

# **Kenai Peninsula Borough Healthcare Task Force 2016**

## **Report and Recommendations**

The KPB HCTF completed the following deliverables:

- (1) Evaluation of current state of the KPB healthcare delivery system
- (2) Recommendation based on evaluation of alternate health system delivery models/strategies
- (3) Recommendation for hospital structure within the borough
- (4) Transition roadmap for recommendations

The following report summarizes the takeaways and final recommendations of the KPB healthcare task force regarding each of the above deliverables.

## KPB Healthcare Task Summary Report

### Healthcare Task Force Work Completed

---

The following summarizes the presentations heard, stakeholders interviewed, and work completed by the task force and task force subcommittees.

1. The task force received the following presentations
  - a. KPB Mayor and Administration – Creation of Task Force
  - b. Central Peninsula Hospital
  - c. South Peninsula Hospital
  - d. KPB – 2014 Rural Health Care Conference
  - e. Dare to Dream? A local Provider Perspective – Dr. Katy Sheridan
  - f. Kenai Peninsula Community Health Centers, Seward, Soldotna
  - g. Reducing Health Care Costs Through Improved Health Status – Rep. Seaton
  - h. South Kenai Peninsula Hospital Service Area Board
  - i. Central Peninsula Hospital Service Area Board
  - j. KPB Administration Recommendations
  - k. Providence Seward Medical & Care Center
  - l. Providence Seward Medical & Care Center – Health Advisory Council
  - m. Stroudwater Report and Facilitated Q&A session
  - n. Subcommittee Report
  - o. KPB Administration – Stroudwater Final Recommendations
  - p. Kenai Peninsula Clinically Integrated Network – Rick Davis, CPH
  - q. ASHNA Conference – Rick Davis
2. The provider delivery subcommittee completed the following work
  - a. Stakeholder interviews sessions in Seward, Homer, and Soldotna with local providers, administrators, law enforcement, and other citizens
  - b. Produced a final report summarizing borough region-wide gaps
3. Work groups tasked with further evaluation of the region-wide gaps completed the following
  - a. Stakeholder interviews with Serenity House Treatment Center, PCHS, Central Peninsula Behavioral Health Center, Dena'ina Wellness Center, Dr. Sarah Spencer, South Peninsula Behavioral Health Center, Seward Community Health Center, Seaview Community Services, Dr. Michael Merrick
  - b. Attended behavioral health needs assessment meetings conducted by State of Alaska
  - c. Attended Heroin Town Hall Meetings
  - d. Assembled EMS workgroup and initiated review of alternative structure options
4. The consultants completed the following
  - a. Review of current and future hospital sustainability
  - b. Public meetings in Homer, Seward, and Soldotna regarding hospital overview

**Deliverable 1: Evaluation of current state of the KPB healthcare delivery system.**

---

*Process will include stakeholder presentations, public input, review of the consultant report, and subcommittee work.*

The following summarizes the takeaways from presentations, stakeholder interviews, and work completed by the task force and task force subcommittees. Through these presentations and interviews, and the work of the healthcare consultant, the task force identified region-wide gaps in the healthcare delivery system on the peninsula, determined that, if unchanged, current health system operations are unsustainable, and identified challenges and opportunities to adapt to the changes facing the healthcare system on the Peninsula.

