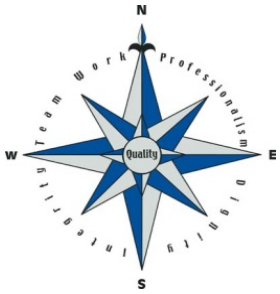
Petersburg Medical Center Long Term Planning

Community Needs Assessment and
Forces of Change Analysis
FY 2018



Monica Gross MD MPH

Acknowledgements

Thank you to all the Key Informants (See Appendix 2) who contributed valuable time and knowledge to this Community Needs Assessment. Also sincere thanks to all the Petersburg Medical Center staff that helped me with this project.

Monica Gross MD MPH

List of Acronyms

ASHNA	Alaska State Hospital and Nursing Home Association
CAH	Critical Access Hospital
CEO	Chief Executive Officer
CMS	Centers for Medicare and Medicaid Services
CNO	Chief Nursing Officer
CNA	Community Needs Assessment
ED	Emergency Department
HCAHPS	Hospital Consumer Assessment of Healthcare Providers and Systems
HRSA	Health Resources and Services Administration
ICF	Intermediary Care Facility
LTC	Long Term Care
MAPP	Mobilizing Action Through Planning and Partnerships
MBQIP	Medicare Beneficiary Quality Improvement Program
MIPS	Merit-Based Incentive Payment System
MRI	Magnetic Resonance Imaging
PMC	Petersburg Medical Center
PMHS	Petersburg Mental Health Services
SHARE	Supporting Health Awareness and Resiliency Education Coalition
SNF	Skilled Nursing Facility
WSHA	Washington State Hospital Association

Table of Contents

Executive Summary

Petersburg Medical Center (PMC) replacement is a major capital project. It must be aligned with the hospital's strategic and facilities plan and also be informed by objective data. Success is dependent upon the ability of the hospital leadership to be strategic and act based on realistic financial, operations, facilities, and market data and to get and keep the community fully engaged. This Community Needs Assessment (CNA) is a preliminary step in this process. A Forces of Change assessment found:

Strengths

1. PMC provides vital function in community
2. PMC provides quality care
3. PMC in stable economic state
4. PMC important employer
5. PMC provides uncompensated community health benefits

Weaknesses

1. Ambivalence in replace versus remodel decision
2. Borough relationship unclear
3. Financing under Borough umbrella constraining
4. Satisfaction with the Medical Center versus other Borough services is not high
5. Some Key Informants expressed concerns with care
6. Some Key Informants expressed concerns with management
7. Borough population is stagnant or decreasing
8. Borough economy lacks diversity
9. The State of Alaska is not in strong economic position

Opportunities

1. Transparency appreciated during interviews
2. Land potentially available that could be used for building site
3. Build the hospital we want
4. Consider adding services that could expand market demand
5. Opportunities for old building

Opportunities and Threats

1. Petersburg Medical Center is thought of as Band Aid facility
2. Wrangell Medical Center is also working towards replacement
3. Consider affiliation partner
4. Consider change in scope of service

Threats

1. Petersburg Borough not supportive of increase in taxes and new buildings
2. Medicaid funding at Risk
3. Petersburg residents often leave town for health care

Recommendations

A. Strategic analysis of PMC operations
B. Develop and implement a community engagement plan
C. Develop a financing proposal
D. Develop preliminary facility design
E. Develop a timeline for remodel/replacement process

I. Introduction and Background

A. Project purpose

In June 2017 Petersburg Medical Center (PMC) contracted with Dr. Monica Gross to conduct a Community Needs Assessment. The purpose of this Community Needs Assessment (CNA) is to explore the community's priorities for its health care system, and expectations for future health services. Specifically, Information gathered in this CNA is intended to facilitate the hospital and community in long-term strategic planning for Petersburg Medical Center, particularly in regards to construction of a new hospital.

B. Background to decision to build new hospital

The first goal of the Petersburg Medical Center's strategic plan in the Growth category states: "Fix or replace the facility to create a safe environment for patients, staff and community." In 2015 the Jensen Yorba Lott design team provided a building condition assessment of PMC. The purpose of the condition assessment was to document the overall condition of the facility to assist Petersburg Medical Center in future facility planning and maintenance. The Jensen Yorba Lott report found that a majority of the systems, components and finishes have exceeded or are near the end of their service life and should be replaced. It also found that functional improvements are needed, to better support the services provided and to assure compliance with Guidelines for Health Care Facilities in regard to issues of infection control, patient safety, patient privacy, food service and sanitation.

In May 2016 Joann Lott of Jensen Yorba Lott Architects told the Hospital Board and Borough Assembly: "You're at a crossroads. You need to decide. The fork's in the road; you don't have a choice. You're going to have to take one or the other." Jensen Yorba Lott outlined five options for the Medical Center (See Appendix 1):

- Do nothing and replace or repair as components fail;
- Plan systematic repair or replacement of components within the existing building configuration, with no functional improvements;
- Plan phased renovations to upgrade and replace facility components and make functional improvements;
- Build addition and renovate in phases that relocates functions to a new addition;
- Acquire a new site and build a new medical center

They estimated the cost of upgrading the existing building at a minimum of sixteen million dollars, and the cost of constructing a replacement facility at more than forty million dollars, excluding the cost of land.

Following a recommendation from the PMC Long Term Planning Committee the hospital board voted in May 2017 to proceed with exploring building a new hospital instead of making extensive renovations to the existing facility. Following this decision by the Hospital Board, Dr. Gross was contracted to facilitate a Community Needs Assessment that considered the issues of hospital replacement.

C. Summary

PMC replacement is a major capital project. It must be aligned with the hospital's strategic and facilities plan and also be informed by objective data. Success is dependent upon the ability of the hospital leadership to be strategic and act based on realistic financial, operations, facilities, and market data and to get and keep the community fully engaged. This CNA is a preliminary step in this process.

II. Methodology

A. Timeline of project

- Elizabeth Woodyard, CEO and Jennifer Bryner, CNO initiated this project after the Board's decision to proceed with PMC replacement. Dr. Monica Gross was asked to provide a Community Needs Assessment that focused specifically on looking strategically at the process of planning for PMC replacement (6/5/17)
- Dr. Gross began by reviewing all documents listed below and establishing talking points and survey questions (6/5-6/21/17) for Key Informants
- Ms. Woodyard, Mr. Hammett, Ms. Dormer, Ms. Bryner reviewed these talking points and survey questions and made suggestions (June 2017)
- Dr. Gross presented this project to the Hospital Board who also reviewed talking points and survey questions (6/22/17)
- Dr. Gross interviewed members of the Hospital Board, Long Term Planning Committee, Medical Staff, Hospital Managers and Key Informant Community Members using these talking points and questions (6/23-8/4/17)
- Dr. Gross met with the Long Term Planning Committee (7/13/17)
- Dr. Gross presented findings to PMC Board and Long Term Planning Committee (8/24/17)

B. Review of documents

- Critical Access Hospital Replacement Process: The Manual, HRSA, (2010)
- Critical Access Hospital Replacement Process: The Roadmap, HRSA (2010)
- Jensen Yorba Lott Inc. Condition Assessment of the Petersburg Medical Center, (July 2015)
- Petersburg Borough Annual Budget: Adopted Operating Budget for Fiscal Year 2016 (2015)
- Mobilizing Action Through Planning and Partnerships (MAPP) Petersburg Mental Health Services Report, Fiscal Year 2013 (2012)
- Petersburg Community Health Needs Assessment, Fiscal Year 2015 (2015)
- Petersburg Borough Comprehensive Plan Update, (February 22, 2017)
- Petersburg Community Needs Assessment, Alaska Center for Rural Health, (October, 2001)
- County Health Rankings and Roadmaps, (2016)

- Economic Impact of a Critical Access Hospital on a Rural Community, Gerald A. Doeksen, Cheryl F. St. Clair, and Fred C. Eilrich, National Center for Rural Health Works, (October 2016)
- Community Benefit Activities of Critical Access Hospitals: National and Alaska Data, Flex Monitoring Team (February 2015)
- Community Benefit Activities of Critical Access Hospitals, Non-Metropolitan Hospitals and Metropolitan Hospitals: National and Alaska Data, Flex Monitoring Team (November 2012)
- Community Benefits of Critical Access Hospitals, A Review of the Data, Flex Monitoring Team (March 2010)
- Patients' Experiences in CAHs: HCAHPS Results, 2015, Flex Monitoring Team (January 2017)
- Financial Indicators for Critical Access Hospitals, Flex Monitoring Team (May 2015)
- CAH Financial Indicator Reports: Summary of Indicator Medians by State, Flex Monitoring Team (March 2017)
- CAH Financial Indicators Report 12th Issue: Petersburg Medical Center (Summer 2015)
- Why Do Some Critical Access Hospitals Close Their Skilled Nursing Facility Services While Others Retain Them, Flex Monitoring Team (November 2012)
- Collaborative Community Health Needs Assessments: Approaches and Benefits for Critical Access Hospitals, Flex Monitoring Team (May 2014)
- Hospital Compare Quality Measure Results for CAHs, 2015, Flex Monitoring Team (February 2017)
- Hospital Compare Quality Measure Results for Alaska CAHs: 2015, Flex Monitoring Team (February 2017)
- MBQIP Quality Measure Trends, 2011-2016 (November 2016)
- Interpreting MBQIP Hospital Data Reports for Quality Improvement, Stratis (January 2017)
- A Study of HCAHPS Best Practices in High Performing Critical Access Hospitals, Stratis (May 2017)
- Small Rural Hospital Transition Project Guide, A Guide for Rural Hospitals to Identify Populations and Shift to Population Health, Stroudwater Associates (September 17, 2015)
- 525 Rural Hospital Replacement Facility Study, How Replacement Facilities Impact Operations and the Bottom Line: Findings From the Field, Stroudwater Associates, (2016)
- Population Health Strategies of Critical Access Hospitals, Flex Monitoring Team (August 2016)
- Patients' Experiences in CAHs: HCAHPS Results, 2015, Flex Monitoring Team (January 2017)
- Transforming Hospitals: Designing for Safety and Quality, Agency for Health Care Research and Quality (2007)
- Hospital Mortgage Insurance Program- Section 242 of the National Housing Act, Applicant's Guide, Office of Hospital Facilities (February 2014)

- Foundation Funding to Improve Rural Health Care, Public Health Affairs 35, no. 1 (2016)
- PMC Admission diagnostic codes and statistics, courtesy of Janet Kvernick (2010-2017)
- PMC Financial indicators, courtesy of Doran Hammett (2010-2017)
- PMC Human resources statistics, courtesy of Cynthia Newman (2010-2017)
- PMC Quality indicators, courtesy of Jennifer Bryner and Matt Pawuk (2010-2017)
- PMC Strategic Plan 2017-2020

C. Key informant interviews

Standardized background information and survey questions (See Appendix 3) were used to give information to and gather information from Key Informants (See Appendix 2) in one on one interview. Some Key Informants chose to submit answers electronically or in paper form. Seventy surveys were completed, thirty-seven by PMC staff or board members and thirty-three by community members.

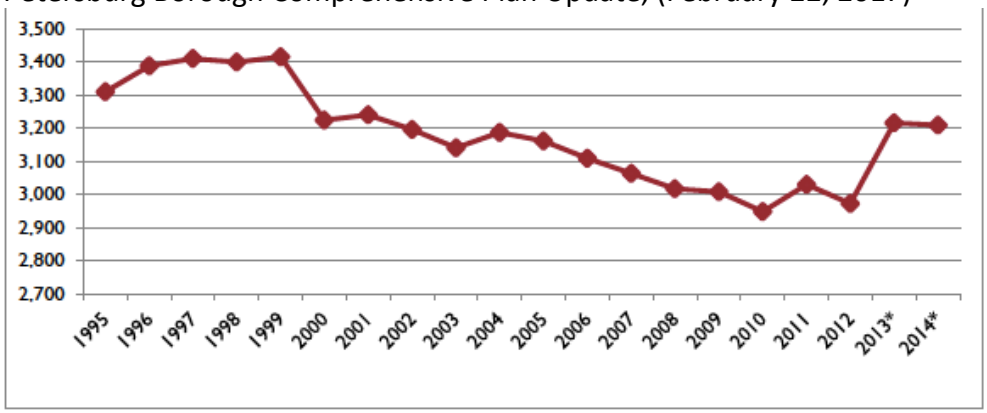
III. Results

A. Petersburg background

1. Population trends

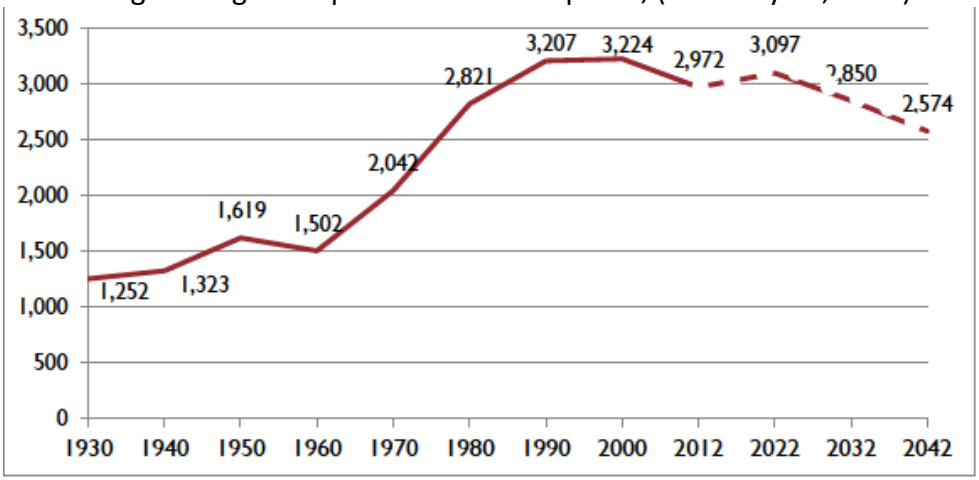
Petersburg is located on Mitkof Island, midway between Juneau and Ketchikan. After a peak in the late 90s, population of Petersburg has been on a steady decline. The population estimate for 2016 is 3179 in the Borough and 2935 in census area Petersburg (excludes Kupreanof). Accompanying the projected population decline is the estimated rapid rise in the percent of Petersburg Borough residents who are older than 65. In 2022, five years from now, the Alaska Department of Labor and Workforce Development estimates the Borough will be 24 percent age 65 and older, up from 13 percent in 2012. By 2032, the percentage of people 65 and older is estimated to increase to 28 percent, one of the highest percentages in Alaska.

