**

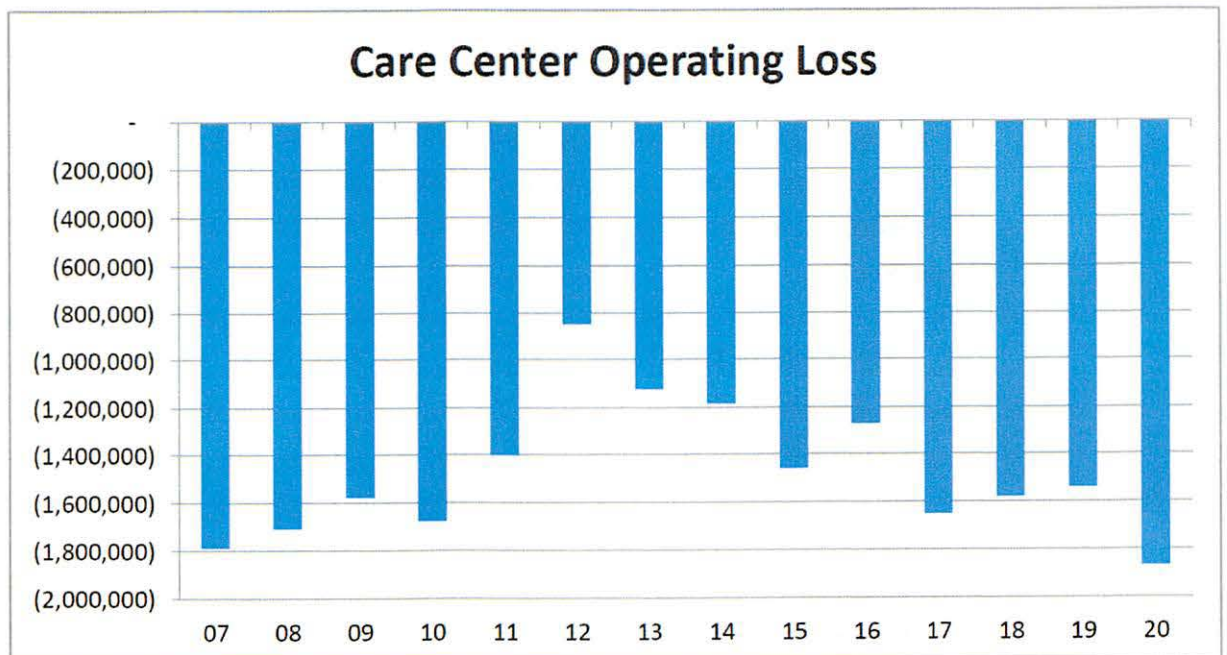
This project proposes to increase the licensed hospital bed capacity of North Shore Health from 16 beds to 25 beds. The addition of the nine beds would allow North Shore Health to “re-arrange” the total bed capacity by increasing licensed hospital beds used for swing beds/skilled nursing care and reducing the number of licensed nursing home beds.

For many years, North Shore Health has had significant operating and net losses. The operating income (loss) and net income (loss) of North Shore Health as reported in the audited financial statements for the past fourteen years are depicted in the graphs below.





Being a small Hospital-Attached Nursing Home, the cost structure and required allocations have exacerbated the loss experienced by North Shore Health. The service line information delineating the loss for only the Care Center over the past 14 years is shown below.



The Care Center operating income and expenses from 2007 through 2020 are included as Attachment #1. The attachment details both the direct operating expenses and the allocated expenses.

This project will modify the organizational structure of North Shore Health so costs will be allocated differently.

In 2019, North Shore Health engaged Stroudwater and Associates to complete a Strategic, Financial, and Operation Assessment due to our ongoing operating losses facility wide.

During the on-sight analysis conducted by Stroudwater and Associates, it was noted that North Shore Health offered the only skilled nursing facility in Cook County. The next closest is the Veteran's Home in Silver Bay (54 miles away) and then the Nursing Home in Two Harbors (84 miles away). In addition, Cook County does not have an Assisted Living Facility so the skilled nursing services and Home Care services offered by North Shore Health provides a majority of services to the Cook County senior citizens.

Eric Shell, Principal with Stroudwater and Associates, recommended North Shore Health consider a variation of the Frontier Health System model that was submitted to the Health Resources and Services Administration (HRSA) – Office of Rural Health Policy (OHRP) in November 2012. The Frontier Health System model proposed allowing Critical Access Hospitals to utilize the majority of the hospital beds for long-term care patients in swing beds.

