

Kenai Peninsula Borough

Finance Department

MEMORANDUM

TO: Kelly Cooper, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Charlie Pierce, Borough Mayor *CP*

FROM: Brandi Harbaugh, Finance Director *BH*

DATE: September 3, 2020

RE: Ordinance 2020 - 39, Providing for Extension of an Exception to the Operating Agreement Between the Kenai Peninsula Borough and Central Peninsula General Hospital, Inc. to Allow Cash in Excess of 90 Days to be Retained by Central Peninsula General Hospital, Inc. as of September 30, 2020 Due to the Covid-19 Pandemic (Mayor)

The Operating Agreement between Central Peninsula General Hospital, Inc. (CPGH) and the borough requires CPGH to transfer to the borough operating cash on hand in excess of 90 days for deposit into the CPGH Plant Replacement and Expansion Fund.

In response to the COVID-19 pandemic Governor Michael Dunleavy issued mandates to help stop the spread of COVID-19. Some of these have restricted personal travel and hospital operations, adversely impacting finances and cash flow of CPGH. These negative impacts are expected to continue for the next several months as the COVID-19 pandemic continues.

CPGH received Medicare payments from the Advance and Accelerated Payment Program administered by the Centers for Medicare and Medicare Services (CMS) in the amount of \$17,958,796 on April 20, 2020. To ensure CPGH makes the required repayments of those funds CMS originally indicated they would withhold claims payments to repay those advanced funds beginning in mid-August 2020, but has recently provided notice that the repayment would be postponed to start in September 2020. This will reduce cash flow to CPGH and increase its cash outflow.

To help prevent operating cash shortages, this ordinance would allow CPGH to retain 135 days' operating cash on hand at September 30, 2020 to fund the required repayment of advanced Medicare payments to CMS until CPGH has repaid all such funds to CMS. Additionally, it would authorize the mayor to approve similar requests after thorough review until the loan is repaid or CMS converts the loan into a grant. It is anticipated that the mayor will work with

September 3, 2020

Page 2

Re: Ordinance 2020-39

CPGH, Inc. to reduce the amount of cash in excess of 90 days, as the balance owed is reduced and the impacts of the ongoing pandemic become known. If an exception is not authorized, it will require several ordinances to be approved by the Kenai Peninsula Borough Assembly over time to appropriate funds to repay the loan to CMS, while potentially reducing operating cash to a level below 90 days during the time needed to consider legislation.

Your support would be appreciated.