

Response to Request for Proposal

City and Borough of Sitka, Alaska  
for  
Sitka Community Hospital

Purchase, Lease, Partnership,  
Management or Affiliation Consulting

Sitka, Alaska



**QUORUM** | HEALTH RESOURCES®



May 15, 2018

Keith Brady  
Municipal Administrator  
City and Borough of Sitka, Legal Department  
100 Lincoln Street  
Sitka, AK 99835

Re: Response to Request for Proposal

Dear Mr. Hanson,

On behalf of Quorum Health Resources, LLC (“QHR”), we are pleased to submit this Response to your RFP for Hospital management. Through the RFP Response, we have provided information on how QHR can effectively work with the Hospital to implement the many recommendations made by prior consultants and how throughout the contract we can continually identify new opportunities to improve the performance of the organization and services provided to members of your community.

QHR is uniquely qualified to work with the City and Borough of Sitka (“CBS”) and the Hospital Board of Trustees and its staff to meet your objectives. We believe our proposed pricing for this engagement is highly competitive and in phase two (2), we will work with the City and Borough to fine tune the scope of the work and the pricing.

We thank you for the opportunity to present our qualifications and look forward to relationship. If you have any questions, please feel free to contact me at [bdonatelli@qhr.com](mailto:bdonatelli@qhr.com) or by phone (303) 817-9721.

Sincerely,

William Donatelli  
Vice President, Western Operations

# RFP Response for City and Borough of Sitka, Alaska for Purchase, Lease, Partnership, Management or Affiliation of/with Sitka Community Hospital

Quorum Health Resources, LLC (“QHR”) is pleased to present our response (the “Response”) to your request for Purchase, Lease, Partnership, Management or Affiliation of/with Sitka Community Hospital (“SCH”). Please note that this Response is provided for discussion purposes only, is not binding on either party, and is subject to further negotiation and refinement. If the City and Borough of Sitka, Alaska chooses to enter into a relationship with QHR, a full, definitive agreement will be negotiated and control the arrangement between the parties.

## Overview of your firm, its history, ownership, industries served, and product offerings.

**Respondent's Full Name:** Quorum Health Resources, LLC

**Headquarter Address:** 1573 Mallory Lane Suite 200, Brentwood, TN 37027

**Type of Ownership:** Limited Liability Corporation

**Name of Parent Organization:** Quorum Health Corporation

**State Incorporated:** Delaware

**Federal Taxpayer Identification:** 62-1742954

**Contract Signer Name and Title and Explanation of Their Authority:** Robert A. Vento, Chief Executive Officer

**Contract Details for Proposal Questions:** William Donatelli, Vice President, Western Operations. Email: bdonatelli@qhr.com. Office phone: (615) 371-4505; cell phone: (303) 817-9721.

### **Corporate Background and Experience**

As the largest hospital management firm in the United States, QHR has provided leadership, management support, and strategic resources to hospitals of varying sizes for nearly four (4) decades. QHR can guide your hospital board to sustained success utilizing our deep clinical, strategic, financial, and operational expertise. With QHR as your support system, our experience becomes your advantage in today's competitive and uncertain marketplace.

QHR's management and advisory clients are satisfied, with an average tenure of 20+ years and a contract renewal rate of almost 95%. We continue to provide our client hospitals with the expertise and resources they have come to value, helping them remain independently governed and locally controlled.

**In the event the City and Borough of Sitka elects to move forward with a management agreement as an option, we believe we are your best option moving forward. A QHR CEO and CFO, supported by the resources of QHR and reporting to the Board, is the best method to implement the various recommendations made by prior consultants. Going forward, QHR will continually identify opportunities and provide implementation support, assuring recommendations are implemented and other consulting expenses are kept at a minimum. We believe this is the best option for the Hospital to meet its ongoing financial obligations and to meet its current and future capital needs.**

### **Description of the Proposed Management Agreement**

QHR has worked with numerous hospital boards helping them define and align their business strategies and utilizing those to establish a sound and measurable business plan. QHR will work closely with SCH's Board to develop a thoughtful and comprehensive business and strategic plan. As part of that process, QHR and the Board will:

- Review prior consulting reports and determine the current state of implementing those recommendations;
- Conduct its own high-level assessment of Hospital operations;
- Develop and present the to Hospital Board our recommendations and plans for implementation;
- On an ongoing basis, QHR will identify opportunities for improved performance through our monthly operation reviews and review of critical data submitted to our comparative database, and regularly identify new opportunities and report progress to the Board.