Stroudwater and Associates determined the financial impact of reducing the number of licensed nursing home beds and reallocating those beds and space to the Hospital for use as swing beds. The additional Medicare reimbursement to North Shore Health, based upon the submitted Hospital Medicare Cost Report, is estimated to be as follows:

2018 - \$858,800

2019 - \$855,249

2020 - \$796,031

- **List the hospital-based services to be provided, for both acute and non-acute care. Please include the services for both inpatient and outpatient or ambulatory care.**

Services currently provided by North Shore Health will continue. This project does not propose a decrease in hospital-based services.

- **Please provide detail on the number of licensed beds to be requested and describe whether these will be new beds or drawn from within the affiliated hospital system(s) or partnership's existing licensed bed capacity.**

North Shore Health is proposing the rearrangement of licensed beds:

North Shore Health currently:

16 bed hospital

37 bed nursing home

53 Total beds

North Shore Health proposed:

25 bed hospital

20 bed nursing home

45 Total beds

North Shore Health will need to increase the hospital licensed bed capacity from 16 to 25 beds.

- **Describe any provider groups affiliated with, or committed to, the hospital project.**
Sawtooth Mountain Clinic, the attached Federally Qualified Health Center, is supportive of efforts by North Shore Health to maintain both acute hospital service and skilled nursing to the citizens of Cook County and Grand Portage Reservation.
[Attachment #2 is a letter of support from Sawtooth Mountain Clinic.](#)
- **Describe the site for the proposed project.**
The existing building of North Shore Health will not change. Attachment #3 details the floor plans of North Shore Health.
- **What is the approximate cost of the entire project and what proportion of the total cost is specific to the proposed hospital?**
The only cost would be any Life Safety Code requirements to convert the wing of the Nursing Home to Hospital space. Both the Hospital and Nursing Home were completely remodeled during the three year period from 2015 to 2018.

Need for Project

- **Define the primary service area for the proposed hospital. Please describe the rationale and methods for selecting this area.**

The primary service area of North Shore Health remains Cook County and the Grand Portage Reservation.

- **Provide a summary of the primary service area demographic projections:**

According to the 2020 United States census, the population of Cook County as of April 1, 2020 is 5,600, compared to the April 1, 2010 population of 5,176 and the 2019 estimated population of 5,463. The population information includes:

	<u>Cook County</u>	<u>Minnesota</u>
Under 5 years	4.1%	6.2%
Under 18 years	15.1%	23.1%
65 years and over	29.3%	16.3%
Female	50.1%	50.2%
Male	49.9%	49.8%
White	86.1%	83.8%
American Indian	8.6%	1.4%
African American	1.4%	7.0%
Asian	1.0%	5.2%
Two or More Race	2.9%	2.6%
Hispanic	2.4%	5.8%

- **Provide primary service area utilization estimates for the proposed hospital:**

There is no proposed change to the utilization of North Shore Health.

- **Provide measures of current access for services within the proposed primary service area:**

There is no proposed change to the utilization of North Shore Health.

Market Analysis

As noted previously, North Shore Health is the only hospital and care center in Cook County. The nearest nursing home is in Silver Bay, 54 miles from Grand Marais with the second closest nursing home being in Two Harbors. Two Harbors also has the nearest hospital; 84 miles from Grand Marais. This proposed change does not impact any of the service currently provided by North Shore Health. Only the payment designation and methodology of the patients and residents would be impacted.



Care Center Operating Losses

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net Patient Service Revenue	2,651,711	2,637,479	2,477,992	2,662,531	2,648,669
Direct Operating Expenses	2,666,667	2,575,467	2,416,713	2,520,424	2,398,558
Allocated Expenses	<u>1,774,937</u>	<u>1,771,852</u>	<u>1,639,826</u>	<u>1,820,719</u>	<u>1,656,031</u>
Total Operating Expenses	4,441,604	4,347,319	4,056,539	4,341,143	4,054,589
Operating Income/(Loss)	<u>(1,789,893)</u>	<u>(1,709,840)</u>	<u>(1,578,547)</u>	<u>(1,678,612)</u>	<u>(1,405,920)</u>
Occupancy (Days)	16,164	15,259	13,334	14,409	13,276
Occupancy (Percentage)	93.6%	87.9%	77.4%	84.0%	77.4%



