Community Advisory Committee

Island Hospital

At a Glance

October 22, 2013

Island Hospital
Skagit County
Public Hospital District No. 2

A special purpose district with authority to finance public projects through tax levies.

The District includes:

• Fidalgo, Guemes, Cypress and Sinclair Islands
• Also serves La Conner, Shelter Bay, Bayview, North Whidbey and the San Juan Islands
• Governance by publicly elected, five-member Board of Commissioners
Skagit County
Public Hospital District No. 2

Board of Commissioners
- Paul Maughan PhD (term exp. 2015)
- Chip Bogosian MD (2013)
- C.W. “Buzz” Ely MD, President (2015)
- Lynne Lang (2013)
- Jan Iversen (2017)

Administrative Council
- Vince Oliver, Chief Executive Officer
- Lois Pate RN, Chief Nursing Officer
- Elise Cutter, Chief Financial Officer
About Us

- Island Hospital – 43-bed, medical/surgical facility
  - All private rooms
    - 6 ICU, 6 L & D, 31 Med Surg
  - Level III Trauma Designation
    - Tele-Stroke (March 2011)
    - Level II Stroke Center
  - Full-service Diagnostic Imaging Center
  - On-site Laboratory
About Us (cont.)

- Sleep Wellness Center
- Merle Cancer Care Center
- Physical, Occupational & Speech Therapy
- Cardiopulmonary Care Center
- Home Health Agency
- Psychiatry & Behavioral Health Program
- Aesthetic, Reconstructive & Hand Surgery
- Wound Care & Hyperbaric Medicine Center
- The Walk-In Clinic at Island Hospital
About Us (cont.)

• Hospital-operated clinics
  – Family Care (AFM, FMA, Lopez Island, Orcas)
  – Island Surgeons
  – Prenatal Care, Teen Clinic
  – New Psychiatry/Behavioral Health Center
  – Aesthetic, Reconstructive & Hand Surgery

• 2012 Volumes
  – ER Visits 12,324
  – Admissions 3,029
  – Outpatient Visits 57,801
  – Outpatient Surgeries 4,101
  – Inpatient Surgeries 1,257
  – Births 364
Quality is Key at Island Hospital

Island Hospital has won a number of awards for the quality of our services, including:

- Qualis Award for Chaplain Program
- 100 Top Hospitals in U.S. by Solucient
- Qualis Award for Quality Improvement
- Lab, Home Health Gold Seal by JCAHO
- HealthStream, "Most Improved" inpatient satisfaction
- Cancer Care, Commission on Cancer, COS
- Consumer Reports, Patient communication, 3rd in WA
- Home Health Elite, Top 25% in U.S.
- Healthgrades, 5-Star Rating for knee replacement
- CALNOC, Best Performance for Sustained Excellence
- Consumer Reports, 10th in WA for Surgery Quality
Our Facilities, Campus

- $40.5 million IH Renovation & Expansion Project (IHREP) brought private patient rooms, Emergency Dept. Diagnostics, Lab, completed in 2008.

- Opened in January 2012 Medical Arts Pavilion (MAP) provided state-of-the-art facility for Cancer Care, Wound Care, Physical Therapy

- Medical Office Building renovation provided needed expansion for Cardiopulmonary Rehab and Psychiatry & Behavioral Health programs.

- Central, Front-Lobby Registration renovation

- IH2035
Medical Arts Pavilion

- Cancer Care Center expansion
  - High patient volume (tripled since 2000)
  - Dedicated Pharmacy
  - Survivor Program, Classes, Support Groups
- Physical, Occupational & Speech Therapy back on campus
  - More efficient for Therapists providing inpt/outpt care
- Wound Care including hyperbaric services
- Favorable financing with NMTC through WaFed
Medical Arts Pavilion
Wound Care & Hyperbaric Medicine

Hyperbaric Chambers – 1st in area
Medical Arts Pavilion
Merle Cancer Care Center

Patient-centered infusion suite
Medical Arts Pavilion
Physical, Occupational & Speech Therapy