Petersburg recent population trends 1995-2014
*2013 Borough formation- population increase due to change in how population counted
Petersburg Borough Comprehensive Plan Update, (February 22, 2017)



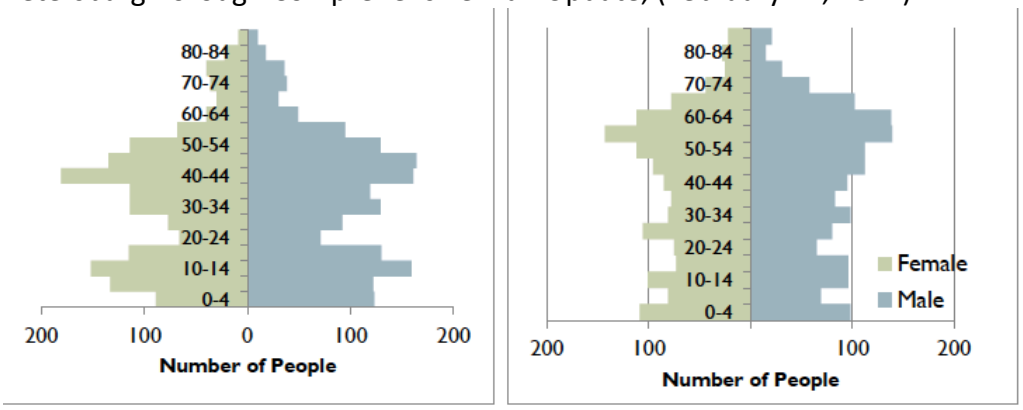
Source: Petersburg Borough, Alaska Department of Labor + Workforce Development, Research + Analysis Section

Petersburg population historical and projected 1930-2042
Petersburg Borough Comprehensive Plan Update, (February 22, 2017)



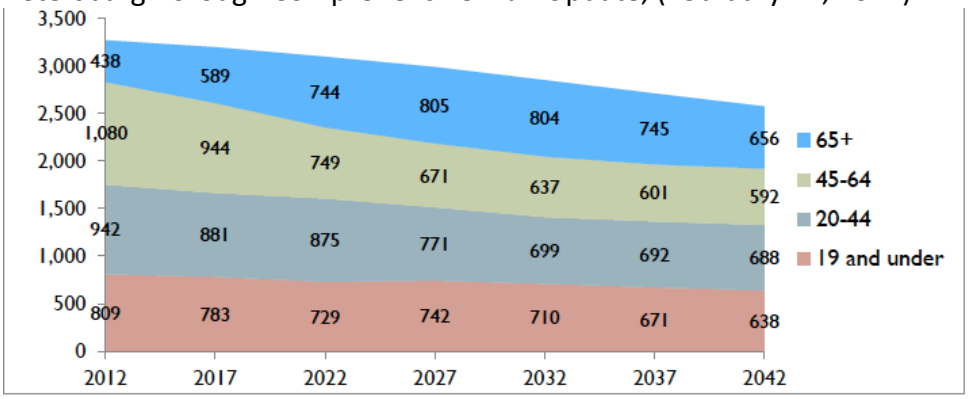
Source: Petersburg Borough, Alaska Department of Labor + Workforce Development, Research + Analysis Section

Age Pyramid 2000 Age Pyramid 2013
Petersburg Borough Comprehensive Plan Update, (February 22, 2017)



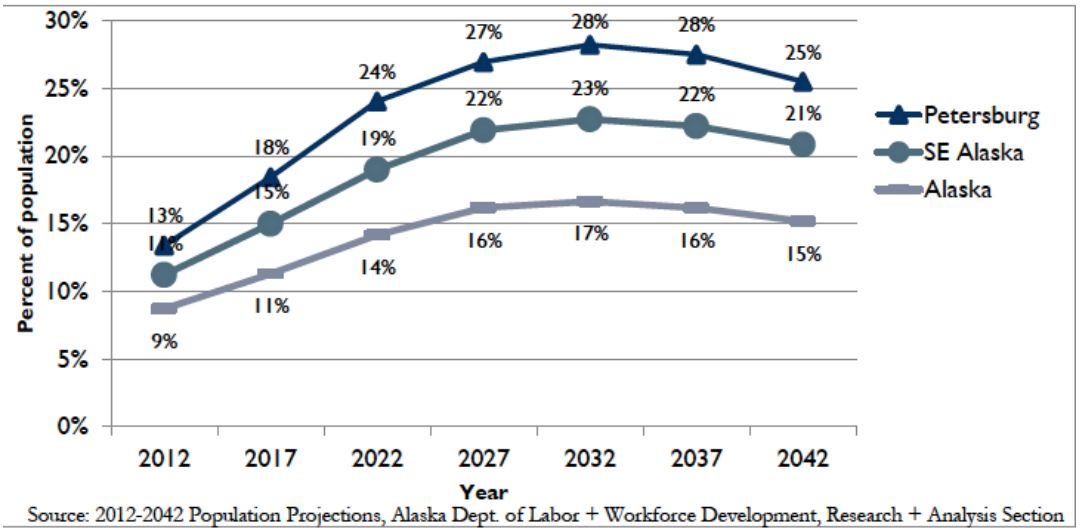
Source: Age and Sex, Cities and CDPs of 1,000 or More People, 2010-2013, Alaska Department of Labor, 2000 Census

Projected Population by Age Group
Petersburg Borough Comprehensive Plan Update, (February 22, 2017)



Source: 2012-2042 Population Projections, Alaska Dept. of Labor + Workforce Development, Research + Analysis

Projected percent of population age 65+
Petersburg Borough Comprehensive Plan Update, (February 22, 2017)



Source: 2012-2042 Population Projections, Alaska Dept. of Labor + Workforce Development, Research + Analysis Section

2. Economy

About 1700 people are employed in Petersburg:

- Local government is the biggest employer in the Borough at about 500, and includes the Petersburg Indian Association, School District, Petersburg Medical Center, City of Kupreanof, Borough employees, senior housing, including Mountain View Manor, public works, power and light, harbor, administration and finance.
- PMC employs almost one quarter (116) of local government employees.
- Commercial fishing accounts for about 500 jobs and is the largest industry in the Borough.

Petersburg Census Area Economic Profile, 2000-2012
Petersburg Borough Comprehensive Plan Update, (February 22, 2017)

Employment Profile	2000	2012	percent change
Total Employment	1771	1,705	-4%
Government (Local, State, Fed [1])	477	529	11%
Private Sector	965	948	-2%
Self-employed number	329	228	-31%
Self-employed percent	22%	13%	-40%
Self-employed businesses	*not available*	773	
Per Capita Income	$ 34,435	$ 36,198	5%
Median Household Income	$ 65,369	$ 66,125	1%
Alaska Median Household Income	$ 68,760	$ 70,760	3%
Savings	$ 56,875,000	$122,773,000	116%
Unemployed	7%	4%	-40%

3. Government

The Petersburg Borough was established in January 2013. The former City of Petersburg boundaries were used to define a service area providing services to residents within the former city limits, "Service Area One." The neighboring City of Kupreanof, located across Wrangell Narrows from Petersburg, is a city within the Borough. The formation of the Borough in 2013 has brought new community development, fiscal and partnership responsibilities.

4. Health

The County Health Rankings provide information on a variety of different health indicators for the former Wrangell-Petersburg Census Area, with data available through 2016. Overall, the County Health Rankings rank the Wrangell-Petersburg Census Area as eighth healthy out of 24 regions in Alaska. As of 2016, adult obesity was at 30 percent, which is higher than the statewide rate of 28 percent and the nationwide rate of 25 percent. At 19 percent, adult smoking rates are higher than the nationwide average of 14 percent but lower than the statewide average of 20 percent. According to the County Health Rankings, excessive drinking rates are also higher at 21 percent for the Wrangell-Petersburg Census Area compared to ten percent nationwide and similar to 22 percent in Alaska. The rankings indicate the Wrangell-Petersburg Census Area has very reliable access to primary care physicians, with one physician for every 561 people compared with one physician per 1,188 people in the whole of Alaska, and reasonable access to mental health providers, with one mental health provider for every 395 people compared with one mental health provider per 1150 people in the whole of Alaska.

5. Finances and ability to borrow

The Borough is able to borrow money based on Borough Charter Article 13 that says:
The Borough has the power to borrow money and to issue general obligation bonds, revenue bonds or other evidences of indebtedness therefore, but only when authorized by the assembly

for capital improvements and ratified at an election by a majority of those qualified to vote and voting on the question.

The outstanding general obligation indebtedness of the Borough incurred for all public purposes shall not at any time exceed ten percent of the assessed value of all real and personal property in the Borough. Ten percent of all total taxable assessed value in 2017 is $31.7 Million.

Current outstanding debt as of June 30, 2017 is as follows:

General Obligation Bonds- Governmental (Pool, Voc Ed, Library)	6.24 Million
General Obligation Bonds- Business (Harbor, MVM, Electric)	4.01 Million
Notes Payable- ADEC Loans (Water/Sewer)	4.31 Million
Potential ADEC Loans Voter Approved but not yet used	5.94 Million
Total	20.50 Million

Therefore the Borough currently has the ability to issue only an additional $11.2 Million more of general obligation bonds for projects. It is very unlikely that the Borough assembly would max out general obligation bonds to the debt ceiling. Each year the Borough pays off over $1 Million in debt principal, so by June 30, 2021 the available amount for general obligation bonds will be approximately $16.7 million.

The Borough is not constrained in the ability to borrow revenue bonds. Revenue bonds allow the Borough to avoid reaching municipal debt limits since the cap doesn't apply to revenue bonds. The hospital, which generates revenue sufficient to pay for operation and debt service, may be eligible for revenue bonds.

B. Petersburg Medical Center background

1. PMC history

The hospital organization that is now Petersburg Medical Center had its beginning in 1917, when a three-story wooden home on 2nd Street was purchased and converted into a medical facility that began operating as a hospital that same year. The assets were transferred to the city of Petersburg on May 1, 1921, and it has been owned and operated by the city of Petersburg ever since. A replacement hospital was built and occupied in January 1955, and a long-term care wing of 12 beds was added in 1969. The current acute care nursing floor and outpatient services are housed in a building completed in 1984, and a physicians' clinic was added in 1994 to make up the current facility configuration. The physicians' clinic was remodeled to provide a larger waiting room area and more exam rooms and was opened in August 2011.

2. PMC services

Petersburg Medical Center provides many services for the Petersburg community:

- The Joy Janssen physician's clinic (with 4 family practice physicians and one part time orthopedic physician)

- 24/7 Emergency Department Services
- Inpatient Acute Care Medical Services
- Outpatient Infusion Services and Treatment Room
- Home health and End-of-Life services
- A Long-Term Care facility
- Radiologic imaging
- Physical Therapy
- Laboratory
- Orthopedic and General Surgical Services
- Visiting Specialists (including General Surgery, Ear Nose and Throat Surgery, Ophthalmology and Optometry, Podiatry and Obstetrics and Gynecology)
- Health Promotion.