**Task Force Evaluation:**

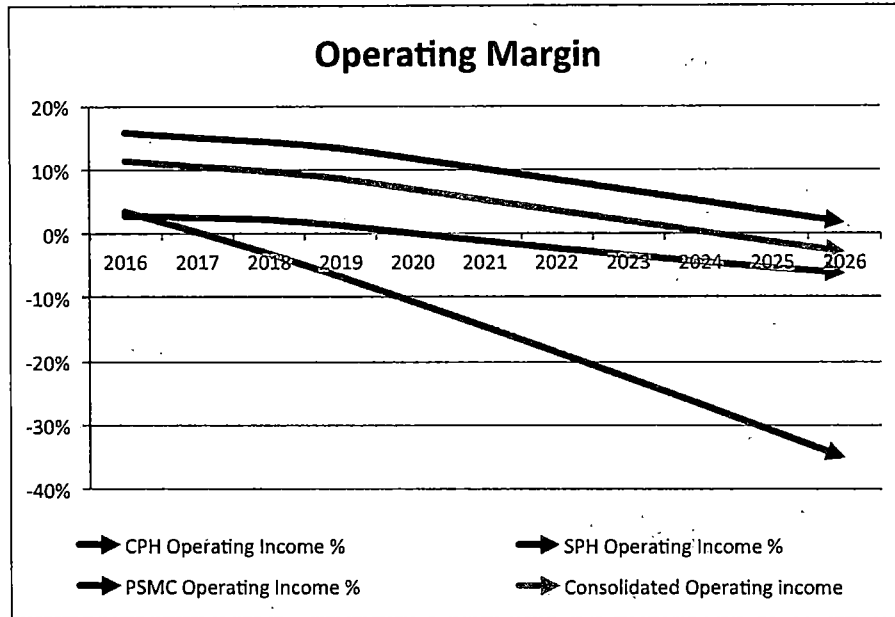
**Point 1. Region-wide gaps:** Through the subcommittee work and subsequent task force review, the task force finds that substantial gaps exist borough-wide in the following areas:

1. **Emergency Medical Services:** A need for consistent Emergency Medical Services (EMS) including medical response and transportation across the borough. KPB assembly and administration should continue work on evaluating structures to address this gap.
2. **Chronic disease education and prevention:** A need for early education and intervention to reduce the number of serious complications due to unmanaged/unmitigated chronic diseases such as Diabetes and high blood pressure.
3. **Substance abuse:** A need for resources, education, and both in- and out-patient treatment programs, in response to this growing substance abuse issue on the peninsula. KPB assembly and administration should explore the viability of supporting the creation of a detox facility.
4. **Home-health, hospice, palliative care:** A need to address access to and consistent delivery of at-home and end-of-life care, including a lack of medical hospice.
5. **Mental health:** A need for better availability of and access to resources and in- and out-patient treatment options.
6. **Non-emergency transportation:** A need for reliable, affordable, non-emergency transportation options to improve overall access to care. Transportation particularly limits access to mental health appointments and substance abuse treatment, and exacerbates the problem of isolated older individuals unable to get to care. Some transportation issues exist within towns and their outlying areas and others are long distance (between Seward and Anchorage or other hospitals).

**Point 2 Hospital Sustainability:** Through Stroudwater work and review of the Stroudwater report (Appendix 1) the Task Force finds the following:

## KPB Healthcare Task Summary Report

1. All hospitals are currently financially sound, with tax support, and needed in the communities they serve. CPH and Providence Seward Medical Center are currently operating without needing the support of a mill rate (CPH) or sales tax (Providence Seward), although those options exist if needed. SPH relies on a mill rate to remain financially sound.
2. Based on financial models and statewide trends, hospital finances under current fee-for-service financial system will face mounting pressure in every hospital within the borough. Cash and investments are projected to begin to significantly erode by 2021.



3. Continuing operations as is in the current payment system is not sustainable.

*“Stakeholders must understand the imperative to begin process of transitioning to new and more sustainable payment system while cash reserves are adequate to support the transition” – Stroudwater Report, p. 57*

4. Consultants identified a regional alignment strategy to maximize regional ability to transition to more sustainable structure in a coordinated fashion

*“Pursue a regional alignment strategy to best position the KPB health care delivery system in achieving core strategic priorities while maintaining maximum flexibility in the rapidly changing healthcare environment” –Stroudwater Report, p. 87.*

5. Governance structures must be reviewed and possibly changed to best enable hospitals to transition in a nimble, coordinated, manner; specific government structure recommendations were not part of consultant scope of work or task force deliverable 1.