State-of-the-art therapy gym area
Medical Office Building

- The Walk-In Clinic at Island Hospital
- Anacortes Family Medicine
- Island Family Physicians
- Diabetes Education
- Center for Aesthetic, Reconstructive & Hand Surgery
- Skagit Regional Clinics – Cardiology
- Psychiatry & Behavioral Health Program
- Cardiopulmonary Rehabilitation
Medical Office Building
Psychiatry & Behavioral Health

Program has grown beyond expectations.
Medical Office Building
Cardiopulmonary Rehabilitation

State-of-the-art therapy gym area
Financial Information

• Influences on Financial Performance
  - Volumes
  - Reimbursement
  - Expenses (cost of providing care)
  - Capital Improvements
Volumes

Admissions

- 2010: 3,200
- 2011: 3,050
- 2012: 3,050
- Annualized 2013: 3,100

[Bar chart showing admissions over years]
Volumes

ER Visits

- 2010
- 2011
- 2012
- Annualized 2013

ER Visits
Volumes

OP Visits

- 2010: 182,000
- 2011: 192,000
- 2012: 190,000
- Annualized 2013: 188,000

OP Visits
Reimbursement

- At Island Hospital 68% of our patients are insured by a government program.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Col %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare (incl. MGH)</td>
<td>47%</td>
<td>48%</td>
<td>53%</td>
<td>53%</td>
<td>37%</td>
</tr>
<tr>
<td>Medicaid (incl H/OPT)</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>9%</td>
<td>23%</td>
</tr>
<tr>
<td>Other Government</td>
<td>7%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>32%</td>
</tr>
<tr>
<td>Commercial insurances</td>
<td>34%</td>
<td>32%</td>
<td>28%</td>
<td>28%</td>
<td>54%</td>
</tr>
<tr>
<td>Self-pay</td>
<td>4%</td>
<td>3%</td>
<td>4%</td>
<td>4%</td>
<td>27%</td>
</tr>
</tbody>
</table>
Charity Care

*Island Hospital provides free medical care for those who are uninsured and cannot afford to pay.*

- 2007 - $958,000
- 2008 - $1.01 million (+5.5%)
- 2009 - $1.02 million (+1%)
- 2010 - $1.24 million (+22%)
- 2011 - $1.8 million (+45%)
- 2012 - $1.8 million
Reimbursement

Bad Debt

Island Hospital is frequently unpaid for services provided.

- 2007 - $997,000
- 2008 - $1.06 million (+6%)
- 2009 - $1.86 million (+75%)
- 2010 - $2.83 million (+52%)
- 2011 - $3.25 million (+6%)
- 2012 - $3.18 million (-2%)
The hospital offers a tax-credit program for residents who pay property taxes.

- Money credited to local taxpayers hospital bills:
  - 2011 - $250,058
  - 2012 - $149,921
  - YTD 2013 - $108,782
Expenses

- Staff salaries and benefits equate to 55% of overall costs
- Medical Supplies
- Drugs
- Professional/Physician Fees
- Depreciation – “funds” capital purchases
## Historical Income Statements

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Patient Revenues</td>
<td>$67,909</td>
<td>$70,938</td>
<td>$77,508</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>615</td>
<td>660</td>
<td>2,174</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$68,524</td>
<td>$71,598</td>
<td>$79,683</td>
</tr>
<tr>
<td></td>
<td>45.4%</td>
<td>44.6%</td>
<td>43.5%</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages &amp; Benefits</td>
<td>38,977</td>
<td>40,487</td>
<td>43,982</td>
</tr>
<tr>
<td>Purchased Services &amp; Pro Fees</td>
<td>11,135</td>
<td>11,261</td>
<td>12,743</td>
</tr>
<tr>
<td>Supplies</td>
<td>7,756</td>
<td>9,238</td>
<td>9,709</td>
</tr>
<tr>
<td>Drug Expense</td>
<td>4,589</td>
<td>4,688</td>
<td>5,294</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,630</td>
<td>4,490</td>
<td>4,700</td>
</tr>
<tr>
<td>All Other Expense</td>
<td>2,848</td>
<td>2,866</td>
<td>3,189</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$69,934</td>
<td>$73,028</td>
<td>$79,618</td>
</tr>
<tr>
<td>Net Operating Margin</td>
<td>(1,410)</td>
<td>(1,430)</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>-2.1%</td>
<td>-2.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Net Non-operating Income(Expense)</td>
<td>$1,454</td>
<td>$1,416</td>
<td>$1,651</td>
</tr>
<tr>
<td><strong>TOTAL EXCESS MARGIN</strong></td>
<td>$44</td>
<td>$(15)</td>
<td>$1,715</td>
</tr>
<tr>
<td></td>
<td>0.1%</td>
<td>0.0%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>
Year to date 2013