3. PMC as a Critical Access Hospital (CAH)

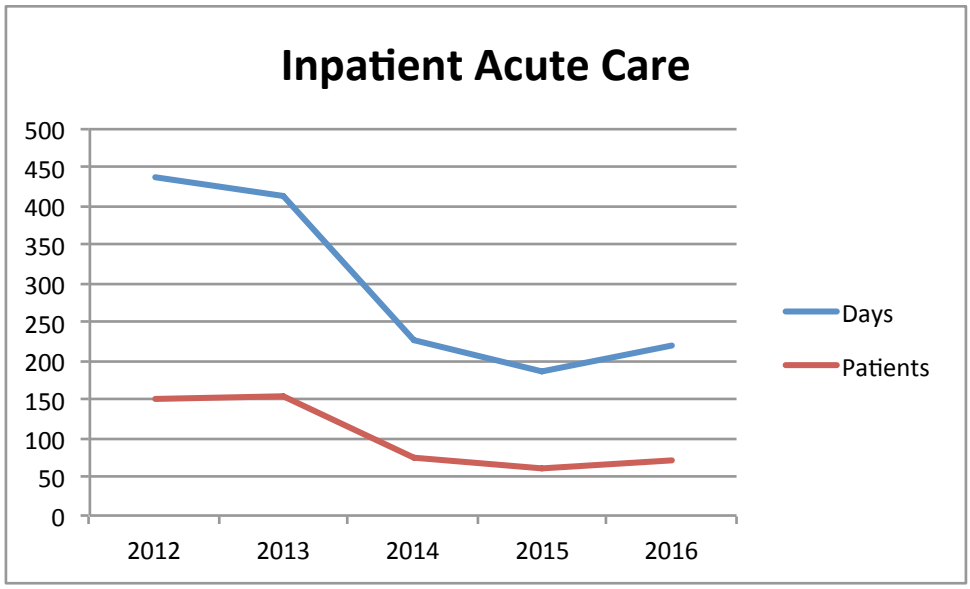
Petersburg Medical Center is a Critical Access Hospital (CAH), meaning it serves a rural area and receives some additional funding from the federal government. PMC received the CAH designation in July 2001. Critical Access Hospital is a designation given to certain rural hospitals by the Centers for Medicare and Medicaid Services (CMS). This designation was created by Congress in the 1997 Balanced Budget Act in response to a string of hospital closures in the 1980s and early 1990s.

The CAH designation is designed to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural communities. This is accomplished through cost-based Medicare reimbursement. There are eligibility requirements for CAHs:

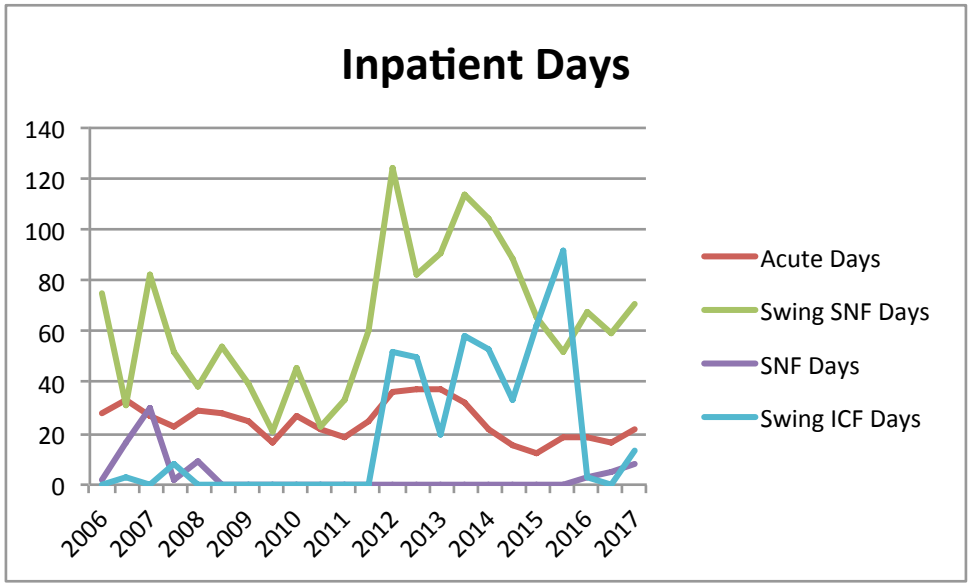
- A CAH must have 25 or fewer acute care inpatient beds
- It must be located more than 35 miles from another hospital
- It must maintain an annual average length of stay of 96 hours or less for acute care patients
- It must provide 24/7 emergency care services

4. PMC utilization

a. Inpatient- Acute Care Days and Patients per Year 2006-2017

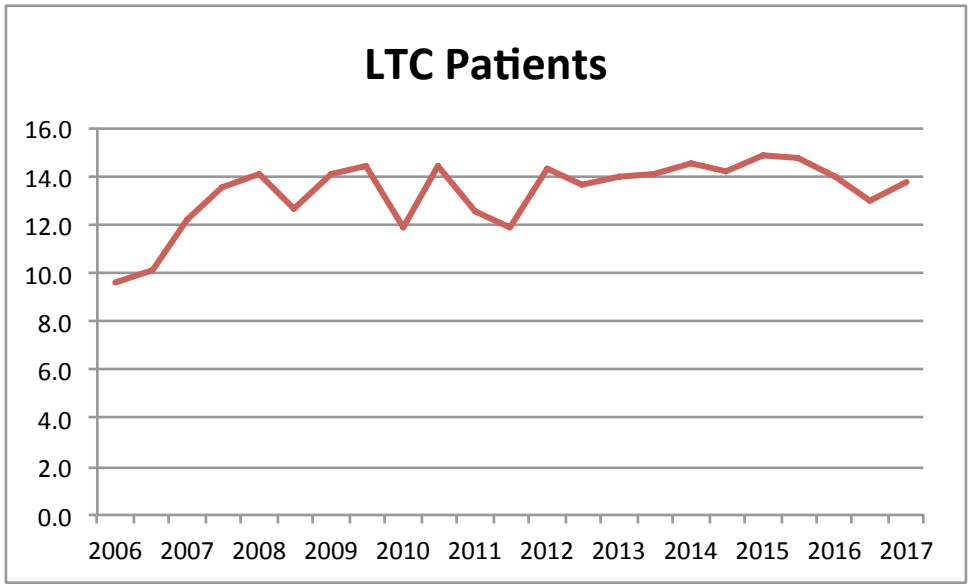


b. Inpatient- Acute, Swing SNF, SNF and Swing ICF Days per Month 2006-2017

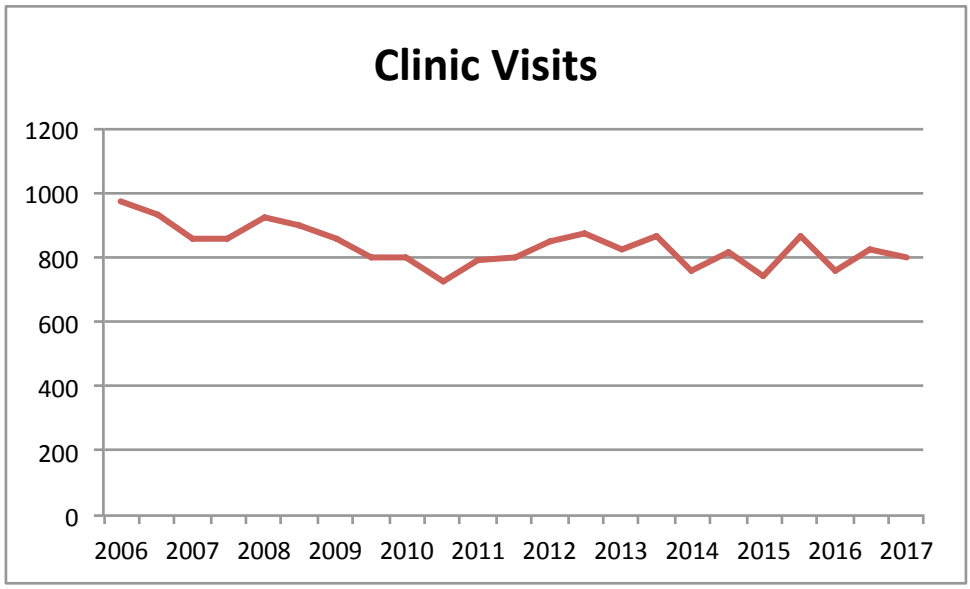


Swing SNF: SNF patient days on the acute end
SNF: SNF patient days which are on the LTC end
Swing ICF: LTC patient days on the Acute end due to no room in LTC

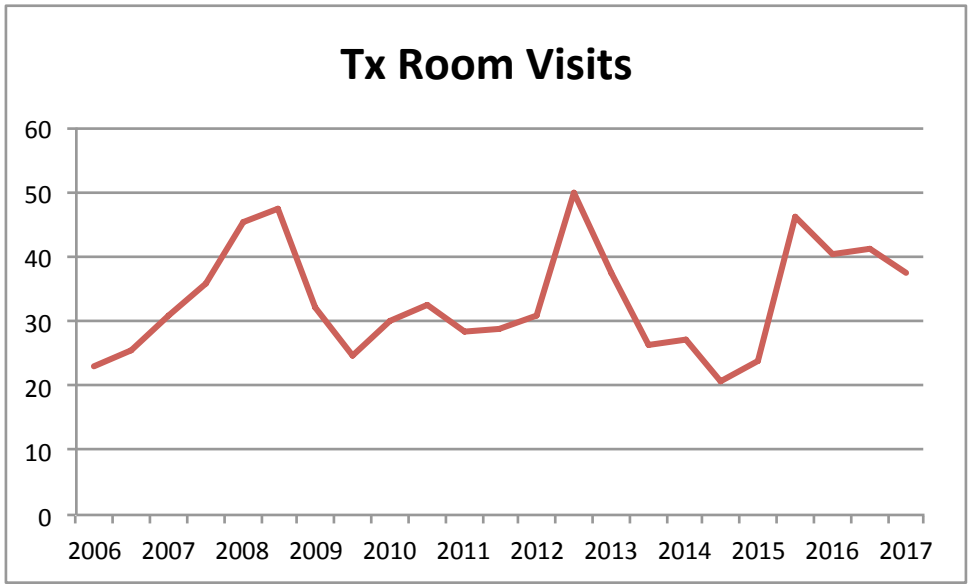
c. Inpatient- LTC Patients Average Number per Month (15 maximum)
2006-2017



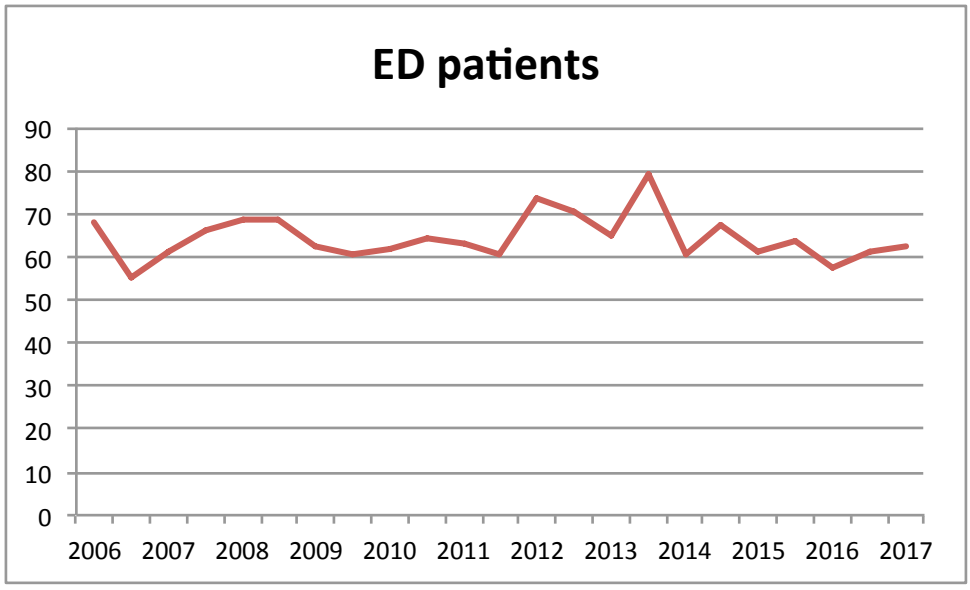
d. Outpatient- Clinic Visits per Month
2006-2017



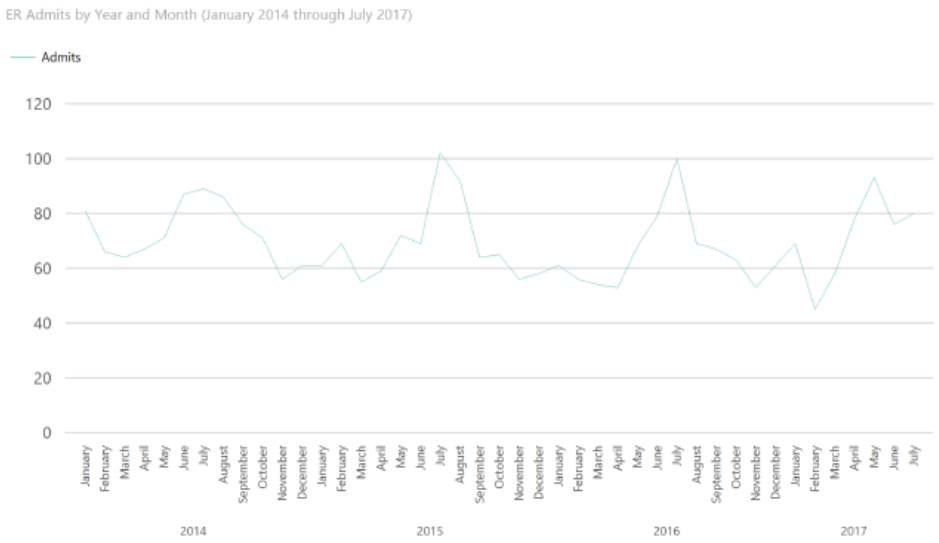
e. Outpatient- Treatment Room Visits per Month
2006-2017