QHR is uniquely and distinctly qualified to help hospital boards stabilize and optimize the efficiency of their hospital and medical staff and improve the quality of patient care.

Quorum is proposing a five (5) year Agreement for Hospital Administrative Services (management agreement) with the City and Borough of Sitka. Under the Agreement, all assets and liabilities remain the property of the City and Borough. The organization of the Hospital Board will remain the same, with the CEO and CFO becoming QHR employees, reporting to the Board while they are supported by a QHR regional team and the corporate resources of QHR. QHR's extensive experience working with community hospitals has demonstrated there is significant value in this supported leadership where the CEO and QHR are jointly responsible to the Board of Directors. Functioning in isolation over the coming years may not be a viable strategy for growth – or even survival. QHR has defined more than fifty (50) operating practices over three (3) decades to ensure that key strategic, financial, and operational issues facing our hospital clients are addressed. Over the years, these practices have proven to be a blueprint for our clients' success and are consistent with our mission vision and value statements.

To achieve the long term success that both QHR and the City and Borough are striving to achieve, we would propose a five (5) year Agreement for Hospital Administrative Services at a first-year fee of \$479,500, which is adjusted annually by the medical CPI.

Costs associated with salaries and benefits of key personnel (i.e., CEO) are not included as part of the annual fee and these costs are billed directly back to the Hospital.

The Hospital will reimburse QHR for all reasonable, out-of-pocket, and normal business expenses of QHR's consultants and regional support team.

In order to prepare a final agreement during Phase Two of the RFP process, and at least annually during the contract term, QHR shall meet with the Board to discuss the strategic and operational goals and objectives of the Hospital during the forthcoming twelve (12) month period. Once these annual goals and objectives are identified with the Board, QHR shall develop, and shall submit to the Board, a QHR service support plan, identifying the regional team, consulting and educational resources from QHR to be utilized, along with timeframes and accountability to assist the Hospital in meeting their strategic and operational goals and objectives.

Based on the material already reviewed, service and support to be provided to the Hospital includes the following:

### **EXECUTIVE LEADERSHIP**

- Quorum will provide the Hospital with a qualified CEO and CFO.
  - QHR will initially meet with the current CEO, CFO and the Board to determine if they are the best individuals to work with QHR and the Board in achieving the Hospital's desired objectives. If they are acceptable to both parties, those two (2) employees will become employees of QHR upon execution of the Agreement.
  - If needed upon execution of the Agreement, QHR will provide interim individuals to fill those positions and will begin the timely recruitment of a permanent CEO and CFO. As part of QHR's executive search process, we will:
    - Conduct a national CEO search based on the Hospital's needs and fit with the community;
    - Provide initial screening and interviews by seasoned operators who recognize talented hospital executives;
    - Provide guidance to the board on compensation; and
    - Provide guidance to the board on selection criteria to help the board choose the right candidate(s).
- Once on site, the CEO and CFO will:
  - Oversee the execution and performance of the Hospital's administrative functions;
  - Communicate with the Board regarding the Hospital's business and operational activity;
  - Prepare and submit to the Board an annual operating budget, annual capital expenditures budget (if appropriate), and annual cash flow projections; and
  - Work closely with the Board and Hospital staff to implement key initiatives approved by the Board.

## **QHR's LEADERSHIP SUPPORT**

- QHR will assign an account executive and account executive team, which includes the RVP, AVP, and RFA and Medicare Reimbursement Specialist. The account executive shall have overall accountability for the quality and value of QHR's administrative and advisory services to the Hospital, and, among other duties:
  - Working with the CEO, CFO and other key Hospital staff, our team will conduct a monthly operations review. This call with the account management team will allow appropriate on-site and regional personnel the opportunity to discuss current operational, strategic, and political issues at the Hospital and will allow us to coordinate actions and the delivery of services/resources aimed at achieving the Hospital's goals and improving operations.
  - A financial member of the team will conduct an annual financial review within one hundred twenty (120) days of the Hospital's fiscal year mid-point. This review is a comprehensive look at the financial operations of the Hospital and is used to identify and correct operational weaknesses before they develop into problems.
  - A member of the team will attend, from time to time, meetings of the Board, committees of the Board, and any other major policy and/or strategy sessions;
  - Provide consultation in preparing material for Board decisions, operational issues/problems, special projects, and leadership development;
  - Submit and present an annual QHR report to the Board; and
  - Meet annually with the City and Borough of Sitka, along with the Hospital CEO and other Hospital representatives to provide a status report of Hospital operations.

