



REQUEST FOR PROPOSAL

By

CITY AND BOROUGH OF SITKA, ALASKA

For

**PURCHASE, LEASE, PARTNERSHIP, MANAGEMENT
OR AFFILIATION**

Of / With

SITKA COMMUNITY HOSPITAL



INTRODUCTION

Sitka Community Hospital ("SCH") is designated as a Critical Access Hospital ("CAH") and organized as a component unit of the City and Borough of Sitka, Alaska ("CBS").

The five-member SCH Board of Directors is the chief governing body of SCH. The CBS Assembly is the elected body that appoints the board. The board represents the community's interest in the hospital and serves as a fiduciary on behalf of CBS. SCH also has a medical advisory board that does not report to the CEO.

The board hires and supervises the Chief Executive Officer ("CEO"). The CEO is charged with the day-to-day management of the hospital and works in partnership with the board and the medical staff to develop a long range strategic plan that assures that the hospital fulfills its mission and carries out its vision.

SCH Mission – Restore, maintain, and improve the health of those in our community through competent and compassionate delivery of care.

SCH Vision – Sitka Community Hospital is an integral part of the community where all individuals reach their highest potential for health.

SCH is licensed for 12 acute care beds, all of which are also designated as swing beds.

The SCH Long-term Care Unit is licensed for 15 beds. SCH management has inquired with the State of Alaska whether certain long-term care beds can be repurposed as swing beds. A decision is currently pending.

The SCH Home Health Department is a licensed Home Health Agency with the State of Alaska and has both Medicare and Medicaid certification.

CAHs, like SCH, are permitted to offer fewer services than the typical sole community hospital, but are required to provide a basic level of services. To meet expressed community needs and desires, SCH provides many more services than are required by this designation.

SCH lines of service include a 24-hour emergency room, cardiac rehabilitation, radiology/diagnostic imaging, infusion center, laboratory, FASD assessment services, surgical services, specialty clinic for visiting expert physicians, daily appointments and walk-in hours at the Mountainside Family Health Care Clinic, as well as rehabilitation services at Oceanside Therapy Center. Rehabilitation services include physical, occupational and speech therapy.

SCH currently employs approximately 207 staff members. The actual number of full time equivalents (one FTE = an employee who works 40 hours per week for 52 weeks which is 2080 hours) was 163 at the end of FY 2017.

Sitka is a community of approximately 9,000 people located on Baranof Island in Southeast Alaska. It is not connected to the mainland road system and all access is by air and sea. Its main industries include local, state, and federal government agencies, fishing/maritime services, healthcare, construction, and tourism. Three firms currently provide medivac services to Anchorage or Seattle for trauma and intensive care patients.

SEARHC is the local competitor to SCH, providing similar health care services. It operates Mt. Edgumbe Hospital, a 25-bed critical access hospital with acute care, critical care, obstetrics, surgery and perioperative care as well as emergency and outpatient primary care.

OBJECTIVES AND PRIORITIES OF RFP / CHARACTERISTICS OF PROPOSER

After careful thought and deliberation, the CBS Assembly has determined that it is appropriate to seek options regarding a potential sale, lease, partnership, management, or affiliation of or with SCH. The Assembly is committed to finding the right purchaser, lessee, partner, manager, or affiliate to ensure the continuation of exceptional local healthcare provided by SCH continues to be delivered in Sitka.

The objectives and priorities of the Assembly for this Request for Proposal ("RFP") are (1) increase quality and scope of healthcare provided in Sitka, (2) maintain/expand living wage employment opportunities, and (3) mitigate current and future liabilities to CBS.