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>2013</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Patient Revenues</td>
<td>$59,337</td>
<td></td>
</tr>
<tr>
<td>Other Revenues</td>
<td>$596</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$59,933</td>
<td>4.18%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages &amp; Benefits</td>
<td>34,109</td>
<td></td>
</tr>
<tr>
<td>Purchased Services &amp; Pro Fees</td>
<td>10,346</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>7,011</td>
<td></td>
</tr>
<tr>
<td>Drug Expense</td>
<td>3,868</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,138</td>
<td></td>
</tr>
<tr>
<td>All Other Expense</td>
<td>2,325</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$60,797</td>
<td></td>
</tr>
<tr>
<td><strong>Net Operating Margin</strong></td>
<td>(864)</td>
<td>-14%</td>
</tr>
<tr>
<td><strong>Net Non-operating Income(Expense)</strong></td>
<td>$803</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXCESS MARGIN</strong></td>
<td>$ (61)</td>
<td>-0.1%</td>
</tr>
</tbody>
</table>

- Collection rate continues to decrease
  - 2% sequestration = $620,000 annually
  - Increase in Medicaid patients
- Increases in staff to accommodate new regulations for tracking quality data.
- Costs continue to rise on goods (i.e. clinical supplies, drugs, office supplies, food etc...)
- Waiting on Meaningful Use payment of approximately $900,000.
**Future Capital Expenditures**

<table>
<thead>
<tr>
<th>Capital Equipment Projections</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility Updates</td>
<td>$10,134,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$10,134,000</td>
</tr>
<tr>
<td>Routine Equipment <em>(includes patient care &amp; IT)</em></td>
<td>$2,750,000</td>
<td>$2,750,000</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
<td>$3,000,000</td>
<td>$11,500,000</td>
</tr>
<tr>
<td>EMR Conversion</td>
<td></td>
<td></td>
<td></td>
<td>$10,000,000</td>
<td></td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Diagnostic Imaging Equipment</td>
<td>$2,034,160</td>
<td>$2,164,000</td>
<td>$541,000</td>
<td>$3,137,800</td>
<td>$378,700</td>
<td>$7,876,960</td>
</tr>
<tr>
<td><strong>Total Capital Budget</strong></td>
<td><strong>$14,918,160</strong></td>
<td><strong>$4,914,000</strong></td>
<td><strong>$13,541,000</strong></td>
<td><strong>$6,137,800</strong></td>
<td><strong>$3,378,700</strong></td>
<td><strong>$42,889,660</strong></td>
</tr>
<tr>
<td>Island Hospital Foundation</td>
<td>$187,500</td>
<td>$187,500</td>
<td>$187,500</td>
<td>$187,500</td>
<td>$187,500</td>
<td>$937,500</td>
</tr>
<tr>
<td>Depreciation (non-cash item)</td>
<td>$3,802,404</td>
<td>$4,211,344</td>
<td>$4,257,329</td>
<td>$5,024,042</td>
<td>$5,056,231</td>
<td>$22,351,349</td>
</tr>
<tr>
<td>Excess/(Shortfall)</td>
<td>$(10,928,256)</td>
<td>$(515,156)</td>
<td>$(9,096,171)</td>
<td>$(926,258)</td>
<td>$1,865,031</td>
<td>$(19,600,812)</td>
</tr>
</tbody>
</table>

