

## **Responses to Additional Questions Posed by Assembly Member Wein Regarding SEARHC's Proposal for Sustainable Healthcare Services in Sitka in 2018**

- **Can SEARHC utilize its Indian Health Service (IHS) compact funding to provide healthcare services to non-beneficiaries? These funds are a large part of your funding stream.**

Yes. Under SEARHC's compact and funding agreement with the Indian Health Service (IHS), and Section 813 of the Indian Health Care Improvement Act (IHCIA) (25 U.S.C. § 1680c), SEARHC's governing body has authority to determine whether to provide services to non-beneficiaries and SEARHC's Board of Directors has made the necessary determination to serve non-beneficiaries. Currently, compact funds represent 39% of SEARHC's total revenue.

- **Where is the funding for the new Hospital complex coming from?**

Funding for the new hospital will come from a variety of current cash reserves, new debt through tax exempt bonds, or other government funding. It is still too early in the process to have a breakdown or detail on amounts and specific sources.

- **What would be the effect on your plans if Sitka Community Hospital decided to go on its own? Would that hinder the funding for your building plans?**

SEARHC is moving forward with our strategic plan and the plans for the new Sitka campus regardless of the outcome of the RFP process and the City Assembly's decision.

- **How will SEARHC account for any future decline in Federal and State funding, reduction in insurance reimbursements or IHS compact funding?**

SEARHC currently has about 250 days of cash on hand, which allows us to be thoughtful and strategic about addressing budget needs. With any decline in funding or reimbursement, leadership looks to reduce expenses in those areas of the organization that are not involved in direct patient care or direct patient services.

Keeping in mind that our IHS compact funding only makes up 39% of SEARHC's operating revenue, SEARHC also has the advantage of not being directly impacted by

State reductions in Medicaid reimbursement, which is sure to come with the continued challenging status of the State's finances.

**Would there be different services and/or access for beneficiaries and non-beneficiaries?**

No. All health care services provided by SEARHC in the community of Sitka will be available to beneficiaries and non-beneficiaries alike.

■ **Are there specific healthcare funding sources designated for beneficiaries alone?**

No. There are no anticipated changes in funding that would affect care of either beneficiaries or non-beneficiaries.

■ **What will happen to the current Mt. Edgecumbe Hospital building as SEARHC moves forward with its Sitka Campus Plan?**

At this time, the plans for the new healthcare campus in Sitka include repurposing Mt. Edgecumbe Hospital to meet identified additional space needs. This may include staff housing, some administrative functions, storage and meeting space.

■ **SEARHC's affiliation proposal includes a local Advisory Board that will allow for local Sitkans to provide input on SEARHC healthcare services. However, what additional safeguards will be in place to ensure continued healthcare services to non-beneficiaries?**

SEARHC is committed to providing sustainable, high-quality, comprehensive healthcare to everyone in the community of Sitka. This commitment will be safe-guarded in the legal agreements that are to be developed between the City and Borough of Sitka and SEARHC, similar to what has already been done for the affiliation for Alaska Island Community Services and Wrangell Medical Center.

■ **Have you analyzed the overall financial impact to the City and Borough of Sitka?**

Although no formal impact study has been conducted, we believe that the combination of the two facilities brings many economic advantages, including:

- Assuming complete financial risk and responsibilities for delivering healthcare services to Sitka;
- Mitigating pension liabilities to the City and Borough of Sitka;

- Freeing up funding for the City and Borough of Sitka to use for other important needs, including schools, public safety, roads, infrastructure, etc;
- Expanding and enhancing healthcare services in Sitka;
- Ensuring better electric rates for the community of Sitka;
- Committing to no layoffs and reductions of Sitka Community Hospital staff while creating new employment opportunities;
- Improving recruitment and retention of primary care and specialty providers; and
- Building a new healthcare campus that offers Sitka comprehensive and reliable services for the future.

### ■ Do you feel there would be any negative impact? If so what?

One concern that has been shared with SEARHC is a decrease in retail pharmacy business for Dirk and Trish White if the two healthcare organizations were to consolidate. As you know, SEARHC does not operate a retail pharmacy in Sitka. Last year, following our original 2017 proposal, SEARHC met with the Whites to discuss this concern. SEARHC shared the results of a prescription volume analysis that we conducted when Sitka Medical Center became part of SEARHC. We found that in the year following the consolidation, **only 3%** of all prescription orders written by Sitka Medical Center providers were sent to Mt. Edgecumbe Hospital, **60%** were sent to Harry Race and White's Pharmacies, and **37%** were sent to out-of-town pharmacies, including Costco, Walmart and Safeway. As part of that 2017 discussion, the Whites shared that a 0.5 pharmacist FTE might be lost in a hospital consolidation. To mitigate this possible 0.5 FTE loss, SEARHC and the Whites discussed how SEARHC was willing to job-share that position in order to keep it intact and in the community.