The purpose of this RFP is to provide a structure which allows the Assembly to differentiate between potential purchasers, lessees, partners, managers, and affiliates and to give each responding organization ("proposer" or, collectively, "proposers") an opportunity to articulate what makes them an attractive option for CBS. In considering proposals, the Assembly is interested in identifying a purchaser, lessee, partner, manager, or affiliate having the following characteristics:

- A commitment to the continued provision of quality healthcare services to the residents of Sitka, Alaska, and the surrounding area
- A shared strategic vision for the future of hospital and clinical services in Sitka.
- A demonstrated culture of quality and accountability
- A proven track record of operational success to ensure the ongoing vitality of hospital and clinical services in Sitka, as a stable and professionally rewarding organization for its employees and medical staff
- Sufficient capital to allow hospital and clinical services in Sitka to maintain high-quality care for its patients and to maintain or expand its physical facilities
- A system reputation that will add value to the existing brand and reputation within our community and among physicians, consumers, and insurance plans
- Capabilities, facilities, clinical integration, leadership, and strategies necessary to be well positioned for success in an era of healthcare reform
- A commitment to transparency in dealing with the community
- A demonstrated history of following through on its promises and commitments

Information concerning SCH is available in the attached Confidential Information Memorandum ("CIM"), which provides sufficient strategic, financial, and operational information to enable you to respond to this RFP. As a condition to your receiving the CIM, you will have previously executed a Nondisclosure Agreement with CBS. CBS reserves the right to amend any written material furnished, or information orally or electronically transmitted to any of the recipients. Additionally, representatives of CBS will be available for questions or to provide additional information whenever necessary.

Please be assured that all organizations submitting a response will be accorded fair and equal treatment in the review of their respective proposals. At the same time, CBS intends to accomplish its stated objectives in a manner that will minimize disruption to the patients, medical staff professionals, employees, and the ongoing business at SCH.

The RFP process will be in three stages. The first phase will consist of interested organizations providing the information in the "Phase 1" section below. The proposers whose proposals most closely match the objectives sought by CBS will be invited to participate in Phase 2, which will involve the exchange of

more information, site visits, and result in a more detailed proposal. Phase 3 will involve the selection of a proposer and negotiation of a final written agreement.

PHASE 1 (January-February 2018)

The information provided during Phase 1 will include the CIM and any supplemental information provided by CBS. Proposers are asked to submit their indication of interest in the form of a response to this RFP by mailing the original and _____ (____) copies of the proposal and supplemental information by [MONTH] [DAY] [YEAR] at [TIME] to [NAME] [ADDRESS].

CBS understands that the Assembly's objectives stated on the previous page may be able to be met through various forms. CBS encourages proposers to explore alternatives that best meet the needs of all parties and takes into consideration the current and future local environment. This may result in a phased or iterative approach to affiliation and a progressive, adaptive structure responsive to evolving community needs and healthcare environmental changes. Proposers should be creative in identifying organizational structures, care models, financial commitments and community benefits.

The written proposal should include the following:

1. The **identity** of the proposer (legal name, address, contacts, telephone numbers, emails).
2. A description of the **nature and structure** of the proposed purchase, lease, partnership, **management, or affiliation** including:
 - a. Proposed **property** (CBS owns the underlying real property of the main hospital) and **financial terms**
 - b. A description of the proposer's **mission, vision, and values**
 - c. Proposer's **history** with and **reputation** among **physicians, consumers, and third-party payers**
 - d. Proposed **organization of board, administration, and medical staff**
 - e. **Experience** with and proposed strategies for **improving patient experience and outcomes**
 - f. **Affiliation process and timeline**
3. A description of the **financial strength** of the proposer including:
 - a. Ability and willingness to **provide** consideration in the form of **cash** and/or **assumed liabilities**
 - b. Ability and willingness to operate SCH at its current or an increased level of service
 - c. Ability and willingness to fund **routine** as well as **strategic capital expenditure** requirements, **including capital to fund construction** in progress, if any, and implementation of any **capital improvement plan**
 - d. **Financial statements: audited** financial statements for the past **three years**
4. **Proposer's position** with respect to the following issues:
 - a. **Access to Capital/Strategic Plan:**
 - i. If CBS retains an interest in SCH, it intends to increase the quality and scope of medical services available to area residents, and to support future capital projects (for maintenance and/or improvements), as appropriate. Proposer should be willing to participate in future projects and initiatives.
 - ii. Proposer should describe its approach to capital funding.
 - b. **Physician/APC Recruitment and Retention:**
 - i. Medical staff support and development is a critical component of the Assembly's vision for the future of medical services in the community. Proposer should describe its strategies for medical staff and other Advanced Practice Clinicians (APCs) developments, and commit to investing the appropriate resources (capital and professional assistance) to achieve clinical objectives. Ideally,

the successful proposer will have an established record of success in the use of various strategies and means of support for both existing and new physician practices.