IH is currently evaluating possible funding options for this shortfall.
## Tax Revenue

<table>
<thead>
<tr>
<th>Bond Levy</th>
<th>2012 Actual</th>
<th>2013 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004 Unlimited Tax General Obligation Bonds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 1st Interest</td>
<td>728,513</td>
<td>39,507</td>
</tr>
<tr>
<td>December 1, Principal and Interest</td>
<td>892,018</td>
<td>929,507</td>
</tr>
<tr>
<td><strong>2004 Bonds</strong></td>
<td>1,620,531</td>
<td>969,013</td>
</tr>
<tr>
<td><strong>2012 Unlimited Tax General Obligation Bonds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 1st Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 1, Principal and Interest</td>
<td>651,345</td>
<td>645,863</td>
</tr>
<tr>
<td><strong>2012 Bonds</strong></td>
<td>651,345</td>
<td>1,226,725</td>
</tr>
<tr>
<td><strong>Total Bond Tax Levy</strong></td>
<td>2,271,875</td>
<td>2,195,738</td>
</tr>
</tbody>
</table>

| Expense Fund Levy                             |             |             |
| Assessment Prior Year                         | 828,501     | 855,000     |
| Maximum annual levy increase (1%)            | 8,248       | 8,550       |
| New construction Tax revenue                  | 18,125      | 14,040      |
| **Expense Levy Request**                      | 855,000     | 877,590     |
| **Total Tax Revenues**                        | 3,126,875   | 3,073,328   |

- Tax revenue equates to 3.7% of total cash collected (total cash collected in 2012 = $85,415,000)
- Tax revenue is NOT used to support operations. All tax revenue is pledged to pay cost of facilities improvements (UTGO/LTGO).
Why the Need for Growth & Change

- Develop campus growth based on projected population increase of 1% annually
- Address the trend and growing need for ambulatory medical services
- Continued need for modernization of existing aging hospital facilities
- The need to plan the long term viability of the Hospital through strategic planning for growth and renewal
### Economic Advantage to the City of Anacortes

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012:</td>
<td>Sales tax paid by Island Hospital that passes through to Anacortes</td>
<td>$200,000</td>
</tr>
<tr>
<td>2020:</td>
<td>Estimated sales tax paid based on growth of Island Hospital (in today’s dollars)</td>
<td>$236,000</td>
</tr>
<tr>
<td>2035:</td>
<td>Estimated sales tax paid based on growth of Island Hospital (in today’s dollars)</td>
<td>$298,000</td>
</tr>
</tbody>
</table>

*City of Anacortes share of sales tax for IH space equals $0.72 per square foot.*
Creating Jobs

Island Hospital employs 726 people and supports an additional 1600 jobs through indirect employment.

If the Hospital is able to develop according to the vision proposed in the master plan, then more jobs will be created.

Medical use generates: 5x more jobs than retail
4x more jobs than business

Source: Statistics from the American Hospital Association and TrippUmbach Research Strategy Group. Study for Island Hospital prepared by Property Counselors.
Proposed Master Plan
## Costs

### Today's Dollars

<table>
<thead>
<tr>
<th>Near Term</th>
<th>Construction Cost*</th>
<th>Project Cost*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Addition</td>
<td>21,585,000</td>
<td>34,039,976</td>
</tr>
<tr>
<td>Surgery Remodel</td>
<td>10,380,000</td>
<td>21,395,800</td>
</tr>
<tr>
<td>Outpatient Remodel</td>
<td>1,626,000</td>
<td>2,630,706</td>
</tr>
<tr>
<td>Structured Parking</td>
<td>3,850,000</td>
<td>5,119,000</td>
</tr>
<tr>
<td>Building Demolition</td>
<td>318,000</td>
<td>365,700</td>
</tr>
<tr>
<td>Surface Parking Lot</td>
<td>368,275</td>
<td>447,902</td>
</tr>
<tr>
<td>28th Street Extension</td>
<td>Insufficient Information</td>
<td></td>
</tr>
</tbody>
</table>