Care Center Operating Losses

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net Patient Service Revenue	3,101,691	2,853,732	2,804,978	2,326,658	2,823,388
Direct Operating Expenses	2,475,060	2,232,109	2,386,683	2,213,159	2,063,134
Allocated Expenses	<u>1,475,905</u>	<u>1,747,997</u>	<u>1,605,167</u>	<u>1,573,016</u>	<u>2,034,834</u>
Total Operating Expenses	3,950,965	3,980,106	3,991,850	3,786,175	4,097,968
Operating Income/(Loss)	<u><u>(849,274)</u></u>	<u><u>(1,126,374)</u></u>	<u><u>(1,186,872)</u></u>	<u><u>(1,459,517)</u></u>	<u><u>(1,274,580)</u></u>
Occupancy (Days)	12,925	12,289	11,198	9,859	10,579
Occupancy (Percentage)	75.3%	91.0%	82.9%	73.0%	78.1%



Care Center Operating Losses

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net Patient Service Revenue	2,986,988	4,057,362	4,274,049	4,516,000
Direct Operating Expenses	2,049,051	3,367,644	3,424,967	3,539,729
Allocated Expenses	<u>2,588,661</u>	<u>2,270,400</u>	<u>2,389,280</u>	<u>2,845,080</u>
Total Operating Expenses	4,637,712	5,638,044	5,814,247	6,384,809
Operating Income/(Loss)	<u>(1,650,724)</u>	<u>(1,580,682)</u>	<u>(1,540,198)</u>	<u>(1,868,809)</u>
Occupancy (Days)	11,190	13,087	13,038	13,298
Occupancy (Percentage)	82.9%	96.9%	96.5%	98.2%



Together Through Life

September 1, 2021

Commissioner Jan Malcolm,
Minnesota Department of Health
P.O. Box 64975
St. Paul, MN 55164-0975

Re: North Shore Health's Request to increase licensed bed capacity to 25 acute care beds

Dear Commissioner Malcolm:

On behalf of Sawtooth Mountain Clinic, we wish to offer our organization's support for North Shore Health's request to increase their licensed acute care bed capacity to 25.

Sawtooth Mountain Clinic is a Federally Qualified Community Health Center and deeply committed to providing patient-centered care for all community members from birth to death. The clinic team and North Shore Health have collaborated successfully for over 40 years to provide this care. The physicians of Sawtooth Mountain Clinic are the admitting clinicians at North Shore Health and provide the medical care for both hospital inpatients and nursing home residents. They also serve as the Medical Director for the Hospital, the Medical Director for the Emergency Department, the Medical Director for the Care Center and the Medical Directors for the three ambulance services in Cook County. Together, Sawtooth Mountain Clinic and North Shore Health provide the foundation of medical services for our community citizens and visitors.

The Care Center is currently home to 37 of our community's elders. These individuals would need to leave Cook County to access nursing home services if the Care Center at North Shore Health was not here. Local families would drive 2-3 hours each way to visit loved ones. This would be an incalculable loss for the people of Cook County and Grand Portage.