c. Foundation and Community Benefit:

- i. Commitment from the proposer that existing and future donor contributions remain with the existing, local Foundation for local health care use.
- ii. Commitment to community benefit programs. Please provide evidence of your community benefit programs and expenditures, along with an explanation of the scope of such programs.

d. Governance of the Hospital:

- i. Proposer should describe the breakdown of its proposed board structure and membership at both the local and system levels, as applicable, describe what representation community residents would receive at each, and the minimum time period for such representation; including the role of CBS, if any, in meaningful participation in the governance of SCH.
- ii. Describe existing governance accountability with hospitals within your system.

e. Continuing Employment to Existing Employees:

- i. Proposer should describe its plans and intentions regarding the continued employment of the SCH's existing employees, including management.
- ii. Proposer should describe its plans and intentions with regard to onboarding, outplacement, and pension issues, as applicable.

f. Description of the SCH's Potential "Fit" in Proposer's System:

- i. Proposer should describe what current services and facilities, if any, it has in SCH's geographic area, or other similar rural areas, or in other similar CAH systems.
- ii. Proposer should describe how SCH will fit with the proposer's other facilities, physicians, and programs, with an emphasis on coordination of care and transfer capabilities.

g. Service Complement/ Growth Strategies:

- i. If proposal is for other than a purchase, Proposer will commit to maintain the existing scope of services (except obstetrics), 24-7 surgery and emergency care, for a period of at least two (2) years.
- ii. If proposal is for a purchase, Proposer should describe which major services it would commit to maintain for a period of at least two (2) years.
- iii. Proposer should describe how it will help fund and develop growth strategies for health care services in the community.
- iv. Proposer should describe how it will improve access to, expansion of, and enhancement of health care services in the community. Proposer should describe how it might use telehealth or other means of providing or retaining more care at the local community level.

h. Medical Staff and Referral Arrangements:

- i. Proposer should describe its plans to maintain and support the current medical staff, including local medical staff self-governance.
- ii. Proposer should describe its plans to provide physician services for the Emergency Department.

i. Existing Affiliations:

- i. Proposer should provide a five year history of recent affiliations, disaffiliations, and closures.
- ii. Proposer should provide references from recent affiliates, with an emphasis on Alaska and western states.

- j. **Electronic Health Record/IT Platform:**
 - i. Proposer should be prepared to support the implementation of an electronic health record within a reasonable period of time after the date the transaction closes.
 - ii. Adoption of more enhanced systems to integrate with the proposer and enhance transfer of information.
 - iii. Provide examples of the development of this capability in the proposer's business.
 - k. **Quality and Safety:**
 - i. Agreement to provide and support quality and safety expertise and protocols to assure that SCH is exceeding quality and safety standards.
 - ii. Provide examples of a track record with automated and /or electronic technologies that enhance quality and safety.
 - iii. Provide examples of ability to improve clinical outcomes/services, as well as providing clinical and administrative support, either locally or regional, to assure standards of excellence.
 - l. **Mitigation of Financial Risks:**
 - i. CBS is currently responsible for negative financial impacts of SCH. Proposer should describe its willingness to remove or mitigate those impacts.
 - ii. CBS currently has significant financial risks for unfunded liabilities with the State of Alaska Public Employees Retirement System ("PERS"). Proposer should describe its willingness to remove or mitigate those risks.
5. A list of any necessary regulatory, corporate, or other approvals required to consummate your proposal, along with a statement indicating your ability to secure such approvals in a timely manner. Describe any federal or state limitations that might prohibit you from entering into an agreement with CBS.
6. Your acknowledgement that CBS will not be liable to you for any damages or expenses of any kind or type, unless you are the successful proposer, and even then only to the extent set forth in the definitive agreement between CBS and the successful proposer.
7. Shortly after receipt of the written proposals, CBS will notify the proposers as to whether or not they are selected to participate in Phase 2. In light of CBS's objectives as stated earlier, CBS may limit the number of proposers that are selected to participate in Phase 2.