### Escalated to 2020 Dollars

<table>
<thead>
<tr>
<th>Near Term</th>
<th>Construction Cost*</th>
<th>Project Cost*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Addition</td>
<td>25,680,150</td>
<td>41,221,571</td>
</tr>
<tr>
<td>Surgery Remodel</td>
<td>12,352,200</td>
<td>25,461,002</td>
</tr>
<tr>
<td>Outpatient Remodel</td>
<td>1,933,750</td>
<td>3,130,540</td>
</tr>
<tr>
<td>Structured Parking</td>
<td>4,581,500</td>
<td>6,091,610</td>
</tr>
<tr>
<td>Building Demolition</td>
<td>378,420</td>
<td>435,183</td>
</tr>
<tr>
<td>Surface Parking Lot</td>
<td>438,247</td>
<td>533,003</td>
</tr>
<tr>
<td>28th Street Extension</td>
<td>Insufficient Information</td>
<td></td>
</tr>
</tbody>
</table>

### Long Term | 10 - 20 Years

<table>
<thead>
<tr>
<th>Construction Cost*</th>
<th>Project Cost*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Demolition</td>
<td>180,000</td>
</tr>
<tr>
<td>South Hospital Addition</td>
<td>17,155,000</td>
</tr>
<tr>
<td>MOB (Stand-Alone)</td>
<td>12,967,500</td>
</tr>
<tr>
<td>CUP (Existing Equipment)</td>
<td>2,110,000</td>
</tr>
</tbody>
</table>

### Escalated to 2030 Dollars

<table>
<thead>
<tr>
<th>Construction Cost*</th>
<th>Project Cost*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Demolition</td>
<td>268,200</td>
</tr>
<tr>
<td>South Hospital Addition</td>
<td>25,560,950</td>
</tr>
<tr>
<td>MOB (Stand-Alone)</td>
<td>19,321,575</td>
</tr>
<tr>
<td>CUP (Existing Equipment)</td>
<td>3,143,900</td>
</tr>
</tbody>
</table>

### Beyond 2035

| Above Grade Parking | 3,300,000 | 4,387,714 |
| MOB | 12,967,500 | 17,513,624 |
| Structure Parking | 4,975,000 | 5,817,045 |
| Replacement Hospital | 57,095,000 | 117,887,206 |
| Hospital Demolition | 375,000 | 431,250 |

### Exclusions:

- Land Costs
- Risk Insurance
- Soils
- Hazardous Materials Removal
- Legal Fees
- Leasing Commissions
- Market Studies
- Surveys for Purchase
- Tenant Inducements
- Owners Administration
- Appraisal Fees
- Property Taxes During Const.
- Surveys
- Off-Site Work
- Moving Expenses
- Interim Financing
- Permanent Financing Placement
- TDM Costs

* Construction Cost is the total expense incurred by the Contractor to complete a project; this includes the cost of material, prevailing labor wages, and the Contractor's own overhead and profit. This is often referred to as 'bricks and mortar costs.'

* Project Cost is the total expense associated with the completion of a construction project; this includes the Construction Cost as well as other 'Soft Costs' such as permitting, insurance, sales tax, furniture, commissioning, etc. Items not included in the Project Cost are listed in the 'Exclusions' above.

* Escalation is the increase of construction prices over a certain period of time; this includes periodic increases in labor wages, and increases in the cost of construction materials. The rate of escalation can vary significantly from year-to-year; an escalation rate of 3% per year has been assumed for this estimate.
The Challenges Ahead...

- Understanding Healthcare Reform
  - Quality Initiatives
  - How will the reimbursement change?
    - Pay for performance vs. Population management
  - Will sequestration continue?

- Technology
  - Robotic Surgery
  - CT, MRI, Surgery replacements
The Challenges Ahead...

- Health-Insurance Exchanges
  - Medicaid expansion
  - Rates like Medicare or Medicaid
  - Creation of “narrow networks”
  - Commercial Payer impact
    - Commercially insured patients now go to the exchange
  - Volume Impacts
The Challenges Ahead...