### ■ Have you sought feedback from Alaska Native beneficiaries residing in Sitka regarding any concerns with SEARHC's affiliation proposal?

While SEARHC has not directly surveyed our Sitka beneficiaries regarding our affiliation proposal, the SEARHC leadership team periodically meets with the Sitka Tribe of Alaska. Similarly, SEARHC beneficiaries from the community of Sitka are represented on the SEARHC Board of Directors by a director appointed by the Sitka Tribe. As a regional hospital, Mt. Edgecumbe Hospital serves all people in Southeast Alaska. SEARHC's full Board of Directors has authorized and supports SEARHC's proposal to assume operations of Sitka Community Hospital.

■ **How will SEARHC's affiliation proposal impact delivery of care to your existing beneficiary population given the addition of Sitka Community Hospital patients?**

One of the main goals of consolidating Sitka Community Hospital with SEARHC is to enhance care for all patients in Sitka. In the last year, over **5,850** individual Sitkans have sought care at a SEARHC service location in Sitka, including Mt. Edgecumbe Hospital, Sitka Medical Center, and the Express Care Clinic. This constitutes two-thirds of Sitka's current population. By integrating our staffing and service locations, our combined capacity will allow us to meet the needs of all patients. For example:

- Long-term care services are not currently provided by SEARHC, and that capacity is already well handled by Sitka Community Hospital. These services will transition over to the new SEARHC healthcare campus when the new facility is ready.
- In FY18, Sitka Community Hospital had an average daily acute and swing bed census of 3.8 (per SCH June 2018 Key Volume Indicators Report). SEARHC's average daily census runs at about 12. Sitka Community Hospital's inpatient bed needs can be easily absorbed by Mt. Edgecumbe Hospital as part of the transition, and Mt. Edgecumbe Hospital has 25 beds available to meet this need.
- SEARHC already provides 24-hour OB and OR coverage for the community.
- SEARHC recently expanded and remodeled its Emergency Department at Mt. Edgecumbe Hospital and can assume full ER coverage for the community, as well. In the last year, Sitka Community Hospital reported 1,846 ER visits and SEARHC had 3,095 ER visits. This combined annual volume of 4908 visits equates to about 1 visit every 2 hours, or 13.4 visits per day. SEARHC's new ER has 5 treatment bays, and is capable of meeting this combined demand.
- SEARHC is not planning to move Mountainside Family Healthcare Clinic until a new Medical Office Building is built on the new healthcare campus.

■ **How will SEARHC implement its plan to transition current Sitka Community Hospital employees into comparable positions at SEARHC? How will SEARHC keep Sitka Community Hospital employees fully apprised of the transition process?**

SEARHC and Sitka Community Hospital will work together to develop a plan to fully integrate and transition services and staff over a period of time, while the new healthcare campus is being built. As described in the SEARHC proposal: there will be no layoffs of Sitka Community Hospital staff, and Sitka Community Hospital employees who pass the necessary background checks will be offered Sitka-based positions of a like nature and compensation and benefit levels similar to those provided to current SEARHC

employees in similar positions. There will be no mandatory relocations outside of Sitka in the transition of employees from Sitka Community Hospital to SEARHC. We expect that employment offerings under SEARHC will occur as early as practicable in the official transition period, which would commence upon closure of the business transaction (to be determined in the Definitive Agreement between City and Borough of Sitka and SEARHC).

### **Response to Question Posed by a Different Assembly Member**

- **In light of the community feedback from this week's Town Hall (in particular that much of the Sitka Community Hospital staff are travelers and the new SEARHC hospital will need 700+ staff) can SEARHC make a commitment to keep current, or a large percentage of Sitka Community Hospital staff in town?**

Yes. As addressed above and in our proposal: should the two hospitals merge, there will be no layoffs of Sitka Community Hospital staff, and all Sitka Community Hospital employees who pass the necessary background checks will be offered Sitka-based SEARHC positions of a like nature and compensation and benefit levels similar to those provided to current SEARHC employees in similar positions.