PHASE 2 (March-May 2018)

Up to two Proposers will be selected as "Finalists" to participate in Phase 2. CBS will invite and arrange for the Finalists selected for Phase 2 to make site visits at SCH. These visits will include a tour of SCH; a presentation of Finalists' proposals to representatives of CBS, the SCH Board and senior leadership team; and meetings with SCH management concerning SCH's culture, business operations, facilities and current projects.

During this phase, Finalists will have the opportunity to review more detailed business, financial, and legal information pertaining to SCH's operations, assets, and liabilities. Finalists will provide CBS with similar information about their organizations, so CBS can better understand their mission, vision, values, and business operations.

At the conclusion of Phase 2, Finalists will be asked to refine their proposal into a final form. CBS will be available throughout the course of Phase 2 to respond to reasonable requests for additional information. CBS intends to complete Phase 2 in an expedient manner.

PHASE 3 (June 2018-Fall 2018)

Subsequent to the receipt of refined proposals from proposers selected for Phase 2, the CBS Assembly, with the advice and assistance of its financial and legal advisors, will evaluate the final proposals submitted and select a proposer as promptly as is reasonably practicable.

CBS will notify the selected proposer and work with the selected proposer to put in place a letter of intent or other form of written agreement by and between CBS and the selected proposer that details certain mutually agreed upon agreements to be developed and implemented on an interim basis by and between CBS and the selected proposer.

Subsequently, CBS and the selected proposer will work towards completion of due diligence with the objective of drafting and entering into an exclusive agreement that best satisfies the objectives of CBS and the selected proposer.

MISCELLANEOUS

Each proposer responding to this RFP will bear all costs of its own investigation and evaluation, including the fees and disbursements of its own counsel and advisors.

CBS's interpretation of any written material furnished, or information orally or electronically transmitted, to any party shall be final and binding to all parties. CBS reserves the right, at any time, to (a) discontinue or modify the process as outlined in this RFP, or (b) expedite the process by entering into negotiations with any proposer, and/or (c) decline consideration of any proposer. CBS will not be obligated to state any reason for actions taken in accordance with the prior sentence. Submission of materials in response to this RFP shall confirm your agreement that (a) CBS shall have the right, in its sole discretion, to accept or reject any proposal or offer or to terminate any discussions and negotiations at any time and for any or no reason, and (b) your release and waiver of any and all claims whatsoever against CBS arising out of or relating to this RFP process.

Please note that as an Alaska home rule municipality subject to the review of any proposal by the CBS Assembly will occur in an open public meeting. Any information you consider to be a trade secret and/or privileged must be marked as such, otherwise it may be publicly disclosed. Moreover, approval of a definitive agreement involving the sale, of more than \$500,000, or lease, of more than \$750,000, of CBS's real property must be ratified by a majority of qualified voters under Sitka General Code 18.12.010.B.

Under no circumstances should any Assembly member, officer, employee, physician, board member or affiliate of CBS or SCH be contacted directly, except with prior approval of CBS Administrator, P. Keith Brady, or CBS Municipal Attorney, Brian E. Hanson.

PROPOSED TIMELINE

- Anticipated RFP release date: _____
- Phase 1 due date for proposals: _____
- Phase 2 notice date of selected proposers: _____
- Phase 2 due date for expanded proposals: _____
- Phase 2 oral presentation date (if any): _____
- Phase 3 selection date of preferred proposer: _____

Thank you for your consideration.