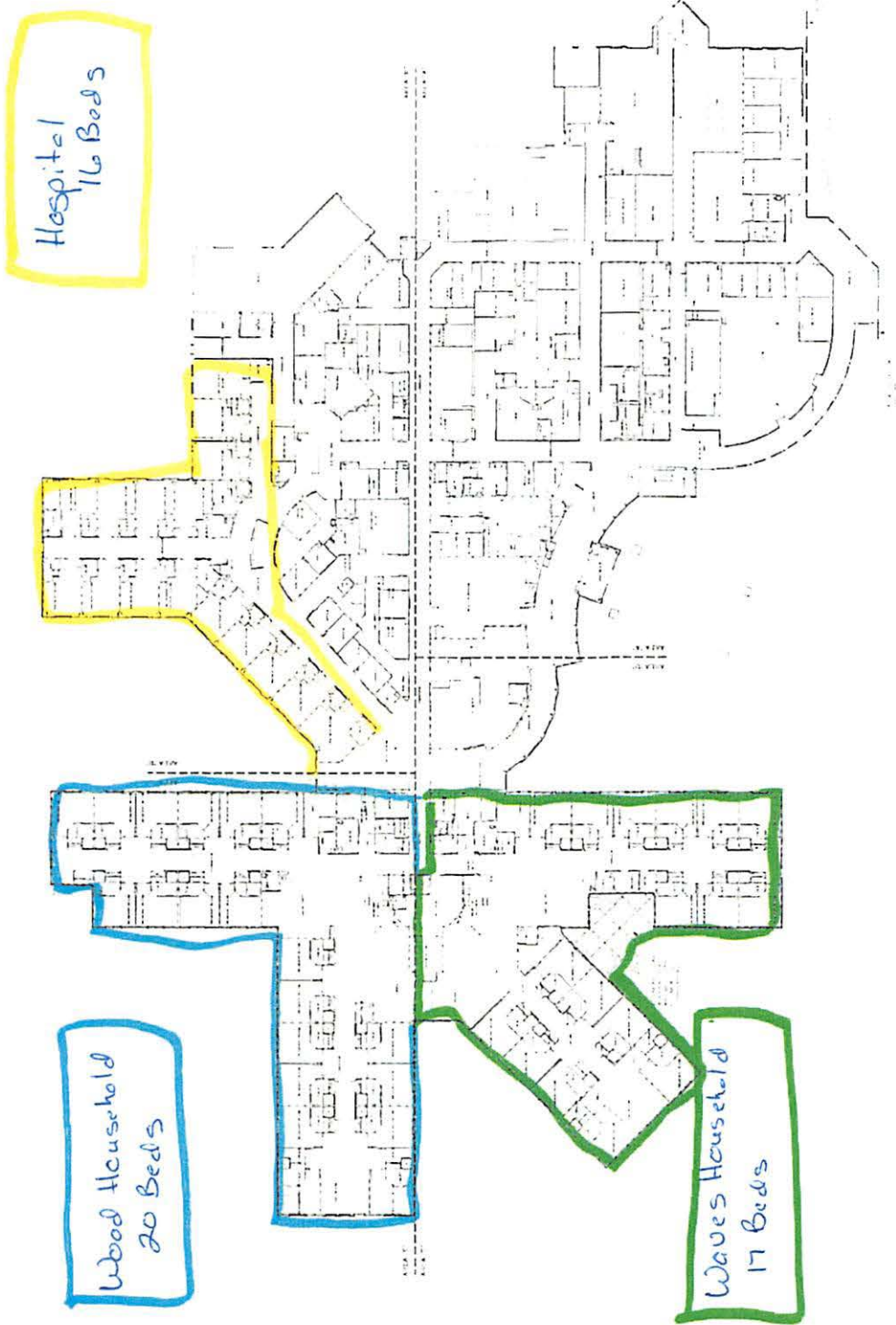
It is our understanding that North Shore Health plans to rearrange licensed beds capacity between the Hospital and the Care Center in an effort to reduce the financial losses associated with the nursing home. We appreciate that North Shore Health cannot continue to sustain the ongoing financial losses and is seeking options to remain viable while providing this necessary service. We support their efforts and encourage your consideration and support of North Shore Health's request.

Should you have any questions of Sawtooth Mountain Clinic, you may contact Kate Surbaugh, CEO at 218-387-2330 x159 or kate@sawtoothmountainclinic.org.