## **STAFFING AND PRODUCTIVITY**

- QHR will review and update the productivity standards used in prior consultant reports. The standards will be customized to your Hospital, using standards based on performance at similar sized CAH hospitals. QHR will then provide the Hospital with access to QHR's Vantage Productivity System for the ongoing monitoring of staffing compared to the Hospital's benchmarks and will make recommendations as appropriate to the Board. QHR will provide education and training for the CEO and other leaders on the standards and the use of the system and how it can be used to make staffing to changing demands. The Hospital will also have access to the Quorum Vantage Comparative Database to allow ongoing monitoring by the Hospital and QHR.

## **REIMBURSEMENT SUPPORT**

- QHR's Medicare reimbursement specialist will support the Hospital's efforts to receive the proper reimbursement the Hospital is entitled to under the Medicare Program. Critical Access Hospital Reimbursement Support includes the following:
  - Annual review of a Hospital cost report prepared by outside preparer;
  - Cost report modeling for contractual review and decision making; and
  - Reimbursement advisory regular review of reimbursement changes and alerts and follow-up with staff.

- QHR shall perform an annual contractual accounting review and analysis of the Hospital's third party contractual allowances. A contractual accounting review is a detailed review of the contractual accounting processes, contractual allowances and cost report settlements as reported on the Hospital's financial statements. This review is utilized to identify and correct potential errors that could be reported in the financial statements as presented to the Board by executive management teams. Contractual accounting models can be developed and customized to perform in cooperation with Hospital's information systems.

## **STRATEGIC PLANNING AND GROWTH**

- Strategic Planning Facilitation – QHR will facilitate a comprehensive strategic planning process including, but not limited to, a review of the Hospital's demographic data and market share information, and intended (and existing) service lines by volume. QHR, in conjunction with the Board and medical staff, will identify prevalent strategic planning initiatives for the Hospital and assist the Hospital and Board with the development of a short- and/or long-term strategic plan.

## **COMPLIANCE**

- QHR will provide support and consultation to the Board in the area of compliance, including completing an on-site compliance assessment during the first year of the Agreement. QHR will provide the Hospital compliance officer with a management action plan and will help guide the compliance officer on their implementation of the recommendations.
- After the Hospital has made sufficient progress in implementing a compliance program, QHR will complete for the Hospital and the Board, a compliance and HIPPA risk assessment. Having an effective compliance program, including a risk analysis and plan to mitigate risk, is a requirement of CMS and critical requirement of an effective compliance program.
- On an ongoing basis, the Hospital compliance officer will have access to the QHR compliance consultants for ongoing support and advice. In addition, the compliance officer will be able to participate in our annual compliance training and regular compliance webinars to remain current with the many government agency requirements.

## **REVENUE CYCLE**

- QHR revenue cycle consultants will work throughout the term of the Agreement with the Hospital to improve and maintain a quality revenue cycle program from charge master to final billing and collection in accordance with policies and procedures approved by the Hospital Board.

## **PRACTICE MANAGEMENT**

- QHR practice management consultants will review prior consultant recommendations on improving clinic performance and will develop a management action plan and with the support of the CFO, regional AVP and practice consultant, and will monitor the implementation of the management action plan.

## **BOARD AND STAFF EDUCATION**

- QHR will provide the Board and the Hospital (including its employees) with access to QHR's management training and development offerings currently provided through the QHR's Learning

Institute (“QLI”). Members of the Board, the CEO and CFO, and Hospital senior management, including the compliance officer, may attend certain annual conferences and core educational offerings, found in the QLI product catalog, on a tuition-free basis (excluding travel expenses).

## QUALITY AND REGULATORY SERVICES

- Throughout the term of the Agreement, the Hospital and its staff will have access to QHR consultants for assistance in improving the Hospital Quality program and in maintaining and meeting regulatory requirements. The deployment of these individuals will be dependent on the Hospital’s needs and included as part of the annual business planning process.