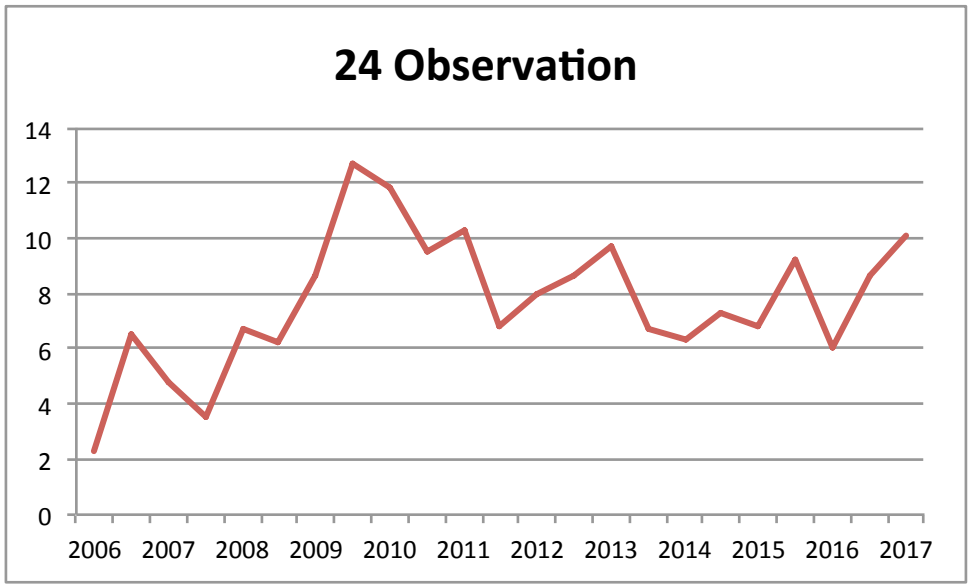
f. Outpatient- Emergency Department Patients per month
2006-2017



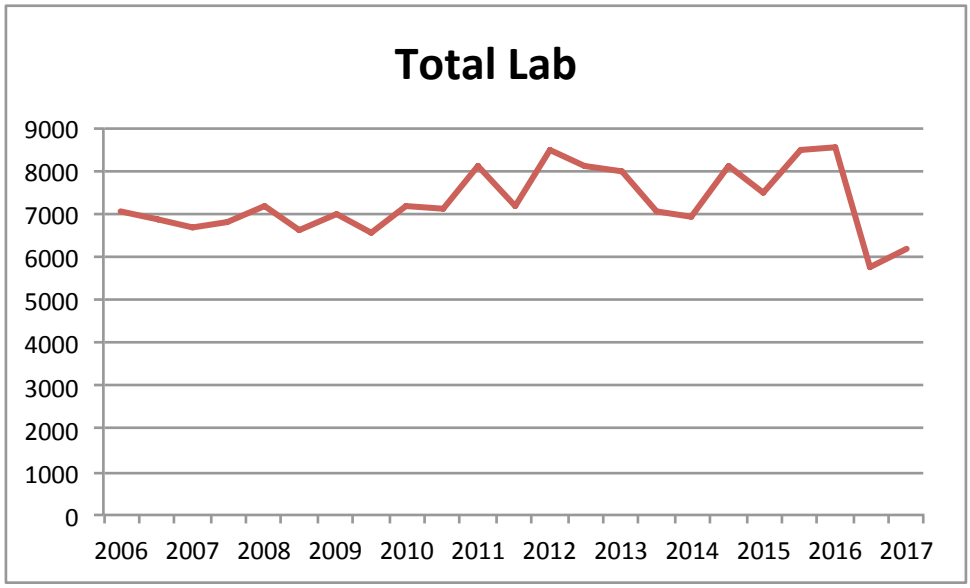
g. Outpatient- Emergency Department Visits- Trends During the Year January 2014-July 2017



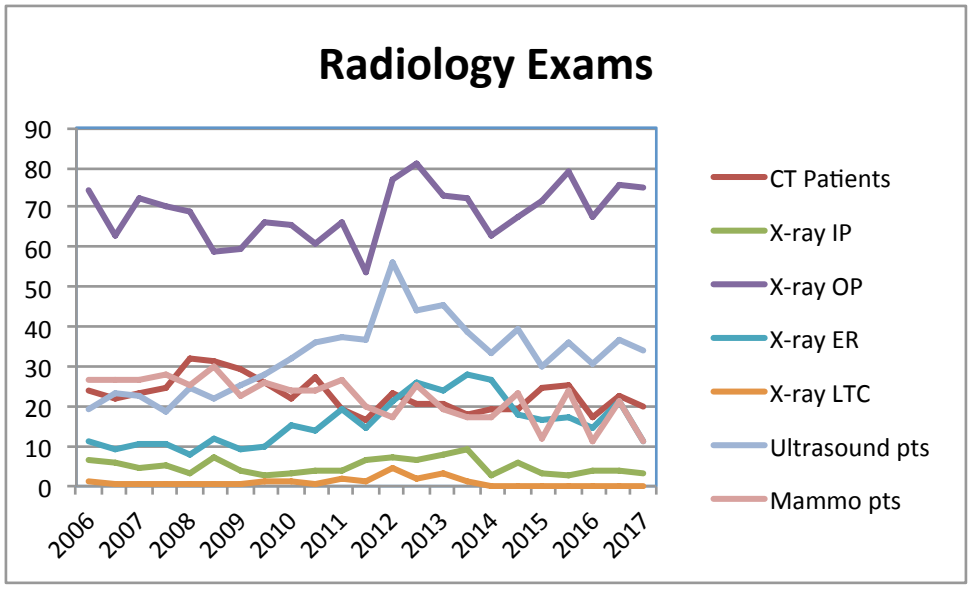
h. Outpatient- 24 hours Observation patients per Month 2006-2017



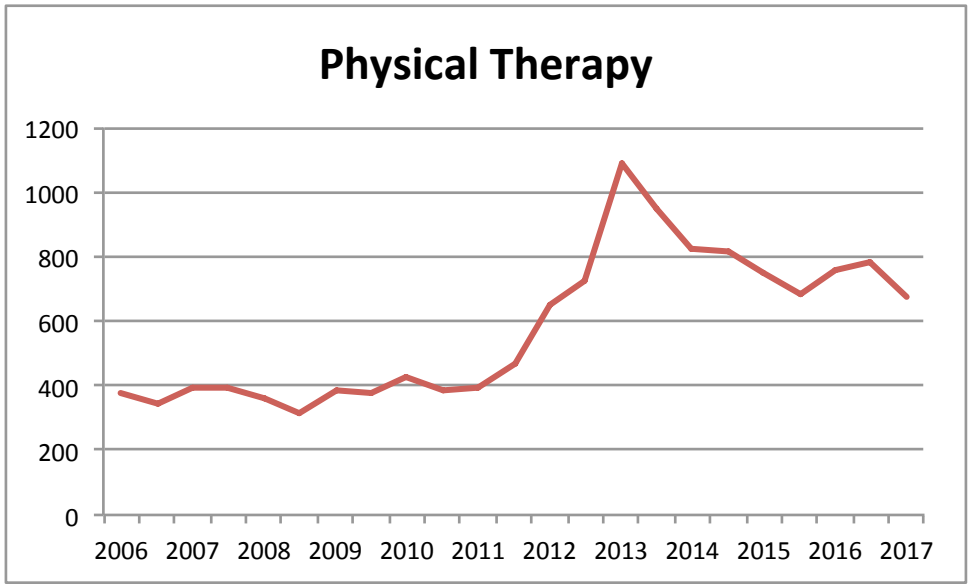
i. Ancillary Services Utilized per Month-Lab
2006-2017



j. Ancillary Services Utilized per Month- Radiology
2006-2017



k. Ancillary Services Utilized per Month- Physical Therapy 2006-2017



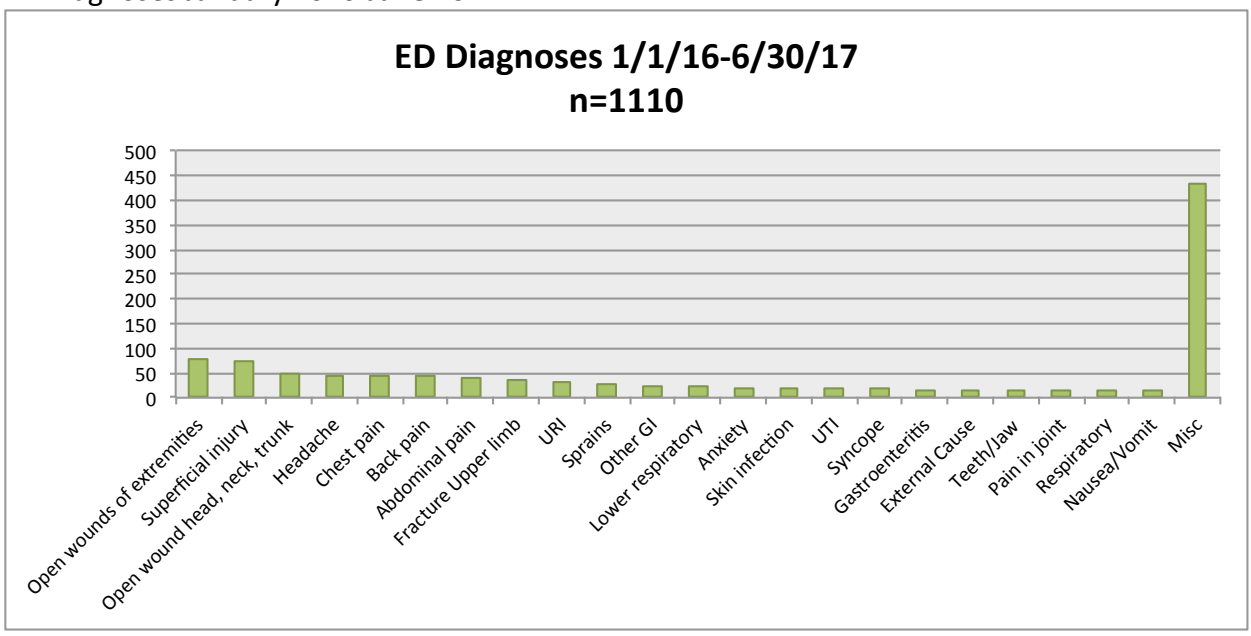
5. PMC diagnoses

An analysis of PMC inpatient, clinic and ED visit by diagnosis category:

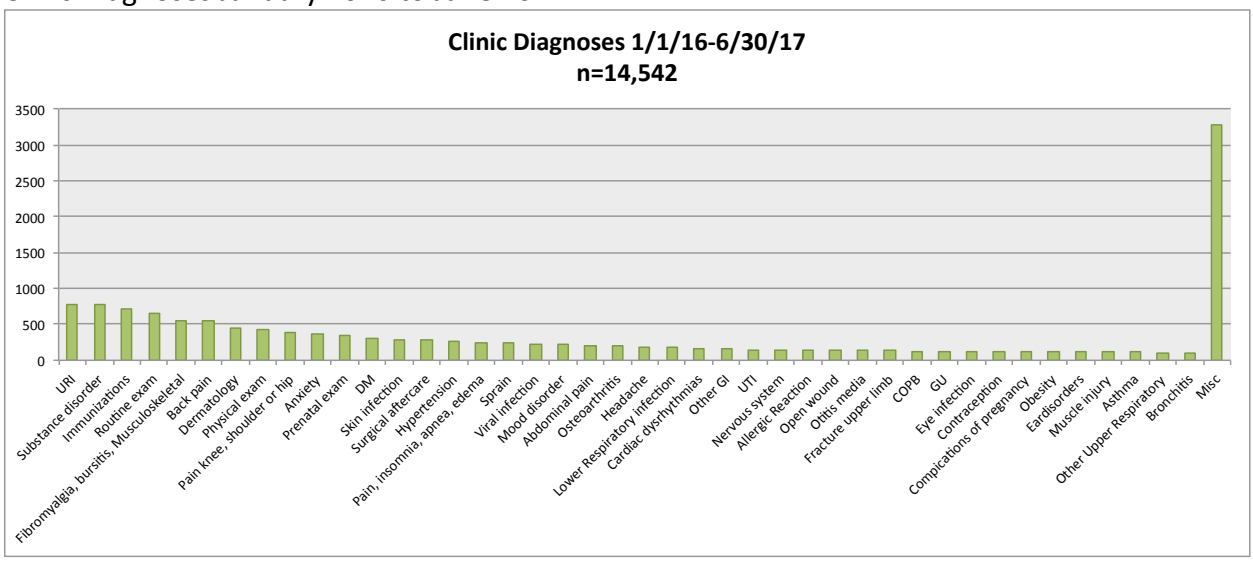
Acute Care Inpatient Diagnoses 2013-2016

