



NEWCO DECISION FAQ

February 24, 2017

What is OHA announcing?

The Oregon Health Authority, Public Health Division has issued a proposed denial of NEWCO Oregon Inc.'s certificate of need application to build a 100-bed inpatient psychiatric facility at 9500 SW Day Road in Wilsonville. The facility would serve adolescent, adult and geriatric psychiatric patients.

Why is OHA proposing to deny NEWCO's application?

OHA found that NEWCO has not met its burden of proof to justify the need for a 100-bed inpatient psychiatric facility as proposed. The agency makes findings and bases its proposed decisions on the extent to which an applicant demonstrates that criteria and standards spelled out in rule are met. Criteria are considered to be met if an applicant can demonstrate that the questions posed in the criteria can be answered in the affirmative ("yes").

What are the questions posed in the criteria?

1. Does the service area population need the proposed project?
2. Will the proposed project result in an improvement in patients' reasonable access to services?
3. Does the proposed project represent the most effective and least costly alternative, considering all appropriate and adequate ways of meeting the identified needs?
4. Will sufficient qualified personnel, adequate land, and adequate financing be available to develop and support the proposed project?
5. Will the proposed project have an appropriate relationship to its service area, including limiting any unnecessary duplication of services and any negative financial impact on other providers?
6. Does the proposed project conform to relevant state physical plant standards, and will it represent any improvement in regard to conformity to such standards, compared to other similar services in the area?

7. Is the financial status of the applicant adequate to support the proposed project, and will it continue to be adequate following implementation of the project?
8. Will the impact of the proposal on the cost of health care be acceptable?

Which of the questions in the criteria did OHA determine could be answered in the affirmative?

Only one: Is the financial status of the applicant adequate to support the proposed project, and will it continue to be adequate following implementation of the project?

What are NEWCO's options?

NEWCO can appeal the proposed decision or submit a new application.

NEWCO—or an affected party—can request an informal hearing with the OHA's Certificate of Need Program within 10 days of the proposed decision. The informal hearing would be held within 15 days following receipt of the request. OHA would render a final decision within 10 days of the closing of the informal hearing.

Once a proposed decision becomes final, either as a result of an informal hearing or because no one requested an informal hearing, NEWCO or an affected party can request a reconsideration hearing within 60 days of the final decision. The Oregon Office of Administrative Hearings would conduct the reconsideration hearing. The final order resulting from the reconsideration hearing could then be appealed to the Oregon Court of Appeals.

An applicant whose certificate of need application has been denied can reapply for a certificate of need, and there is no limit on the number of times this can be done. However, all fees must be paid each time an application is re-submitted.

What was NEWCO's fee for submitting the certificate of need application, and how is that determined?

The fee for NEWCO's proposed \$35,834,324 project was \$72,050.06. The fee is based on a project's estimated cost, and is described in Table 4 of OAR 333-565-000.

What does the fee pay for?

The fee covers OHA program staffing, professional contract financial reviewer costs, internal staff cost for architectural and bed need review, Oregon Department of Justice legal advice, meeting costs, travel costs and other expenses associated with the application. It also covers costs associated with any legal

proceedings, such as hearings and litigation, and more active DOJ involvement as a result.

How many certificate of need applications does OHA process each year?

OHA processes fewer than 10 certificate of need applications per year.

How many are approved? How many are denied?

Most certificate of need applications are approved. Most are for nursing facility programs proposing to move beds within service areas.

How many of those are for psychiatric hospitals?

There have been only three certificate of need applications for psychiatric hospitals in Oregon in the last 20-plus years. Cedar Hills Hospital was the first, followed by NEWCO and one proposed in Hermiston.

Is there a common reason why a hospital's certificate of need application is denied?

No, there is no common reason. Denials occur because an applicant has not demonstrated it has met one or more of the criteria that would justify the need for a proposed project.

Wouldn't NEWCO's project fill the gap left open by the state's planned closure of the Oregon State Hospital in Junction City?

No. The patient population served at Junction City and that proposed to be served at NEWCO's Wilsonville facility are different. The patient population typically served at state facilities such as OSH-Junction City is one that requires more intense care and longer stays than what is being proposed by NEWCO, whose hospital would emphasize shorter stays according to its application.

In addition, psychiatric inpatient need is typically concentrated among lower-income populations, and a majority of unmet need among non-senior populations typically occurs among Medicaid-eligible populations. The size of NEWCO's proposed facility would make it ineligible for Medicaid reimbursement without a change to state Medicaid policy.

Finally, in Oregon, the development of Coordinated Care Organizations (CCOs) has promoted the integration of physical and mental health needs for Medicaid populations, with a goal of reducing the need for emergent and inpatient psychiatric usage through better medication adherence and the provision of more regular or innovative care services.

While Junction City has played an important role in OSH's ongoing transformation as an innovative leader among state hospitals, closure of the facility will enable

the state to maintain the investments Oregon has made in community-based health treatment in the past four years. It also will help us meet our obligations under the performance plan we developed with the United States Department of Justice last summer to reduce institutionalization for adults with serious or persistent mental illness.