Kenai Peninsula Borough

Health Care Task Force

January 11, 2011 - 6:00 PM | Organizational Meeting Summary | Borough Assembly Chambers, Soldotna, Alaska

CALL TO ORDER

A Regular Meeting of the Kenai Peninsula Borough's Health Care Task Force was held on January 11, 2011, in the Borough Assembly Chambers, Soldotna, Alaska. Chair Knopp called the meeting to order at 6:00 p.m.

ROLL CALL

There were present:

Gary Knopp, Chair
Duane Bannock
Jim Golden
Janet Hilleary
John Hoyt
Linda Murphy
Tim Peterson
Rick Ross

comprising a quorum of the Task Force.

Also in attendance were:

Linda Hutchings, Alternate
Margaret Gilman, Alternate
Charlie Pierce, Alternate
Johni Blankenship, Borough Clerk

APPROVAL OF AGENDA

MOTION: Bannock moved to approve the agenda, seconded by Peterson.

Hoyt questioned the meaning of agenda item number 4, "Additional Risks (Saturated Market/Failure to Separate Wants from Needs and Management Change (Administration or Board))." Mr. Knopp stated he wanted it to be available as a discussion item for the task force members; however, he would yield to the wishes of the members. No further objection was discussed.

AGENDA APPROVED: Unanimous.

APPROVAL OF SUMMARY

The December 3, 2010 Task Force meeting summary was approved by unanimous consent.

NEW BUSINESS

Review of Draft Criteria and S.W.O.T Analysis – Rick Ross and John Hoyt

Ross reviewed the Criteria Overview within the Criteria and S.W.O.T Analysis section of the Options Packet.

1. Access to Capital
    - Limited through the current government structure and the Lease and Operating agreement.
    - Bonding process was time consuming and required multiple levels of permission.
    - Joint venture opportunities were limited by the terms of the lease and operating agreement.
2. Increased Efficiency (Superior Management)
    - Potential changes in the Certificate of Need (CON) permitting process mandated by Alaska Statutes. CON essentially mandates a need analysis be completed to determine if new proposed services are needed within the community. If Central Peninsula Hospital (CPH) already provides a service, CON would stop another company from developing in the community and provide the same service. (Examples: Oncology, Lab Facilities, etc.)

Gilman asked when CON was enacted. It was determined that it had been around since 1976. She further asked why there was reason to be believe that CON would be repealed in 2011 or the near future. Hoyt indicated CON had been under attack in the Palin administration and that there was a belief that the free market system would provide for less expensive and better service for the patients.

Ross stated it was his belief the CON would be repealed in the near future because it provided for a certain level of inefficiencies which do not control costs nor provide for the best service.

Bannock asked how CON factor into the debate of the structure of the hospital? Ross stated if CON was repealed, CPH could not compete with the free market structure because of the lack of access to capital.

Golden asked why CPH received higher reimbursement rates for Medicare. Hoyt explained the political powers were able to express to the powers that be, that doing business in the State of Alaska and on the Kenai Peninsula was more expensive than the lower 48 states. He further indicated that the significant shortage of doctors, helped in establishing higher reimbursement rates, because it helped in attracting doctors to the area.

Ross indicated the Rural Community Hospital Demonstration Project was a very financial beneficial program that was only initially intended to be a five year program.

Golden verified the mission of the CPGH, Inc. board was to interpret the potential impacts of the possible changes to health care in the near future and be proactive in their approach to prepare the hospital for those possible changes and ensure the viability of the hospital in the long term future. Hoyt indicated the CPGH, Inc. board had a fiduciary responsibility to CPGH, Inc. and it was their responsibility to ensure the success of the corporation in light of the looming changes in health care reimbursements, payment structures and reform.

3. Local Control
    - Local control was the number one issue to the board throughout the process; however, what type of local control had not been determined.

Knopp indicated local control appeared to be a priority of the board; however, he was not certain it was truly in the best interest of the borough. He expressed that according to the feedback he had received from the service area constituents; there was no support to change the local control or the governance of the hospital. There was a genuine concern in the public about just giving the hospital to CPGH, Inc.

Ross indicated CPGH, Inc. did not have to exist or even be the entity involved in order to keep local control and also achieve a change to the current governance structure. He indicated the board was not unanimous in regard to the option which was forwarded to the Assembly; however, they were unanimous in that the current governance structure was not effective and needed to change.

Murphy indicated that if the hospital was not a publicly owned hospital, there was no real local control and if there were concerns there would be no recourse for the public; whereas as it currently is structured, there is recourse for the public through the elected service area board members, the borough administration and assembly. Murphy stated that was her main concern.