Utilization Review by diagnosis for inpatient **Admissions** for 5 years		2016	2015	2014	2013
Number of		**Admits**	**Admits**	**Admits**	**Admits**
A00-B99	Certain infectious and parasitic diseases	5	3	2	2
C00-D49	Neoplasms	2	3	1	2
D50-D89	Diseases of the blood & blood-forming organs & certain disorders involving the immune mechanism		2	1	1
E00-E89	Endocrine, nutritional and metabolic diseases	3	2	5	2
F01-F99	Mental, Behavioral and Neurodevelopmental disorders	14	5	8	18
G00-G99	Diseases of the nervous system	1	1	1	1
H00-H59	Diseases of the eye and adnexa				
H60-H95	Diseases of the ear and mastoid process				
I00-I99	Diseases of the circulatory system	9	10	9	24
J00-J99	Diseases of the respiratory system	6	9	9	34
K00-K95	Diseases of the digestive system	10	13	11	22
L00-L99	Diseases of the skin and subcutaneous tissue			1	6
M00-M99	Diseases of the musculoskeletal system and connective tissue	1	1	3	3
N00-N99	Diseases of the genitourinary system	10	2	7	8
O00-O9A	Pregnancy, childbirth and the puerperium			2	2
P00-P96	Certain conditions originating in the perinatal period				3
Q00-Q99	Congenital malformations, deformations and chromosomal abnormalities				
R00-R99	Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified	2	4	7	8
S00-T88	Injury, poisoning and certain other consequences of external causes	7	3	6	16
V00-Y99	External causes of morbidity				
Z00-Z99	Factors influencing health status and contact with health services		2	3	3
	TOTAL Admissions:	70	60	76	155

ED Diagnoses January 2016-June 2017



Clinic Diagnoses January 2016 to June 2017



6. PMC and surrounding land

PMC is on two parcels that are owned by the Borough:

- Parcel Number 01007301, 103 Fram Street
- Parcel Number 01007306, 103 Fram Street

PMC owns two small parcels across Second Street:

- Parcel Number 01007317, 204 N Second Street, 5000 square feet

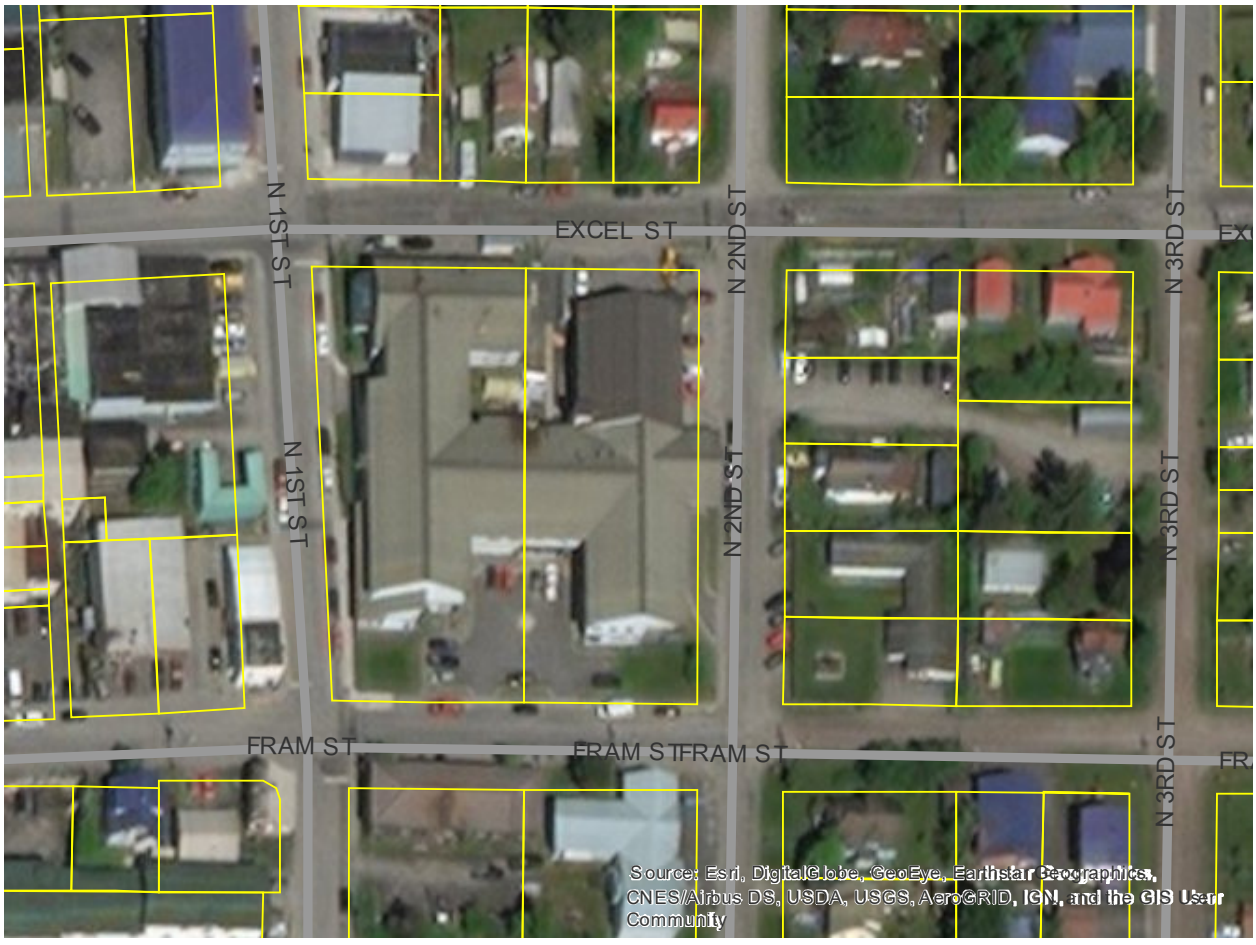
- Parcel Number 01007313, 203 N Third Street, 5000 square feet

The Borough owns other parcels surrounding the Medical Center:

- Parcel Number 01007318, 206 N. Second Street
- Parcel Number 01007316, 203 N. Second Street
- Parcel Number 01007315, 203 Fram Street
- Parcel Number 01007312, 205 N. Third Street

There are three lots across Excel Street that are for sale:

- Parcel Number 01007237, 103 Excel Street
- Parcel Number 01007236, 105 & 107 Excel Street
- Parcel Number 01007235, 109 Excel Street



7. PMC physical building

The Medical Center is housed in a Borough-owned building made up of three buildings constructed at various time periods:

- Long Term Care (LTC);
- Hospital; and

- Clinic

The original hospital is now the Long Term Care wing and was built in 1969. In 1984 the Hospital Addition was constructed. A major renovation of the long-term care facility also occurred in 1984. The second floor aluminum sunroom was added at some time after the 1984 addition. In 2004 the acute care nurse station and adjacent support areas were remodeled. In 2010 the clinic underwent a major renovation expanding into the basement to include additional exam rooms, offices and a conference room. On the upper floor the entrance was relocated to provide a better flow and allow addition of provider offices without reduction in the number of exam rooms. The renovation included addition of a new elevator. In 2012-2015 a new metal roof was installed over both the long-term care wing and the hospital. In March 2017 the Petersburg Medical Center Board approved a budget of up to $250,000 plus design costs of $42,000 to renovate the kitchen at the hospital. The kitchen is in the basement of the Long Term Care facility in the oldest section of the facility. The plumbing has failed in this area and leaks are a serious issue. During the renovation project the hospital intends to rent and use the kitchen facilities at Ocean Beauty.

The facility in general is well maintained. However, due to the age of the facility, many systems are no longer manufactured or supported. The Jensen Yorba Lott report states that these systems and components will become increasingly difficult to maintain or repair, because parts and knowledgeable personnel are no longer available. Technology changes also have put a strain on the existing facility systems. The use of personal computers, laptops, cell phones, etc. has increased the need for power service, server capacity and data access. Business is conducted daily via equipment connected to the Internet and interconnected within the facility including medical equipment, which was not the case when this facility was built. Current infrastructure is not adequate to support these increased demands and must be replaced completely or expanded. Health care services, technology, health care guidelines and building codes have changed. Due to changes in Health Care Guidelines and building codes existing spaces are now inadequately sized, poorly located and not properly equipped.

Jenson, Yorba, Lott have done some concept exploration around PMC remodel and rebuild and their report is summarized in Appendix 4.

8. PMC management

The Petersburg Borough Municipal Code outlines the governance of PMC and is quoted:

The Petersburg Medical Center shall operate and maintain area wide medical services and hospital facility for the Borough. The medical center shall be operated by a hospital board of seven members elected at large...The Borough assembly, by ordinance, shall provide for the powers and duties of the hospital board, allowing for the greatest possible autonomy to operate and maintain Borough medical facilities in the best interests of the public's health, including, but not limited to, the powers to:

- Formulate policy for the operation of the hospital;
- Appoint, promote, demote, suspend and remove the hospital administrator;

- Generally supervise hospital fiscal affairs, including preparation and submission of an annual budget and six-year capital improvements plan for equipment and buildings.

Petersburg Medical Center Bylaws Article 1 states that the governing body of the hospital is the Hospital Board. Therefore, the Hospital Board of PMC acts as responsible owners on behalf of the community with all the rights and duties thereof. Other than having its powers described under the Petersburg Municipal Code, the ownership of the medical center is independent of the city. The voters in Petersburg elect the seven-member board for three-year terms. Between elections, vacancies are filled by appointment by the board with approval of the City Council. The board hires the administrator who then has responsibility for the day-to-day operations of the organization.

9. PMC finances

PMC balance sheet for fiscal year 2017 indicate current assets at 7.05 million, which is up from 6.9 million last year. Total assets, including property, plant and equipment and investments are currently valued at 15.85 million, which is slightly up from 15.45 million last year. Total liabilities are valued at 10.8 million this year, which includes $9.1 million that is unfunded PERS. This leaves a balance of $5.05 million, which is the hospital equity.

PMC operating statement for fiscal year 2017 indicate net operating revenue of 14.2 million compared to 14.4 million last year and 14.1 million in expenses compared to 15.6 million last year.

PMC is a Critical Access Hospital (CAH). In 1997, the Balanced Budget Act created the Medicare Rural Hospital Flexibility (Flex) Program and CAH provider type. Annually Flex presents each CAH with a Financial Indicator report. These indicators are specifically designed to capture the financial performance of CAHs, and comparing a hospital's indicators to state and national values can obtain a financial picture of an organization. Flex rates the risk of distress in two years for all CAH by looking at these financial indicators. In 2015 (the last year for which we have data) Flex rated PMC's risk of financial distress as LOW. See Appendix 5 for PMC 2015 Financial Indicators as compared to Alaska Critical Access Hospitals and all Critical Access Hospitals.

10. PMC quality

PMC reports to the following agencies on quality parameters:

- Medicare Beneficiary Quality Improvement Program (MBQIP)
- Washington State Hospital Association (WSHA) and Alaska State Hospital and Nursing Home Association (ASHNA)
- Centers for Medicare and Medicaid Services (CMS) via the Merit-Based Incentive Payment System (MIPS)

Despite the poor quality of the infrastructure, the quality of the care at PMC is good, especially in the long-term care unit, which in April again received a five star rating, the highest rating

available, for the second year in a row. The rating is a government performance indicator based on health inspections, staffing ratios and quality measures such as the prevention of bedsores or catheter use.

11. PMC does not receive financial support from the Borough

PMC does not receive any financial support from the Borough.

- In 2014 there was discussion to implement a cigarette tax that would be designated for PMC. The cigarette tax was passed, but the Assembly decided to add revenue from this tax to the general fund, rather than direct to PMC.
- In March and April 2017 the Borough Assembly discussed giving PMC the same break-even power rate that is given to the aquatic boiler room, the aquatic center, the high school, middle school and elementary school. In both of these meetings the assembly voted against providing the lower rate to the hospital but approved giving it to the school and aquatic buildings.

12. PMC as employer

PMC currently employs 116 employees, with an average yearly wage of $59,900. These wages put almost $7 million dollars a year into the Petersburg economy. The average hospital employment multiplier is 1.34. This means that for every job in the hospital, the multiplier indicates that an additional 0.34 jobs are created in other businesses and industries in the local economy. Therefore, the secondary employment impact from PMC operations is 39 jobs and the average total employment impact is 155 jobs.

13. PMC uncompensated health benefits to community

- Charity Care and Uncompensated Care

Petersburg Medical Center
Schedule of Charity Care and Bad Debt Write Off
Fiscal Years 2013-2017
Prepared by: Doran Hammett, CFO

Fiscal Years Ended June 30	2013	2014	2015	2016	2017
Charity Care	251,454	36,061	26,942	51,673	62,811
Bad Debt and Other Write offs	875,182	1,577,925	536,284	918,127	825,893
Total	1,126,636	1,613,986	563,226	969,800	888,704
Total Net Revenue	13,034,807	11,990,994	13,713,720	13,721,528	14,180,607
Percent Write-offs to Net Revenue	8.6%	13.5%	4.1%	7.1%	6.3%

- Community Health Education and Community Health Fair

The Petersburg Medical Center Community Education Program supports healthy lifestyle and education opportunities in Petersburg. PMC hosts the Community Health Fair every other year

(even years) and the Children's fair every other year (odd years). In addition PMC offers two free screening clinics and a reduced fee flu shot clinic to the community each fall. The Community Education department is also involved with PMC Foundation's Beat the Odds, A Race Against Cancer fundraiser. Each November PMC's registered dietitian and registered nurse offer free fasting glucose screenings to the public in recognition of American Diabetes Month. For monthly health tips PMC has a display board located opposite the lab and a display board near the business office. Public service announcements that offer health tip are also broadcast daily on the local public radio station KFSK.