**Point 3 Unique Peninsula Challenges:** Through additional task force presentations and conversations, the task force also found the following key points:

## KPB Healthcare Task Summary Report

1. There are some examples of intentional alignment and collaboration among providers, institutions, hospitals, and communities. However, there are no aligned efforts on a peninsula-wide basis to achieve the triple aim: Improve experience of care, improve population health, and reduce per capita cost.
2. The peninsula currently experiences service gaps for certain populations, specific types of health care needs, and some geographic areas.
3. The current level of preparation among providers and communities to properly prepare for and adapt to the changing healthcare and economic landscape is varied and not a coordinated effort.
4. There is a lack of a transitional model or “bridge” to follow (with a couple of exceptions: Coordinated Care Organizations (CCOs) in Oregon, Medicaid pilot project).
5. The Kenai Peninsula Borough hospital powers are currently limited to providing facilities and services within the Central and South Kenai Peninsula Borough Hospital Service Areas. Under current state law voter approval or transfer of the power by a city would be required for the borough to provide such services outside of these service areas.
6. Alaska is different due to geographical challenges, political circumstances, the current fiscal crisis, independent spirit in communities, lack of Accountable Care Organizations (ACOs), and past history dealing with the Affordable Care Act (ACA).
7. The current growth of healthcare costs is unsustainable – for all players.

## **Deliverable 2: Recommendation and evaluation of alternate health system delivery models/strategies (including assessment of borough-wide health powers)**

---

*Based on review of consultant report and facilitated session by consultant; Recommendations should address both current problems and long-term sustainability; Recommendations will focus on both individual and community health, and address the overall goal of achieving the triple aim; Task force will invite public comments at meetings; Significant time for public feedback will be given before final recommendations are created.*

### **Task Force Evaluation:**

The healthcare landscape is expected to continue transitioning from a “fee for service” model to a “population based payment structure”, driven by efforts to control health care costs and assure quality. This transition to a payment structure based on the health of a population rather than the volume of services will significantly alter the current incentives that exist in the healthcare system. In order to manage cost in a population-based system, the focus of a system must shift to managing the social determinants of health and the overall health outcomes of the managed population. There are a number of region-wide issues that may make the transition to a population-based payment structure challenging for both the residents of the KPB and the hospitals in the region. These include the gaps in services overviewed previously in this report, borough legal constraints discussed below, and the limited level of regional coordination and collaboration amongst providers.

A health system designed to manage the health of a regional population requires extensive collaboration and coordination amongst all players. The functional imperatives of such a system are wholly different than the imperatives of the fee-for-service based system in place today. Shifting to a new system will require extensive evaluation – at all levels – of structures put in place during the “fee for service” period. It is in the best interest of all borough residents and hospitals for the borough to proactively adapt to these changes and do so in a coordinated region-wide manner.

### **Task Force Recommendations:**

The hospital boards, in consultation with the Kenai Peninsula Borough, should actively monitor changes in the healthcare system, and should regularly update and review strategies to prepare the community for these changes. The KPB assembly and administration must remove barriers to collaboration and allow adequate flexibility for the hospitals in order to facilitate a **region-wide** coordinated response to these changes. The task force recommends that the assembly and administration:

1. **Identify and remove barriers to the establishment of a region-wide clinically integrated network:** The task force supports the clinically integrated network concept. Careful consideration should be given to the legal barriers that may inhibit a region-wide clinically integrated network. The KPB administration and assembly should work to actively remove barriers limiting the implementation and expansion of such a network. The KPB Administration and Assembly should identify any needed changes to the hospital Lease & Operating (“L&O”) agreements and Service Areas in order to facilitate the creation of a region-wide CIN and to

## KPB Healthcare Task Summary Report

further encourage regional alignment. Additionally, the KPB administration should review the L&O agreements to assure appropriate flexibility is given to the hospitals, allowing them to react to changes in the healthcare environment in a business-like manner while protecting the borough's interests.

