

Sitka Community Hospital RFP

City and Borough of Sitka, Alaska Assembly

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Tonight's Objectives

1. Introduce consultants
2. Consultants' charge and orientation
3. Recommendations regarding refinement of the RFP
4. Proposed RFP process phasing and timeline
5. General observations
6. Agree on next steps for moving the process forward

Background and Skills: Steve and Sarah



- Consulting, management, and board experience
- Backgrounds in governance, strategy, planning, finance, medical staff relations and operations
- Knowledge of market, providers, management teams and relationships
- Understanding of community health systems, district hospitals, and larger health systems
- Involved in local, regional, and national health-care activities
- Participation in broad range of affiliation activities
- Excellent facilitation skills

Consultants' Charge & Orientation

- Charge (from Brian Hanson): Limited engagement to review and provide our assessment of the draft RFP and consultation regarding process going forward
- Materials Reviewed: Iterative drafts of RFP, ECG Report, Stroudwater Report, SCH Financials, previous SEARHC Proposal
- Interviews/Discussions: CBS: Brian Hanson, Keith Brady, Coral Crenna; SCH: Robert Allen, Cynthia Brandt

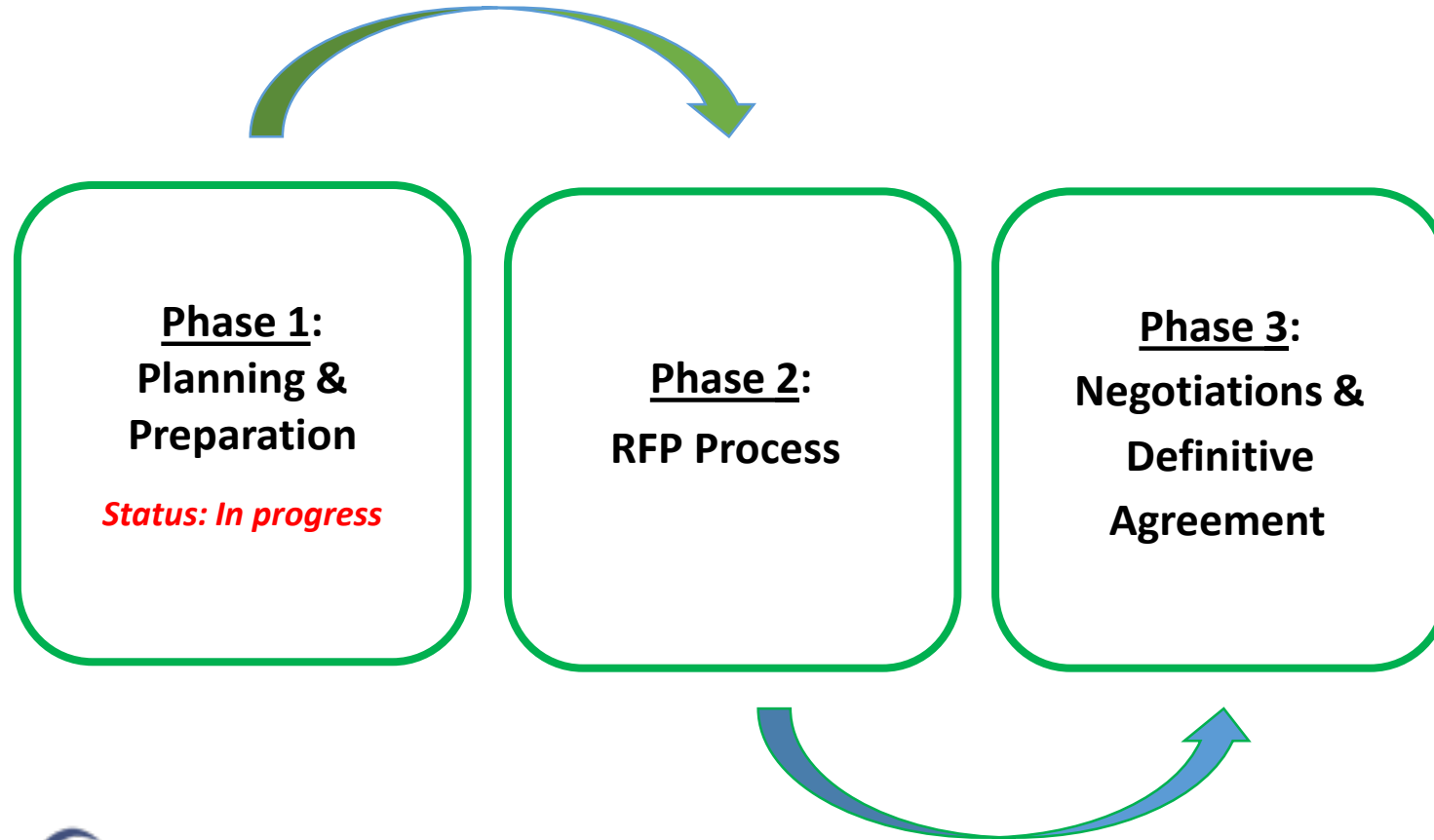
Recommendations re: RFP Refinement

Summary of Revisions Reflected in RFP:

- Clarify Assembly's Goals of Affiliation
- Encourage a phased or iterative approach to affiliation
- Shorten timeframe for maintaining status quo
- Revise language/expectations re: mitigation of financial risks
- Tighten up Phase 2 (emphasis on getting to know each other vs. true due diligence)
- Minor changes: APCs, Telehealth



Affiliation Process Phasing



Phase 1: Planning & Preparation (January-February 2018)

- Clarify CBS Assembly's Goals of Affiliation (recommendation)
- Draft and refine RFP (in progress)
- Identify potential affiliates
- Disseminate RFP



Phase 2: RFP Process (March-May 2018)

- Evaluate proposals
- Select finalists
- Arrange site visits

Phase 3: Negotiations & Definitive Agreement (June 2018-Fall 2018)

- Review final proposals
- Select affiliate (August 2018)
- Develop Letter of Intent (LOI)
- Conduct due diligence
- Execute definitive agreement



General Observations

- SCH performance is improving:
 - ✓ Improved operating performance
 - ✓ Improved cash flow and paydown of line of credit
 - ✓ Fiscal improvement plan being actively implemented per Stroudwater report
- Significant future obligations:
 - ✓ “PERS” liability
 - ✓ Future capital commitments
 - ✓ Ongoing operating losses
- SCH Balance sheet is not strong:
 - ✓ Can meet short-term needs
 - ✓ May not be sustainable if there are unforeseen financial challenges
 - ✓ Unlikely it can meet long-term PERS and capital commitments
- RFP Response:
 - ✓ Concern re: long-term financial commitments
 - ✓ Highly uncertain regulatory and economic environment
 - ✓ Responses could be limited
- Primary objective: “leave no stone unturned”

Next Steps for Moving the Process Forward

Recommendations:

- Continue with RFP process
- Actively identify candidates
- Request preliminary intent to propose
- Active support and dialogue through proposal process
- Define extent of ongoing commitment to support healthcare in Sitka



How We Can Help:

- Clarify CBS Assembly's goals of affiliation
- Further refine RFP and support process
- Active proposal "pre-screening"
- Promote creative and evolving approaches to affiliation
- Proposal evaluation and candidate selection
- Due diligence
- LOI and Definitive Agreement coordination (with legal counsel)

Appendix: “Affiliation” Can Take Many Forms