14. Previous community needs assessments

Reviews of results of previous community need assessments indicate work that has been done and issues that are still present today.

a. 1991

The University of Washington's Community Health Services Development Program and the Alaska Center for Rural Health (ACRH), UAA conducted a community needs assessment in Petersburg in 1991 (Petersburg, Alaska: Community Health Services Development Program, 1992). Recommendations were:

1. Recruit more full time physicians,
2. Develop and expand mental health services with cooperation with the schools,
3. Equip and staff the hospital for elective surgery,
4. Build a medical clinic that houses both the hospital and physicians, and
5. Work for medical staff harmony.

PMC currently has four stable full time Family Practice physicians that work in harmony. They have built a medical clinic that houses both the hospital and physicians. Mental health services have been somewhat expanded, but this is an ongoing concern. Elective surgery is occurring with a visiting general surgeon, CRNA, and part-time orthopedic surgeon.

b. 2001

The Alaska Center for Rural Health (ACRH), UAA in May 2001 conducted a community needs assessment in Petersburg in 2001. Recommendations were:

1. Identify financially feasible services to add or expand (especially diagnostic services and visiting specialists).
2. Collaborate with other health facilities to improve financial sustainability, expand services, and for peer review. Likely partners include the SouthEast Alaska Regional Health Consortium, Bartlett Hospital in Juneau, Wrangell Medical Center, and other critical access hospitals.
3. Collaborate with local providers for improved access to mental health and substance abuse services, especially for children.
4. Regarding Petersburg's health workforce, recruit locals into health careers, improve access to training, and make efforts to support local staff.
5. Expand preventive health care in the community and schools, possibly through partnerships with other community resources.

Exploration of financially feasible services is an ongoing issue. Recently PMC has added Dexa scans and Occupational Therapy. Many Key Informants in this CNA also suggested adding an

MRI. Collaboration with other health facilities is also an on going concern, as well as improved access to mental health and substance abuse services. Recruiting locals into health careers has occurred with the addition of a CNA training program and the initiation of an RN training program. Expansion of preventive health care has occurred but more work is possible in this area.

c. 2013 Mobilizing for Action through Planning and Partnership (MAPP)

Petersburg Mental Health Services (PMHS), the Supporting Health Awareness and Resiliency Education Coalition (SHARE) and PMC performed a MAPP analysis in 2013. Conclusions were:
1. Petersburg members value a sense of community.
2. Substance abuse was considered the priority source of concern.

C. Critical Access Hospitals in Alaska

1. Introduction

There are 14 Critical Access Hospitals in Alaska (www.flexmonitoring.org/data/critical-access-hospital-locations July 2017):

HOSPITAL	LOCATION	DATE CERT	BEDS
Providence Valdez Community Hospital	Valdez	8/1/00	11
Providence Seward Medical Center	Seward	1/1/01	6
Cordova Community Medical Center	Cordova	7/1/03	13
Kanaknak Hospital	Dillingham	10/1/04	16
Norton Sound Regional Hospital	Nome	11/1/03	19
Petersburg Medical Center	Petersburg	7/1/01	12
Providence Kodiak Island Medical Center	Kodiak	6/1/03	25
Sitka Community Hospital	Sitka	7/1/01	12
South Peninsula Hospital	Homer	8/7/08	22
Wrangell Medical Center	Wrangell	7/1/02	8
Manilaq Health Center	Kotzebue	2/1/05	17
Ketchikan General Hospital	Ketchikan	8/21/06	25
Samuel Simmonds Memorial Hospital	Barrow	10/1/07	14
Mount Edgecumbe Hospital	Sitka	11/6/15	25

2. Affiliates of Alaska CAH

There are 14 Critical Access Hospitals in Alaska and nine have an affiliated partner:
Three are affiliated with Providence:

- Kodiak (Providence)
- Seward (Providence)
- Valdez (Providence)

Four are operated by Tribal Health Organizations:

- Samuel Simmonds, Barrow (Arctic Slope Native Association)
- Kanakanak, Dillingham (Bristol Bay Area Health Corporation)
- Maniilaq, Kotzebue (Maniilaq Association aka NANA Regional Corporation)

- Norton Sound, Nome (Norton Sound Health Corporation)

One is affiliated with Peace Health:

- Ketchikan

One is affiliated with SEARHC:

- Mount Edgecumbe

One is considering merging with SEARHC:

- Sitka (also receives tax support)

The others are:

- Cordova (receives tax support)
- South Peninsula, Homer (receives tax support)
- Wrangell
- Petersburg

3. Tax support for CAH in Alaska

Communities often support Critical Access Hospitals in Alaska that are not affiliated with another organization (tribal, Providence or Peace Health).

- Sitka has an annual cigarette tax of $600,000 to $900,000 that goes to Sitka Community Hospital;
- In October 2016 voters approved $4.8 million in bonds to fund new facilities at South Peninsula Hospital and the Homer Medical Center.
- In FY17 Cordova will contribute $566,000 to the Cordova Community Medical Center.

D. General Critical Access Hospital information

1. Revenue systems for CAH

PMC is a Critical Access Hospital (CAH). In 1997, the Balanced Budget Act created the Medicare Rural Hospital Flexibility (Flex) Program and CAH provider type. Medicare pays for the same services from CAHs as for other acute care hospitals (e.g., inpatient stays, outpatient visits, laboratory tests and post-acute skilled nursing days). However, CAH payments are based on each CAH's costs and the share of those costs that are allocated to Medicare patients. CAHs receive cost based reimbursement for inpatient and outpatient services provided to Medicare patients. Cost based reimbursement provides significant financial advantage to CAHs by allowing them to get paid at 101% of costs on all of their hospital Medicare business. Expenses must be prudent and reasonable, as well as related to patient care. Some CAH expenses, such as recruiting and bad debts, are not included in the cost-based reimbursement formula. Therefore, CAHs generally earn less than 101% of cost for care of their Medicare patients. Alaska Medicaid reimburses most inpatient and outpatient services to Medicaid patients in a CAH at 100% of cost. Many Alaska CAHs have co-located nursing home (long-term) beds, which are primarily paid for by Medicaid. Facility-specific Medicaid rates are based on an annual cost report submitted by the CAH.

In October 2012, the Centers for Medicare & Medicaid Services (CMS) created the concept of the hospital value-based program (HVBP) which changes the way that hospitals are paid. The

HBVP has 21 measures for FY 2017 relating to the following key domains of quality with the following domain weighting:

- Clinical process of care (5%)
- Patient experience of care (25%)
- Outcome (45%)
- Efficiency (25%)

CMS has not yet adopted a HVBP for CAHs. However, in January 2015, Sylvia M. Burwell, U.S. Secretary of Health and Human Services, announced ambitious plans to move from "volume to value in Medicare payments". CMS intends for 85% of all hospital-based Medicare reimbursement to be tied to performance-based metrics by 2016, increasing to 90% by 2018. There is concern in the industry that this goal will include CAHs among providers subjected to some type of value-based program

2. Financing programs for CAH

a. Federal

At the Federal level, there are two major programs that help CAHs meet their capital needs. Unfortunately, a preliminary investigation of these indicates that PMC would not be eligible for large grants from either:

- **HUD FHA Section 242 Hospital Mortgage Insurance Program**
  Section 242 of the National Housing Act enables the affordable financing of hospital projects by reducing the cost of capital and significantly enhancing the credit of hospitals that qualify for mortgage insurance. This program offers insurance backing by HUD to secure financing for remodeling or new construction of acute care hospitals. The program is limited to "acute care" facilities. No skilled nursing, intermediate care, convalescent care or rehabilitation. For the fiscal year ended 6/30/17, PMC had 1,006 inpatient days. Of these 228 or 22.7% were acute days putting the hospital well below the 50% threshold. The program does allow for an adjustment factor for qualified outpatient services however, even with this adjustment PMC still falls below the 50%. An additional HUD 242 requirement is that the facility has an average operating margin over the past three years that exceeds 0.0%. PMC does not meet this requirement. Therefore PMC is not eligible for Section 242 financing.
- **USDA Rural Development Community Facilities Direct Loan & Grant Program**
  This program provides affordable funding to develop essential community facilities in rural areas. However, PMC is not eligible for this funding because the median household income for our area is $67,935, which is both greater than the state poverty line and also greater than 60% of the state non-metropolitan median household income ($46,560). PMC could meet other income thresholds to qualify for smaller grant funding.

b. State

At the State level there is one program:

- **Alaska Rural Hospital Flexibility (Flex) Program**

The State Flex Office may be able to provide some limited assistance in a PMC replace or remodel financing, but large financing opportunities are probably not available.

c. Grant opportunities

There are potential grant opportunities available and more research is needed in this area:

- **Rural Community Assistance Corporation (RCAC) Community Facilities Loan Program**

Probably only smaller grant amounts are available.

- **Rasmuson Foundation Tier 2 Capital Grants**

Rasmuson does give Tier 2 grants of more than $25,000 for large capital (building) projects, projects of demonstrable strategic importance or innovative nature that address issues of broad community or statewide significance. The Foundation accepts proposals from high-performing, Alaska-Based 501(c)(3) Organizations classified as "not a private foundation" under section 509(a) of the tax code. Tribes and Cities are eligible to request support for projects that provide broad community benefits such as a library, health care facility and cultural center. Applications are evaluated on criteria including but not limited to: the organization's track record, fiscal and management capacity, an active board and experienced staff, sources of financial support, and the project's benefit to the organization and the community it serves. The Foundation places a priority on organizations in which all board members contribute financially. The Foundation is rarely the first, the largest or the only contributor to any Tier 2 project. The Foundation expects the community in which the project is located will provide significant financial support.

The Foundation will consider requests for major capital projects when the following have been demonstrated:

- Strong, committed local cash support is in place
- The board and key staff have supported the project financially
- The site has been secured and permits are in place
- Plans have been completed
- A budget has been developed
- A fundraising plan is in place, if applicable
- Government funding has been requested and/or committed, if that funding reflects a significant portion of the project budget
- Applicant is able to demonstrate that the project is sustainable

3. Evidence based design for Critical Access Hospitals

a. Improve patient safety in new building

Evidence-based design elements can help hospitals reduce costly and avoidable incidents of patient harm, such as patient falls, hospital acquired infections, and medication errors. Patient falls, which are common in hospitals, can result in serious injuries, extend a patient's stay, and drive up the cost of care significantly. Patient falls can be avoided. Poor placement of handrails and small door openings are two primary causes of patient falls. Many falls can be reduced through providing well-designed patient rooms and bathrooms and creating decentralized nurses' stations that allow nurses easier access to at-risk patients. Single-bed rooms and improved air filtration systems can reduce the transmission of hospital-acquired infections. Infections can also be reduced by providing multiple locations for staff members to wash their

hands so they spend less time walking to sinks and have more opportunities to sanitize their hands before providing care. Poor lighting, frequent interruptions and distractions, and inadequate private space can complicate filling prescriptions. Well-illuminated, quiet, private spaces decrease medication errors.

b. Improve patient satisfaction in new building

Reducing noise, providing more privacy, and making it easier for patients to find their way though the hospital can all improve patient satisfaction. Frequent overhead announcements, pagers, alarms, and noisy equipment in or near patient rooms are stressful for patients and interfere with their rest and recovery. Single-bed rooms with high performance, sound-absorbing ceilings and limited overhead announcements can substantially improve the healing environment for patients. Evidence also shows that patients are more satisfied with their care when they are given adequate space to interact with their families. For example, single-patient rooms make it easier for families to stay with patients. Responding to the overwhelming evidence regarding how single-patient rooms improve patient safety, satisfaction, and quality outcomes, the American Institute of Architecture changed its 2006 construction guidelines to recommend that single rooms for medical, surgical, and postpartum nursing units in general hospitals be the standard. Helping patients effortlessly find their way through hospitals can improve patients' overall care experience and increase satisfaction by reducing feelings of stress, anxiety, and helplessness for them and their families. Better navigation can be addressed architecturally through useful signage and easily navigable corridors.

c. Improve staff efficiency in new building

Payroll typically accounts for 50 percent or more of hospital budgets, so efficient use of staff time is a critical component of a CAH's finances. Efficiency can be improved through designs that create smart adjacencies and shared nurses' stations, which allow nurses to oversee multiple departments during less busy times. One model has a nurse's station in the center of a wheel of spokes each with service departments such as, Emergency Department, Long Term Care, and Inpatient care. Making sure patients get the right care, in the right place, at the right time couldn't be a clearer set of aims. And yet achieving them isn't so simple, especially in health care systems. It requires a number of underlying system improvements, including well-designed hospital flow.

d. Improve maintenance in new building

Facility maintenance in rural areas can be challenging, especially when something breaks and qualified repair technicians are far away. Selecting equipment that the staff is comfortable with maintaining is invaluable. Control systems can allow remote Web access so support staff can access the system through a secure Web-based portal and diagnose the problem remotely.

e. Align new building with changes in healthcare reimbursement and plan for transition to value based payment

While CAH still operate in a fee-for-service world that encourages provision of greater volume of services and focuses on the price of each individual service, these days are probably numbered. Non-CAHs already are experiencing a shift to value-based payments for both their publicly and privately insured patients. Some are also experimenting with risk-based approaches in which they are reimbursed a fixed amount to provide high quality care, at least for a defined bundle of services, and sometimes more broadly for an entire patient population. Traditional fee-for-service reimbursement methodologies motivate all providers to deliver more care, and do not distinguish beneficial services from those that are redundant or of questionable value. Hospital system leaders recognize that payment methodologies are evolving to change those incentives and that hospitals will be reimbursed based on the care delivered by the delivery system team in which they participate, rather than on their own performance. Currently value based care reimburses hospitals based on:

- Clinical process of care (5%)
- Patient experience of care (25%)
- Outcome (45%)
- Efficiency (25%)

All of these can be affected by evidence-based design.

f. Align new building with transition to population health

The focus on population health has forced systems to think about managing large populations, thus changing the business models that have defined service delivery to a geographic region. Healthcare reimbursement is transitioning to a population health model. Population health is taking responsibility for managing the overall health of a defined population and being accountable for the health outcomes of that defined population. The goal of population health is to improve the quality of care and outcomes while managing costs for a defined group of people. The defined group of people and the health management interventions can be identified by demographic differences, health needs such as chronic diseases or disabilities, or the health needs of the underserved. Population health signals a change in the way health care is accessed, provided and utilized — a move away from reactive responses to an individual's health needs. The concept marks a fundamental shift towards outcomes-based, proactive approaches to a given population with attention directed toward larger, socially grouped needs and prevention efforts while reducing disparity and variation in care delivery. Population health involves the health of the community; it implies wellness promotion as well as the treatment of new and chronic illnesses throughout the care continuum. It also implies improving the health of people previously undermanaged, such as the poor in terms of conditions such as diabetes, hypertension and cancer. In summary, population health calls for accountability for the health and utilization of health care services of a defined population of individuals across the care continuum, from preventative to acute to post-acute settings.

g. Align new building with green building practices

Green building practices can decrease operating expenses by decreasing costs for energy. For example, when Samuel Simmonds Memorial Hospital was replaced in the North Slope they

purchased a data center system specialized in energy management and automation. These centralized energy control systems can improve the bottom line.