2. **Explore alternative structural and authority options that would address the gaps identified in this report.** There are a number of legal issues that prevent the KPB from addressing the identified gaps in this report. Service Area Authority and Boundary lines, restricting the hospitals from providing services outside of a defined area, limit the ability of the hospitals and the borough to quickly respond to the changes in the healthcare environment. The task force recommends that the Assembly and Administration explore adopting alternative structural and authority options as needed.
3. **Actively pursue EMS restructuring.** The current EMS structure on the peninsula is of high concern. Inadequate resources and lack of borough authority to aid and respond in numerous well-traveled areas of the borough create unacceptable inconsistencies of service availability. The KPB assembly and administration should prioritize working toward a solution on this issue. Structural changes that allow a consistent baseline availability of resources across the borough should be an immediate priority.
4. **Explore the feasibility of supporting a Detox Facility.** The need for a detox facility, providing a centralized location for individuals to access detox resources, was highlighted by many providers in the community. While direct delivery of medical care is outside the scope of KPB authority, the task force recommends that the KPB assembly and administration explore facilitating and aiding with obtaining the funding for the creation of a detox facility on the peninsula. The task force recognizes that substance abuse and mental health are significant public health issues in the community, and understands that failure to address these issues leads to increased costs to the community, both through the healthcare and criminal justice systems.

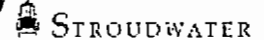
The task force recognizes that although many other recommendations could have been made to address the other issues identified in this report, the above recommendations are deemed to be the most significant and highest priorities.



















### Deliverable 3: Recommendation for borough hospital structure

*Based on consultant reports, stakeholder presentations, and public input*

**Task Force Evaluation:** The Stroudwater report evaluated three options in regards to hospital structure: Status Quo, Regional Alignment, and the System Partner Strategy (sale of the hospitals to a system).

### Draft Strategic Options: Pros and Cons (High - Low Grade)



Objective	Access to Services	Reducing Costs	Quality / Value	Financial Viability / Access to Capital	Local Governance	Population Health Management
<b>Status Quo</b>	Limited scale and collaboration opportunities reduce locally available options across smaller borough communities 	Limited scale and collaboration opportunities reduce options 	Limited to local internal resources/ talent 	Currently stable (with tax support), yet at risk as demand of new population based payment methodologies emerge 	Highest level of local governance and decision rights 	Lack of scale undermines ability to invest in capabilities 
<b>Regional Alignment Strategy</b>	Collaborations with local and regional service providers enhances access and coordination of care for a regional population 	Establishment of joint Shared Services Organization creates vehicle for collaboration, which can increase lower-cost local market share, and achieve operational improvements and efficiencies 	Opportunity to develop shared additional resources, greatly enhance coordination and share costs and benefits a cross multiple organizations 	Currently stable (with tax support), with opportunity to reduce future risk through shared savings and collaborative market share initiatives 	Maintains local governance and decision rights and enables new forms of regional governance to meet evolving strategic priorities 	Affectively achieves scale which enables investment in technology and care coordination resources, as well as enables regionalized health care across a greater geographic region 
<b>System Partner Strategy</b>	Possible to secure contractual commitments, yet span of control is delegated for a defined time period; coordinated access to tertiary services 	Span of control to manage costs is delegated to system partner(s), which is a significant threat given the geographic monopolies inherent on the KP 	May introduce significant additional resources and capabilities 	Unlikely to be significantly enhanced as partners will avoid dilution of balance sheets 	Diluted local governance and decision rights subject to negotiation and trade-offs 	Dependent upon partner's population health strategy and capacity; dilutes local focus, extent subject to negotiation and trade-offs of level of commitments 