## COST REDUCTIONS

- The Hospital shall be entitled to a discount on AHA dues through its affiliation with QHR, subject to availability in accordance with the existing agreement between QHR and AHA; and
- QHR will provide access to the Quorum Purchasing Advantage (“QPA”), our GPO. QPA develops relationships with vendors to provide our clients with more than just a purchasing organization for supplies. We utilize HealthTrust Purchasing Group (“HPG”) for supply purchases, allowing clients to access best available pricing discounts due to our purchasing volume. We offer additional savings from over 100 SSPs - vendors of products and services not available through HPG.

## QHR’s Vision, Mission and Values

**Vision:** To be a dynamic, integrated professional services company delivering innovative and executable solutions through experience and thought leadership.

**Mission:** Creating a sustainable future for healthcare organizations.

**Values:** Trust, respect and CustomercentriQ.

## Description of QHR’s Financial position

QHR does not issue stand-alone financials. QHR’s parent company, Quorum Health Corporation’s consolidated financial statements can be found on their website at:

<http://www.quorumhealth.com/investor-relations/annual-reports-proxy-statements>.

## QHR’s position on the following issues:

**Access to capital.** QHR will not be providing capital to the organization.

**Physician and APC recruitment.** As part of the development of a strategic plan, QHR will provide a physician and APC manpower analysis and recruitment plan. Through our SSP program, we have multiple vendors that can assist with recruitment at a discounted rate.

**Foundation and community benefit.** The foundation will continue to operate independently and control its own assets. During the term of the Agreement, QHR will complete for the Board its required community needs assessment and help determine and the level of community benefit provided.

**Governance of the Hospital.** Governance of the facility will remain unchanged. However, the Board will have access to the extensive QHR programs on Board education and training, including regular webinars, a library of programs, and our annual education conferences.

**Continued employment of the existing employees.** QHR will work with the Board on evaluating the skills of the current CEO and CFO and these two (2) positions will transition to be QHR employees. All other employees will remain employees of the Hospital. QHR will complete a productivity review benchmarking Sitka against other similar CAH hospitals and will recommend any changes in staffing levels to the Board of Directors for a final decision.

**Sitka's fit within the QHR system.** QHR understands the complexities of working with governmental agencies and working with CAH hospitals in rural and remote locations and has decades of experience helping these organizations succeed. QHR currently works with over sixty (60) hospitals and health system clients that are "governmental agencies", defined as having a district, county or city operating structure. Among these clients are multiple municipally owned and governed hospitals across the United States. Our publicly governed hospital clients operate over 5,000 licensed beds, making QHR the **largest provider of management advisory and support services to public hospitals in the nation.** With over sixty (60) clients operating as a government hospital, QHR is highly sensitive to the need for public access and hospital transparency. As the leading provider of public hospital administrative and support services, QHR has significant experience assisting these boards and leaders in the pursuit of their individual mission and need to meet the unique healthcare challenges of their community. We believe an educated support base is the best support base, and our resources and tools guide the public to understand the Hospital's mission.

**Service and growth strategies.** These strategies will be developed and identified with the Board after a detailed market analysis and the development of an annual business plan and strategic plan.

**Medical staff and referral arrangements.** QHR will work with the medical staff on identifying specialists and organizations that would support the goals and missions of the Hospital, however physician referrals will remain the responsibility of the individual physician or APC.

**Existing affiliations.** QHR has multi-year agreements with over ninety (90) healthcare organizations and provides consulting with an additional ninety (90) organizations annually. A more extensive client list and set of references can be provided during Phase 2 if required.

**Electronic health records.** QHR will not provide access to an electronic health record, however, we have multiple discounts through our SSP program if the Hospital elects to use one of their systems.

**Quality and safety.** QHR consultants are available to assist with the development of a quality and safety program for Sitka, led by the Sitka Hospital medical staff and Board.

**Mitigation of financial risk.** The risk of the Hospital remaining profitable will remain with the Board, as will any financial gains as a result of the Agreement between QHR and the Hospital.

### Necessary corporate approvals

QHR will require no additional approvals in order to negotiate a final agreement with the Hospital and City and Borough of Sitka.

## **Acknowledgement of Liability**

QHR acknowledges that the City and Borough of Sitka 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 City and Borough of Sitka and the successful proposer.