E. Other health care services in Petersburg

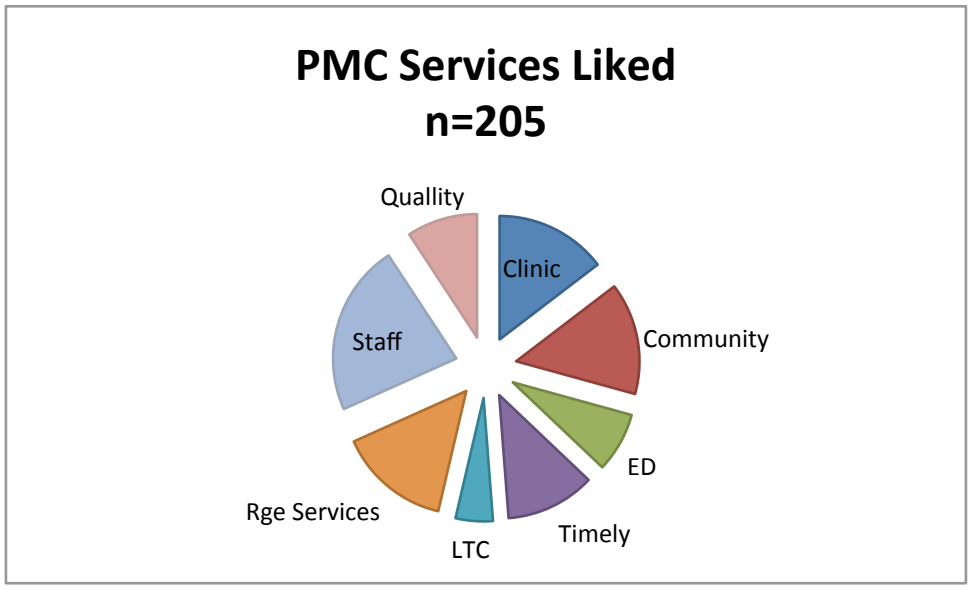
See MAPP 2013 for complete discussion of these services:

- Mountain View Manor
- Petersburg Cancer Support Group
- Petersburg Mental Health Services
- True North Consulting
- Supporting Health Awareness and Resiliency Education (SHARE) Coalition
- Petersburg Indian Association (PIA)
- Working Against Violence for Everyone (WAVE)
- REACH provides developmental disability services for children, adults and families.
- Petersburg Ministerial Association
- State of Alaska Public Health Nursing
- Dental Care
- Emergency Medical Transport Services

F. Results of key informant interviews

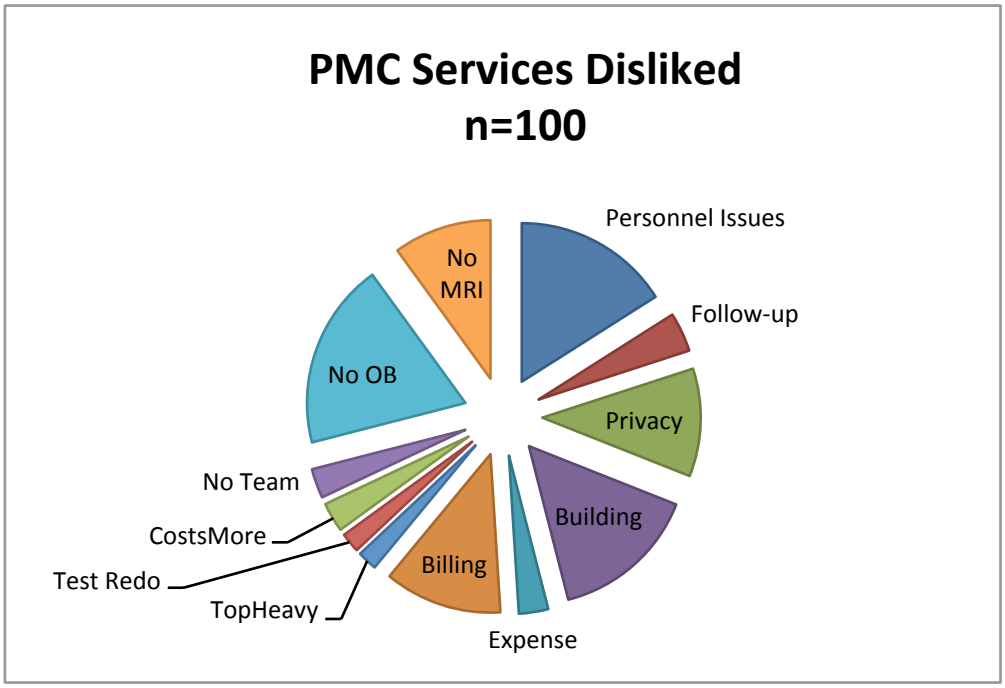
Standardized background information and survey questions (See Appendix 3) were used to give information to and gather information from Key Informants (See Appendix 2) in one on one interview. Some Key Informants chose to submit answers electronically or in paper form. Seventy surveys were completed, thirty-seven by PMC staff or board members and thirty-three by community members.

- Most informants had been patients at the Medical Center in the last year (91% or 64/70) and many had visited someone in the hospital (67% or 47/70) in the last year.



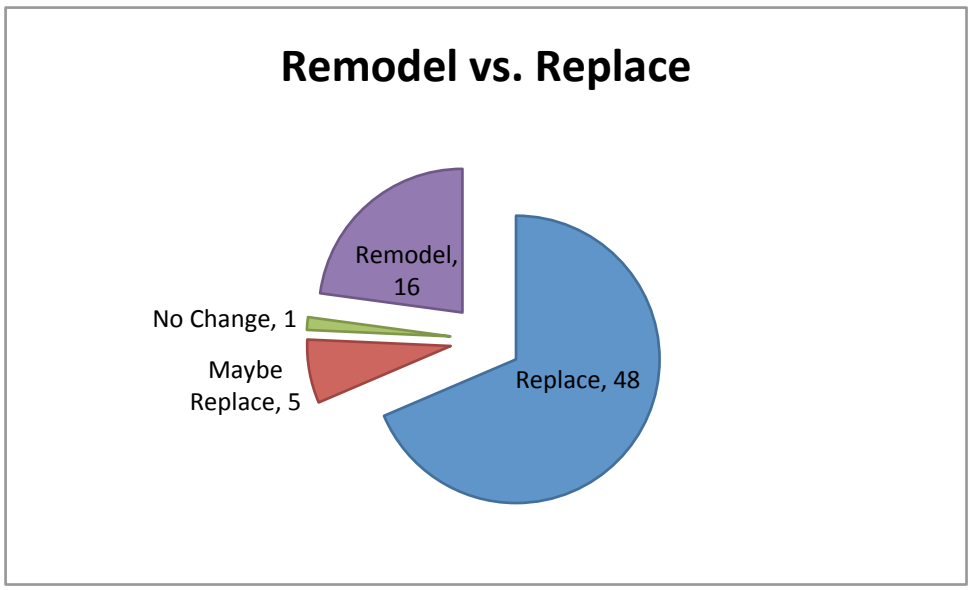
- Things that people liked about health care services at PMC (205 comments):
    - The staff are very caring (46)
    - The clinic's accessibility (30)
    - Local community feel (30)
    - The range of services and affordability for people who can't travel out of town (30)
    - The clinic's ability to provide timely care (24)
    - The quality of care (19)
    - 24/7 ED coverage (16)
    - The Long Term Care facility (10)

- In general all services at PMC were considered needed. Most informants answered "none" when they were asked what services are not needed at PMC (87% or 61/70), although 13% of Key Informants suggested that curtailment of services.

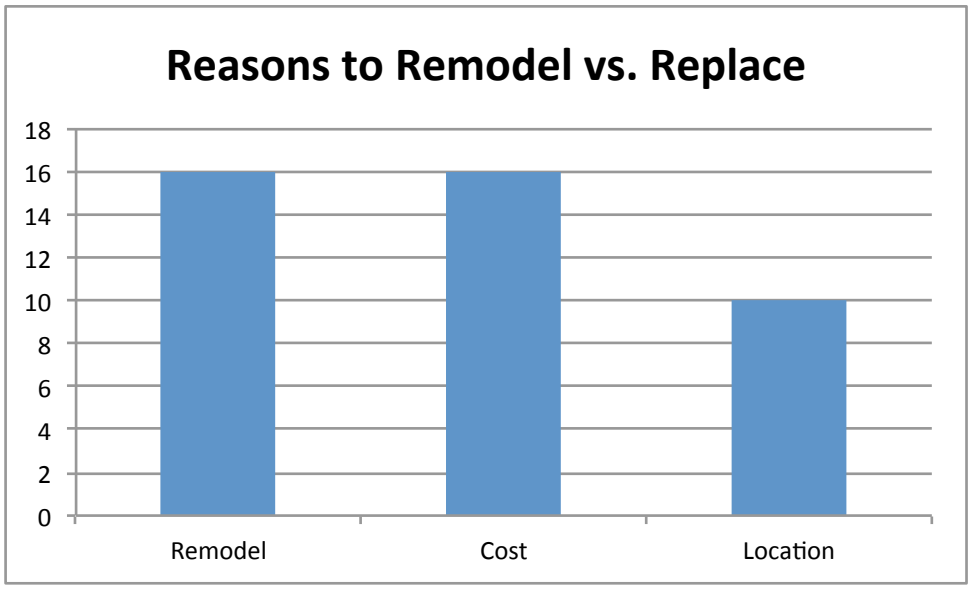


- Things that people did not like about health care services at PMC (100 comments)
  - No Obstetrics (19)
  - Some staff or personnel issues (16)
  - The building, especially for LTC is old and does not function well (15)
  - Billing (12)
  - Lack of privacy (11)
  - No MRI (10)
  - Lack of follow up and care coordination (4)
  - Not knowing costs up front and the costs of care (3)
  - Consider costs of providing services and eliminate high overhead services (3)
  - PMC does not function as a team (3)
  - Management top heavy (2)
  - Diagnostic tests redone when you leave town for care (2)

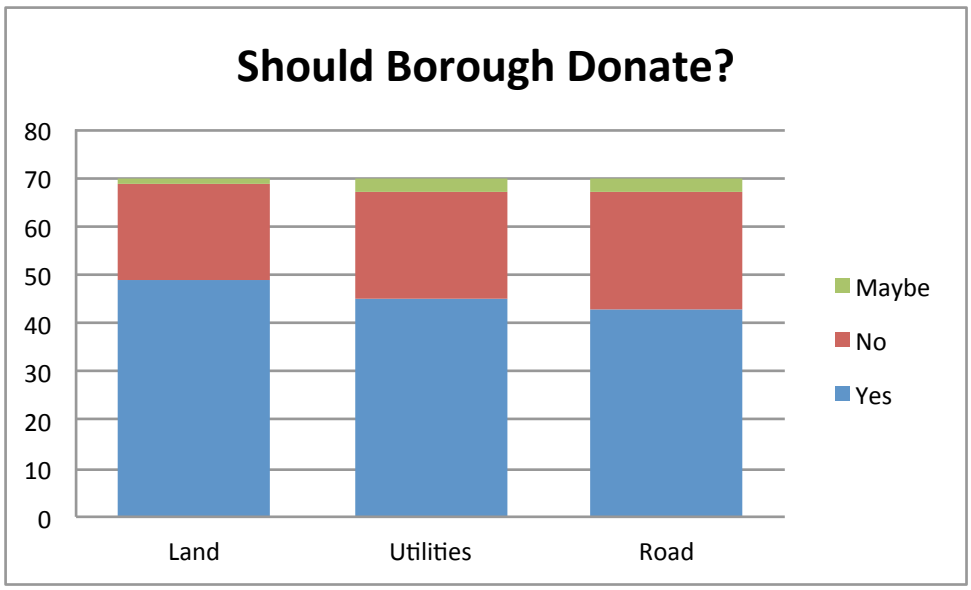
- Many Key Informants (19/70 or 27%) expressed frustration that PMC no longer provided obstetric services and comments included:
  - My daughter has had to go to Juneau twice to have a baby and it has been a huge burden for her family. It adds to the already high cost of having a child. The second time she went she had a child to think about. If she'd have gone into labor before her husband arrived, there was no one to take care of her child.
  - Maternity services...I'm sure the cost is prohibitive but I really feel the cost to our young families who have to travel is just as excessive.