Strategic Options

84

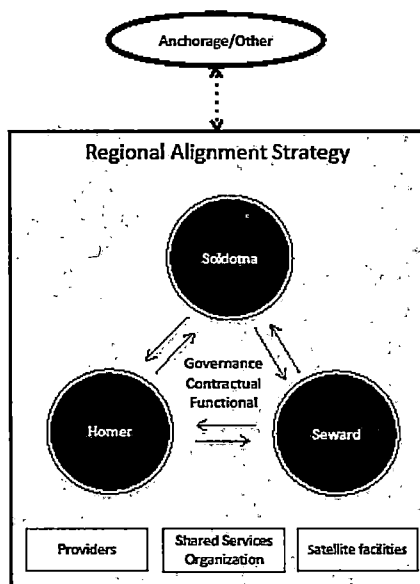


## KPB Healthcare Task Summary Report

After evaluation, Stroudwater recommended that hospitals pursue a regional alignment strategy.

A recommendation on whether changes to legal structures (service areas) were needed to facilitate the regional alignment strategy was not part of the Stroudwater scope of work. Stroudwater was tasked with creating a financial model to evaluate the sustainability of all hospitals within the borough, and recommend a model that would best equip all Kenai Peninsula hospitals to adapt to the changes in the healthcare system. Stroudwater recommended that the peninsula hospitals work together to transition to a new system in an aligned, collaborative manner. The task force reviewed and supports the recommendation that a regional-alignment strategy be pursued.

### Regional Alignment Strategy



#### Description

- Align with regional providers through the development of a local integrated network / delivery system
  - Governance
    - Shared decision making for network participants
    - Rationalization of service network
    - Option to maintain current governance structure, or create new models to meet strategic objectives
  - Contractual
    - Providers: High value provider network, incentivize behaviors
    - Payors: Insurance products, aligned financial incentives, attribution of covered lives
  - Functional
    - Economies of scale and expertise through a Shared Services Organization
    - Population health management capabilities

As part of that strategy, Stroudwater recommended the creation of a Shared Services Organization amongst the hospitals. The task force did not evaluate the creation of a Shared Services Organization or similar organization, as this would be a business decision amongst the non-profits running the hospitals.

#### Task Force Recommendation:

It is crucial that all hospitals continue to evaluate and adapt to changing payment systems. It is in the best interest of borough residents that all hospitals collaborate in order to remain viable as changes occur. Existing structures should be reviewed and altered as needed to best facilitate an aligned

## **KPB Healthcare Task Summary Report**

transition to a new payment system for all hospitals in the borough. The task force strongly recommends that the KPB Administration and Assembly work to encourage increased collaboration amongst all hospitals in the borough and actively work to remove any legal barriers that prevent a regional transition.

The task force supports the regional-alignment structure as presented by Stroudwater, and recognizes that there are legal issues that need to be addressed. The task force supports the KPB administration and assembly addressing these legal issues and actively moving the hospitals toward an aligned structure.

## **Deliverable 4: Transition roadmap for recommendations**

---

*Identify what the borough's ongoing role should be in addressing any change or facilitating any process; Identify next steps for the task force and address options for a durable structure to effectively coordinate community health improvement efforts in the future; Identify the roles of any other entities in the process and clearly define where decision-making lies.*

### **Recommendation:**

The transition to a new system should continue over multiple administrations and structural changes should be reassessed as the healthcare and fiscal environment evolves. As administrations and assembly members change, the KPB should make a proactive effort to remain up to speed on changes in the healthcare system and regularly and actively remove obstacles that disincentivize region-wide solutions and cooperation amongst hospitals. Due to the rapidly changing nature of the healthcare system, it is imperative that recommendations and evaluations are regularly reassessed, and that it is recognized that changes will likely be needed.

Progress reports from the hospitals on collaborative efforts should be delivered to the borough assembly when the hospitals give their quarterly reports. The EMS workgroup should be continued and supported by the administration or the assembly.