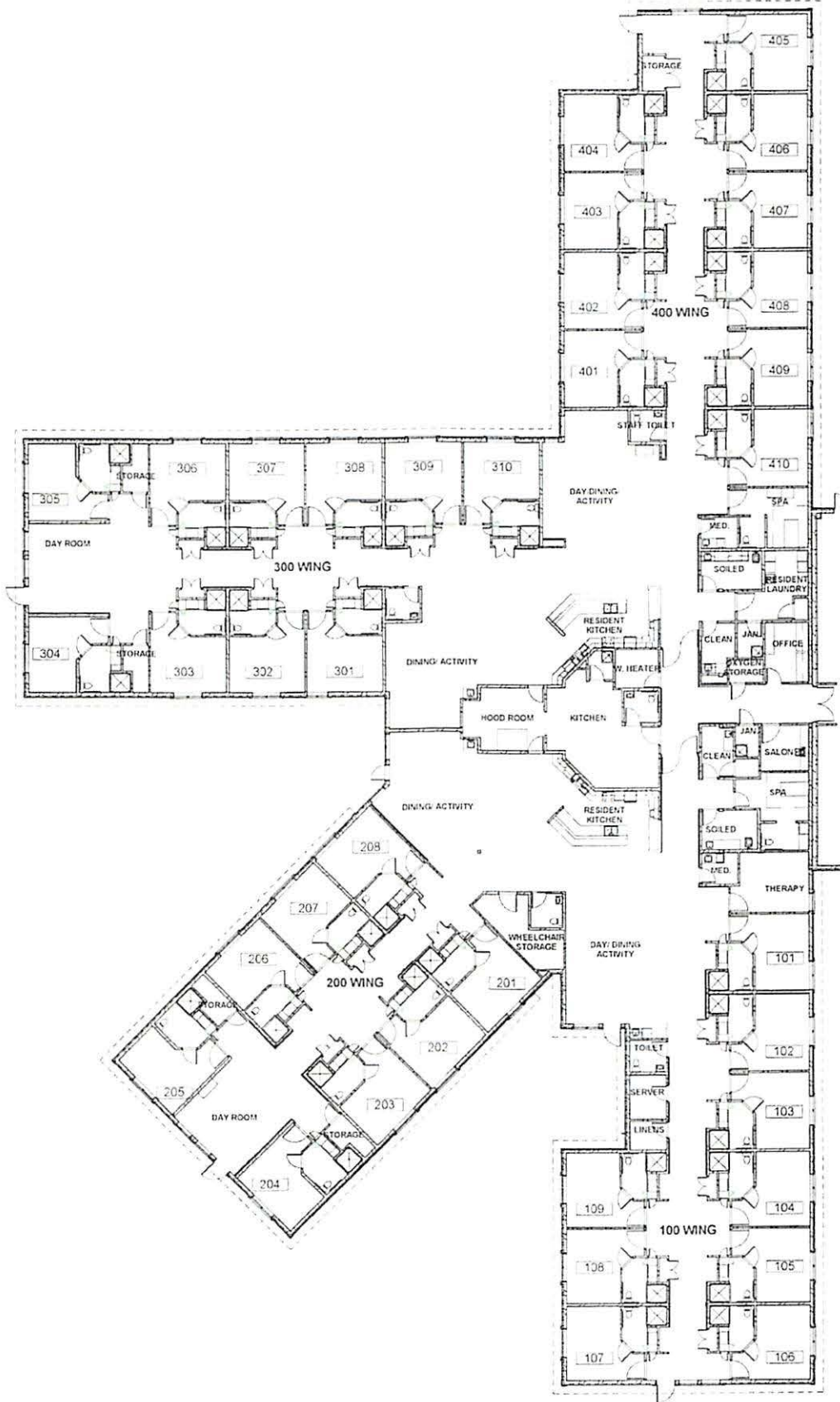
Sincerely,

Katherine F. Surbaugh

Kate Surbaugh, BSN, RN, PHN
Chief Executive Officer
Sawtooth Mountain Clinic



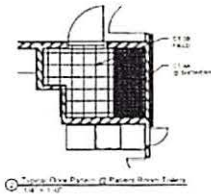
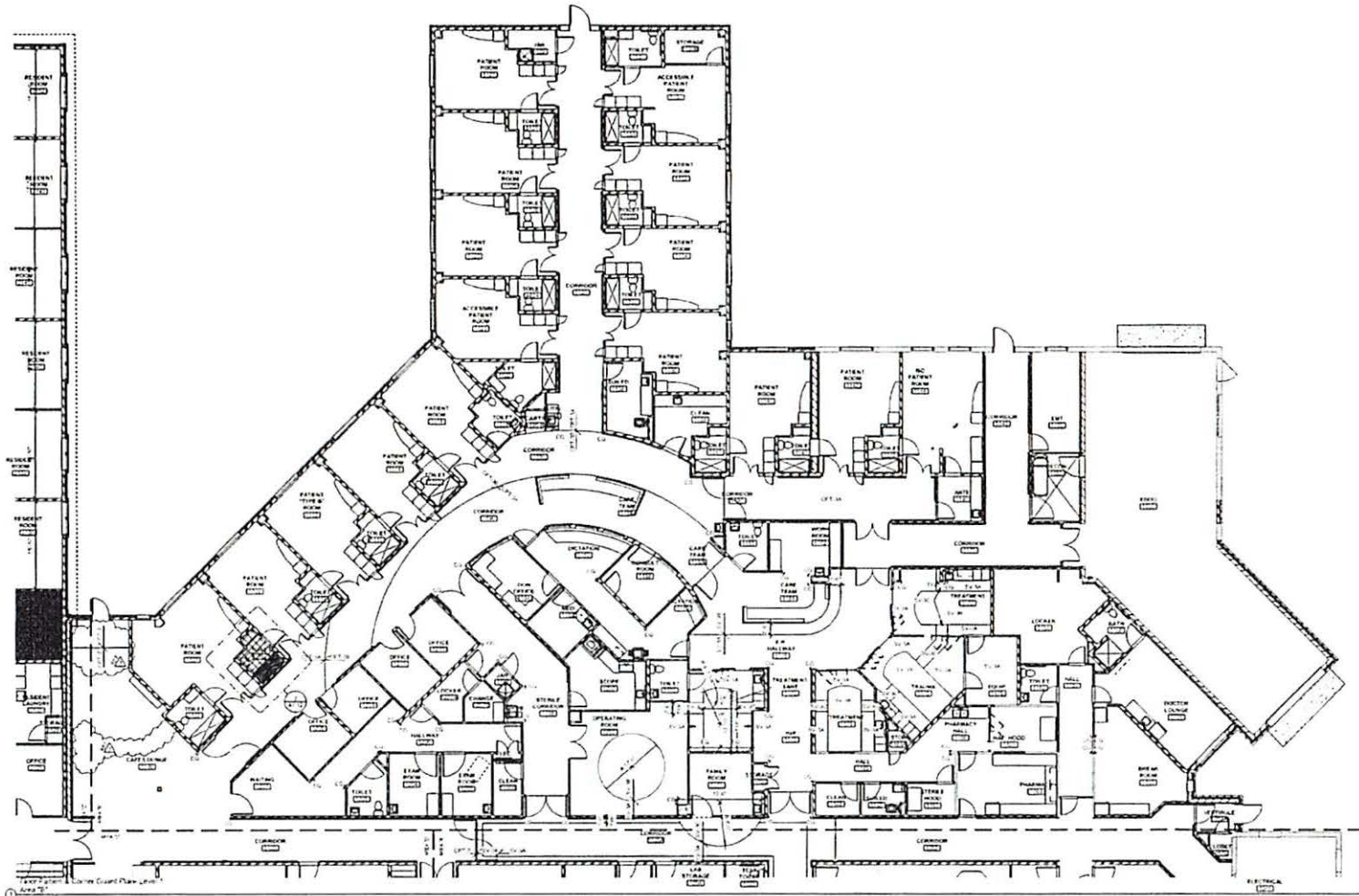
North Shore Health
Floor Plan



North Shore Health
Care Center
7th Floor Plan

Attachment #3

- General Notes:**
1. REFER TO GENERAL NOTES AND SPECIFICATIONS FOR ALL MATERIALS, FINISHES, AND CONDITIONS.
 2. REFER TO THE ARCHITECT'S GENERAL NOTES AND SPECIFICATIONS FOR ALL MATERIALS, FINISHES, AND CONDITIONS.
 3. REFER TO THE ARCHITECT'S GENERAL NOTES AND SPECIFICATIONS FOR ALL MATERIALS, FINISHES, AND CONDITIONS.
 4. REFER TO THE ARCHITECT'S GENERAL NOTES AND SPECIFICATIONS FOR ALL MATERIALS, FINISHES, AND CONDITIONS.
 5. REFER TO THE ARCHITECT'S GENERAL NOTES AND SPECIFICATIONS FOR ALL MATERIALS, FINISHES, AND CONDITIONS.



North Shore Health
Hospital
Floor Plan

**CCNSHCC
ADDITION &
RENOVATION
PROJECT**

515 5TH AVE WEST
GRAND MARAIS, MN 55604

PROJECT NO. 1000000000
DATE: 10/20/2010
DRAWN BY: [Signature]
CHECKED BY: [Signature]

I hereby certify that the plan
submitted herewith was prepared
by me or under my direct supervision
and that I am a duly Licensed Architect
of the State of Minnesota.

[Signature]
DATE: 10/20/2010

NO.	REVISION	DATE
1		
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FLOOR
PATTERN &
CORNER
GUARD PLAN-
LEVEL 1 AREA
"B"