- **Meaningful Use/IT compliance**
  - Cost to implement and maintain
  - Privacy regulations

- **ICD 10 compliance**
  - 40%-60% decrease in coding productivity
  - Train staff and physicians
  - IT systems upgrades to comply
Collaboration
Collaboration Options

Preferred Level Of Affiliation

Loose

Clinical Partnership
• Complex patient coordination.
• HIE interoperability.
• Governance: full local control.
• No capital provided.

Shared Services Agreement
• Complex patient coordination.
• Management Services Agreement.
• Service line joint ventures.
• Management and/or support services contracts.
• Governance: full local control.
• No capital provided.
• Limited branding.

Full Partnership
• Complex patient coordination.
• Integration of management with partner.
• Financial integration, including access to strategic capital.
• Clinical consolidation.
• Integrated information systems, including funding EMR system.
• Limited governance for district boards.
• Branding.

Tight
Current Collaborations

Island works with local and regional partners:

- **SKAGIT REGIONAL HEALTH**
  - Physician recruitment
  - Purchase of Physician practices
  - Echocardiography
  - MIN-NS

- **SWEDISH HEALTHCARE**
  - Tele-Stroke

- **PEACE HEALTH**
  - Specialty space lease Peace Island Medical Center (Friday Harbor)

- **PROVIDENCE**
  - Past membership in Cardiac Physician-Hospital Organization
Construct of the RFP

- Service Integration and Enhancement
- Management and Governance
- Financial Performance
- Questions Addressed to Potential Partners
- Clinical Excellence
- Local and Regional Services
- Physician Recruitment and Alignment
- Support Services
Construct of the RFP (continued)

- Information Systems
- Financial Resources and Revenue Enhancement
- Commitments to Employees
- Experience
- Access Regardless of Ability to Pay
- Religious Issues (if applicable)
The Interlocals will:

- Issue one RFP
- Select the same partner at the same time
- Have a shared vision of minimum terms
- Will individually negotiate the specific terms of their respective integration relations with the partner
- Will sign/finalize their partnership agreements at the same time
Key Elements

- Description of their 3-year strategic vision for their organization and ours
- Plan to participate in new payment models and population health management
- Description of their proposed affiliation structure
- Size of capital commitment over the next 5 years for routine and strategic purposes
Key Elements (continued)

• **Local Governance**
• **Reserve Powers**
  - Approval of any significant change in clinical services
  - Approval of local site administrators as may be appointed by your organization
  - Reduction in off campus clinics
  - Sale of district assets
Key Elements (continued)

- Clinical Excellence
  - Centers of excellence
  - Service lines
  - Enhancement of measurable levels of clinical quality and performance improvement

- Description of how local and regional services will be improved through partnership

- Will there be any consolidation of support services?
Key Elements (continued)

• Physician Recruitment and Alignment
  – What is your vision for the Interlocal’s medical groups?
  – Opportunities for Interlocals’ medical staffs to participate in clinical leadership, training or other provider development?

• Information Systems
  – Common platform
  – Provide and fund a state-of-the-art IT platform
Key Elements (continued)

- Describe their ability to help negotiate better payer contracts
- Demonstrate financial strength
- Describe the level of your organization’s commitment to the employees of the Interlocals and the role the current employee base will play after an affiliation
- What are their charity care programs
Key Elements (continued)

- Demonstrate commitment to community health in their service areas
- Religious Issues, if applicable
  - When do ERDs apply to affiliate organizations?
  - Is there a secular option in your organization?
- Give us a brief summary of the benefits to us of affiliation with your organization
Collaboration

In aftermath of Commissioners decision to wait on affiliating with a large hospital system, strategic initiatives continue:

- Formation of Community Advisory Committee.
- Key topic at November Board Retreat.
- Commissioners seeking more community input regarding any future decision to affiliate.
- Board prefers to negotiate from strong position.
- Continues to receive professional input on ACA, other challenges facing hospitals and rolling projections for capital improvements and operational budgets.
Closing Remarks

• Questions?