Ross explained how the Whole Hospital Joint Venture option may have allowed for local control and recourse for the public.

Bannock asked what the difference was between a regional hospital and a community hospital and is that a question that matters when determining the governance model.

Ross stated CPH was a community hospital because it encompassed the service area which included the communities of Soldotna and Kenai. He further stated it was also a regional hospital because it is used by people outside of the service area from Cooper Landing to Homer, depending on the service being used.

Hoyt stated the hospital was viewed as having two service areas; the Central Kenai Peninsula Hospital Service Area and the rest of the areas that are serviced by the hospital outside of the recognized service area boundaries which extent throughout the state.

Ross stated #4 Monetizing the Asset and #5 Tax Paying Entity, should be interpreted by each individual task force member.

Potential Financial Impacts

- **Certificate of Need** *[addressed above]*
- **Bundled Payments**

Hoyt stated the bundled payment concept was payment based on the delivery of service for the entire treatment. The hospital would get one payment for a disease process and then would have to distribute the payment throughout the service providers versus each provider being reimbursed individually.

Ross stated the "Accountable Care Organization" was on its way; however, the rules have not been written yet.

- **Changes in Medicare Reimbursement Rates** *[addressed above]*
- **Rural Community Hospital Demonstration Health Project**

Hoyt stated that the demonstration project allow CPH to be reimbursed at cost.

- **Changes in Health Care Regulations**

Hoyt indicated the Health Care bill would have a huge amount of regulations.

How was the criteria in the proposers ranking sheets established? *[addressed above]*

The task force reviewed the nonmarket options in the SWOT Analysis

1. **Merger (combining the Central and South Peninsula Hospital Service Areas)**

Ross indicated that in the current governance structure it was considered by the CPGH, Inc. board to be an almost impossible task to get the constituents to agree to merge the service areas.

2. **Amend Current Lease & Operating Agreement**

Hoyt indicated that amending the current lease and operating agreement was one of the most difficult options for the board to review because it was the option in which CPGH, Inc. board had the least amount of control.

Ross stated new ordinance would need to be enacted in order to make amending the current lease and operating agreement a viable option. He stated the bonding issue was a time consuming and cumbersome process as the lease was currently written. He further summarized additional concerns that were voiced by the CPGH, Inc. board when they considered the option.

Gilman asked why CPGH, Inc. board signed the agreement two and one-half years ago and why did they insist upon extending the agreement. Ross stated the board was not aware of the current scenario facing the Health Care Industry. He further indicated that a five-year lease was not attractive to potential partners because it does not appear to be a stable lease agreement. A 30 to 40 year lease would be much more attractive term to any potential partners or joint venture projects.

Bannock asked if that could be fixed by amending the current lease and operating agreement. Ross agreed an amendment to the lease could potentially be the solution to partnership and joint venture concerns if the lease and operating agreement were amended to allow for more flexibility and fluidity in the process.

Murphy asked if the borough administration had been included in the discussions that took place by the CPGH, Inc. regarding amending the lease and operating agreement. Hoyt stated the administration was invited to attend the meetings and did not participate in the discussion. He further indicated the Mayor charged the board with bringing a recommendation to the administration and the Assembly and that was what the board attempted to do. Ross stated their outside consultant did not recommend amending the current lease and operating agreement under the current State Statutes and Borough Code.

Knopp asked about the public meeting concern listed under the "weaknesses" section. Hoyt and Ross indicated the public meeting process removed the business strategy confidentiality and weakened marketability options.

Additional Risks *[addressed above]*

- **Saturated Market/Failure to Separate Wants from Needs**
- **Management Change (Administrative or Board)**

PUBLIC COMMENTS

Chairman Knopp called for public comment period.

J.R. Myers, P. O. Box 2331, Soldotna, addressed the task force and thanked them for the process and indicated he had learn a lot during the evenings discussions.

Brenda Trefren, Soldotna, addressed the task force and asked them to keep in mind that they were dealing with an issue that is, bottom line, people and the service to people not just efficiency and money.

TASK FORCE MEMBER COMMENTS – None.

NOTICE OF NEXT MEETING

The next meeting of the Health Care Task Force was set for Tuesday, January 25, 2011 at 6:00 p.m. in the George A. Navarre Borough Administration building, Assembly Chambers.

ADJOURNMENT

With no further business to come before the Task Force, Chairman Knopp adjourned the meeting at 8:08 p.m.

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Johni Blankenship, Borough Clerk

Approved by Task Force _____