

Introduced by: Administration
Date: April 25, 2018
Action: Approved
Vote: Yes - 7, No - 0, Excused - 2

**SOUTH PENINSULA HOSPITAL
BOARD RESOLUTION
2018 - 05**

**A RESOLUTION OF THE SOUTH PENINSULA HOSPITAL
BOARD OF DIRECTORS OPPOSING KPB ORDINANCE 2018-16 AND REQUESTING THE KENAI
PENINSULA BOROUGH ASSEMBLY'S OPPOSITION**

WHEREAS, South Kenai Peninsula Hospital Service Area was created by voter approval in 1969 with a north boundary line at Sterling Highway milepost 119, just south of Clam Gulch; and

WHEREAS, The proposed boundary change would result in the removal of the Ninilchik Clinic from the South Kenai Peninsula Hospital Service Area; and

WHEREAS, South Peninsula Hospital, Inc. is a strategic partner with the Ninilchik Traditional Council's Community Health Clinic, which provides services to residents of the tribal boundaries, north from the Kasilof River to Homer in the south; and is the single care provider in the community with a payer mix of 44% Medicare & Medicaid, 30% commercial insurance, 14% Indian health services, and 12% other; and

WHEREAS, South Peninsula Hospital currently partners with NTC Community Health Clinic and would no longer be legally authorized to provide health services or support to Ninilchik Clinic once removed from the service area, resulting in the immediate elimination of OB/GYN, pre-natal and well-baby exams, ultrasound services, and x-ray interpretation services in the community of Ninilchik, and resulting in the impossibility for future additional services or assistance; and

WHEREAS, Central Peninsula Hospital has not expressed interest in providing healthcare services in the community of Ninilchik and currently does not employ a model of outreach into the smaller, far-reaching areas of their service area; and

WHEREAS, the relationship between NTC Clinic and South Peninsula Hospital has evolved to provide the care needed in the community, resulting in a clinic the greater southern peninsula relies on, serving 960 unique patients in the last two years (567 from Ninilchik, 144 from Anchor Point, 63 from Homer and 52 from Clam Gulch); and

WHEREAS, Ninilchik Village Tribe and Traditional Council are on the record as opposing this ordinance; and

WHEREAS, Residents of Ninilchik utilize the services of South Peninsula Hospital in Homer, and this number grows annually, increasing from 991 total patient visits in 2015 to more than 1,400 in 2017; and

WHEREAS, The proposed ordinance recommends the financial needs of the hospital be considered when adjusting service area boundaries. The annual loss of tax revenue to the South Kenai Peninsula Hospital Service Area if the boundary is moved as proposed would be about \$220,000 immediately and \$447,000 once the bond debt is retired. The hospital would need to generate around \$24.8 million in additional annual patient revenue to make up for this loss of \$447,000 in tax funding; and

WHEREAS, Medicaid and Medicare make up more than half the payer mix for South Peninsula Hospital, so consideration needs to be given to the financial hardships facing the hospital due to declining government reimbursements and significant changes to Medicaid coverage, and

WHEREAS, The Kenai Peninsula Borough's Health Care Task Force thoroughly assessed the borough's current health system, concluding that the service areas "are supported by communities that are staunchly independent" and made no reference to the need for a boundary change in Ninilchik. Additionally, the final report stated, "SPH relies on a mill rate to remain financially sound"; and this would negatively affect that support; and

WHEREAS, Passage of Ordinance 2018-16 sets a precedent that the service area boundaries can be redrawn annually, unnecessarily creating a significant unknown from year to year that would negatively impact business sustainability and remove the ability for long-range planning for South Peninsula Hospital, Inc. as the borough contractor; and

WHEREAS, The southern Kenai Peninsula is the fastest aging segment of the borough which is one of the fastest aging boroughs in the state. Aging residents rely more heavily on hospital services, yet are exempt from property tax; and

WHEREAS, If passed, the existing property owners in the area removed will retain their financial obligation for the current outstanding bond debt from South Kenai Peninsula Hospital Service Area, which does not retire until 2032, resulting in 14 more years of taxation, even though they will no longer reside in the service area; and

WHEREAS, Service Area Revenues are identified in the sub-lease and operating agreement as a financial means for operational and capital support for facilities and programs operated by SPHI. Based on this, there is a reasonable assumption and expectation that the KPBA and Administration would work to strengthen and maintain the integrity of the service area and corresponding service area fund; and

WHEREAS, residents of the service area rely on service area taxes mainly for the capital equipment budget to offer state of the art medical technologies for quality care close to home and as a means to recruit high quality providers. A reduction in available tax funds for capital purchases would directly impact services, the quality of providers willing to practice in the southern peninsula, and eventually erode sustainability of the hospital;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF SOUTH PENINSULA HOSPITAL:

SECTION 1: The South Peninsula Hospital Board of Directors opposes KPBA Ordinance 2018-16 and

SECTION 2: The South Peninsula Hospital Board of Directors respectfully requests the Kenai Peninsula Borough Assembly oppose this ordinance.

PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF SOUTH PENINSULA HOSPITAL THIS 25th DAY of APRIL, 2018.

ATTEST:


Bernadette Wilson, Secretary


David Groesbeck, Board President