- In regards to building a new building
  - Yes 48 (69%)
  - No 1 (<1%)
  - Maybe 5 (7 %)
  - Remodel instead 16 (23%)

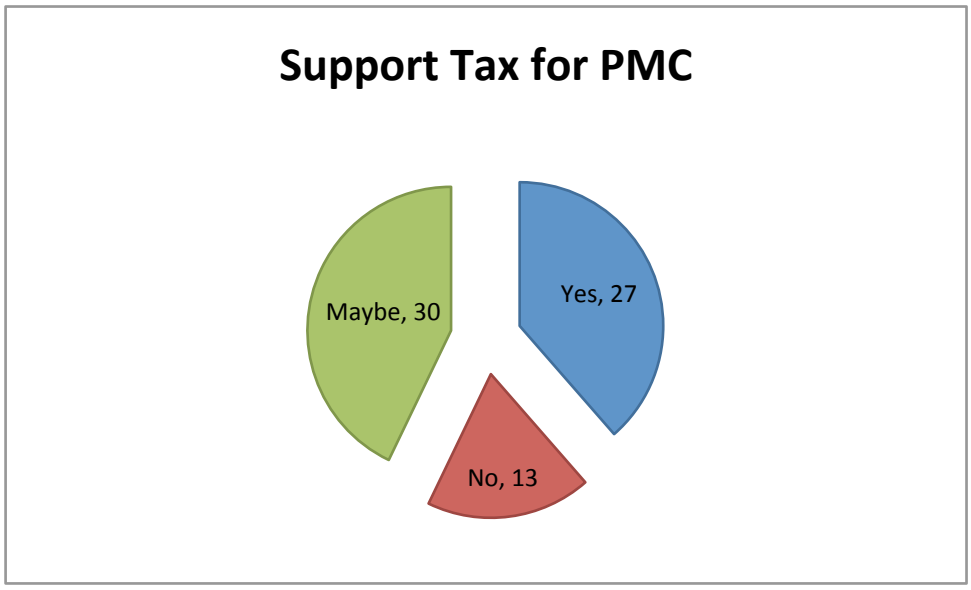


- In regards to why remodel instead
  - Cost 16
  - Like the downtown location 10

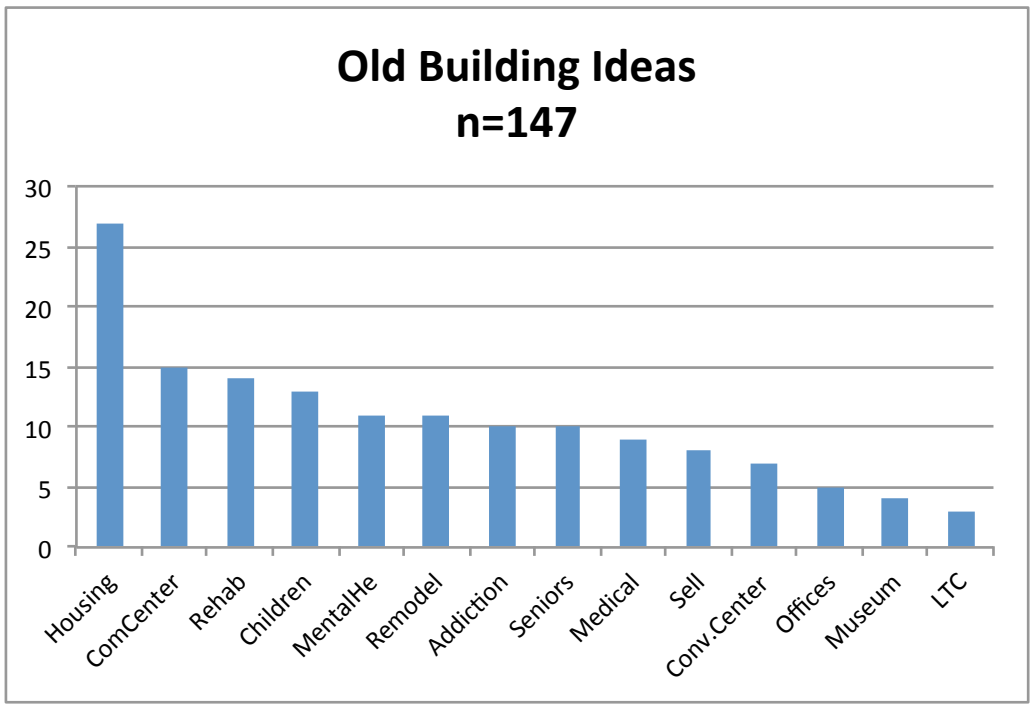


- In regards to Borough donating land, utilities and road- most people thought that the Borough should donate the land, utilities and road:

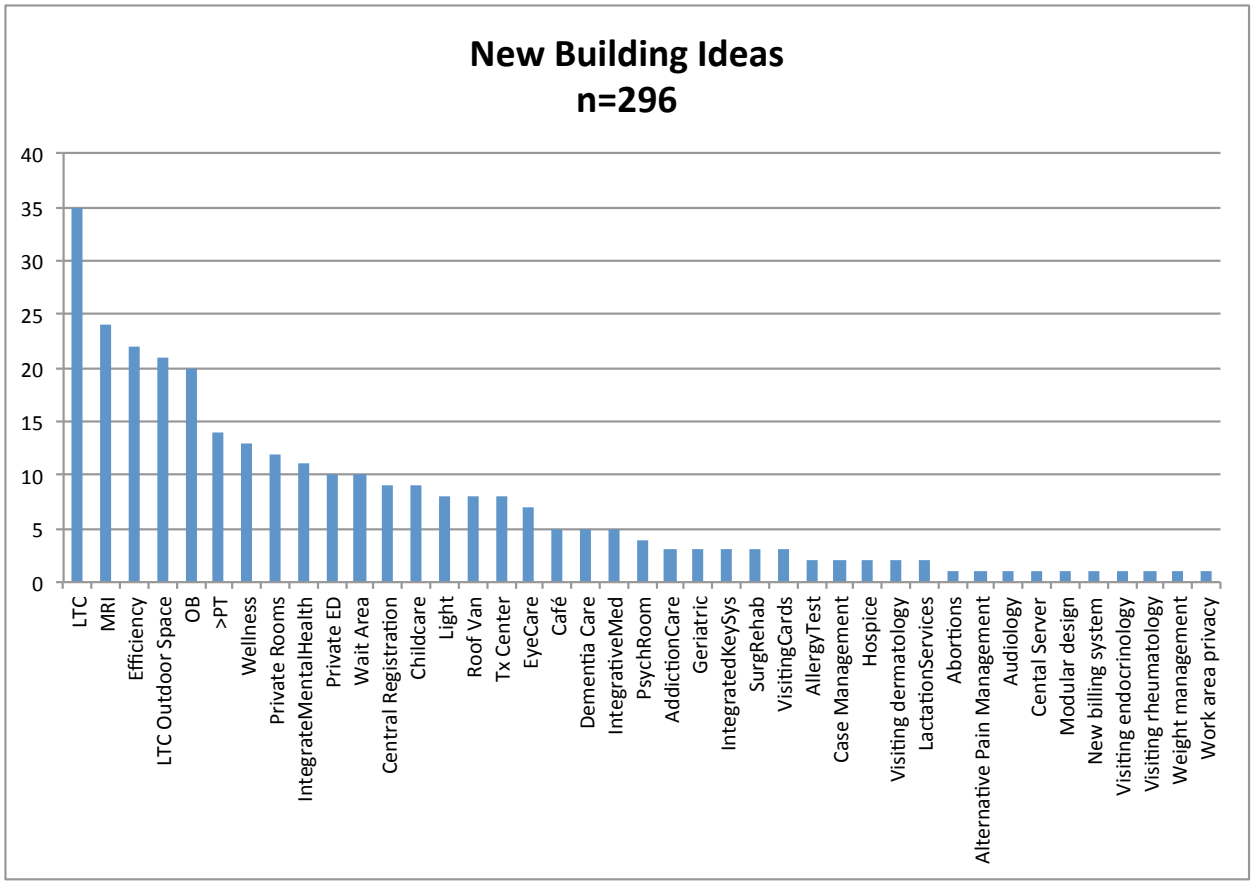
	Land	Utilities	Road
Yes	49 (70%)	45 (64%)	43 (61%)
No	20 (29%)	22 (31%)	24 (34%)
Maybe	1	3	3



- In regards to tax
  - Yes 27 (39%)
  - No 13 (18%)
  - Maybe 30 (43%)



- In regards to old building there were 147 comments-
  - Housing for homeless, low income, seniors, transient workers (27)
  - Community Center (15)
  - Rehabilitation Center (14)
  - Childcare or children's center (13)
  - Mental Health treatment facility (11)
  - Remodel PMC- don't rebuild (11)
  - Use for more senior services, like senior daycare or senior center (10)
  - Substance abuse and addiction services treatment facility (10)
  - Medical offices (9)
  - Sell the building (8)
  - Convention Center (7)
  - Offices (5)
  - Museum (4)
  - Long Term Care facility (3)



- In regards to new building there were 296 comments:
  - Improved LTC (35)
  - MRI (24)
  - Efficiency in design (22)
  - LTC Outdoor space (21)
  - Enlarge Physical Therapy (14)
  - Private Rooms for Patients (12)
  - Wellness services (13)
  - Integrate mental health (11)
  - Private ED bays (10)
  - Better waiting area with privacy (10)
  - Central registration (9)
  - Childcare (9)
  - Light (8)
  - A roofed area that the van can pull under (8)
  - A treatment center (8)
  - Eye care center (7)
  - Cafeteria (5)
  - Dementia care or adult daycare (5)

- Integrative medicine (5)
- Better psychiatric room and care (4)
- Better addiction care (3)
- More geriatric care (3)
- Integrated key system (3)
- Surgical rehabilitation (3)
- Visiting cardiology (3)
- Allergy testing (2)
- Care management (2)
- Hospice (2)
- Visiting dermatology (2)
- Lactation services (2)
- Abortions (1)
- Alternative Pain Management (1)
- Audiology (1)
- Central Server (1)
- Modular design (1)
- New billing system (1)
- Visiting endocrinology (1)
- Visiting rheumatology (1)
- Weight management (1)
- Private work areas (1)

IV. Discussion- Forces of Change Assessment

A. Strengths

1. PMC provides vital function in community

PMC is a critical part of the health system for Petersburg. Health care is important to the local economy in order to retain/recruit the elderly to live in the local community. Health services and safety services are among the top concerns of the elderly in choosing where to live. This is shown in the chart below in data from Petersburg. Health care is also important for retaining or recruiting industry and business to the local community. Decisions for industrial and business locations are significantly influenced by the availability of quality education services and health services. CAHs in general and PMC specifically is a key part of Petersburg's health and economic system. Consistently Key Informants stressed the importance of having a clinic and Emergency Department that was available to take care of health care needs 24/7.

Three Most Important Reasons to Stay in Petersburg as You Age
Petersburg Borough Comprehensive Plan Update, (February 22, 2017)

Reason	Percent
Small town atmosphere.	48%
Sense of community.	42%
Cultural and recreation opportunities.	37%
Employment/work opportunities.	35%
Family near-by.	34%
Available medical services.	25%
I want to stay in my home.	21%
Lived here since childhood.	12%
Available support services for seniors.	11%
Other (please specify)	10%
Climate.	8%

Key informant comments included:

- My concern is the community does not understand the economic impact of what the hospital brings to table. I wouldn't have moved here without the hospital. Teachers won't come and bank employees won't come. This is a quality of life issue.
- People take the hospital for granted.
- I really believe in the importance of a sustainable hospital to keep our community sustainable.
- I can't imagine not having a real hospital
- The hospital is incredibly important to our community, and a solution is definitely needed. We cannot afford to lose the jobs, services and support of the Hospital, and I believe we

need a solution that can be implemented within 10-15 years. Not sure building a new hospital fits into this time frame.

- The medical center is very important to the economy of town. It is very important to meet a variety of health care needs. I don't think we should take the bar lower.
- People utilize and appreciate our services- I worry what if we lost our water or sewer.

2. PMC provides quality care

Objective data shows that the care provided at PMC is excellent.
Subjective comments from Key Informants also showed appreciation for the quality of care at PMC:

- I feel confident in care and feel care is competent. My family is treated with respect.
- For a small community we have many talented people and great services.
- I like that I know everyone and that all the providers are approachable.
- I like that the Medical Center is in Petersburg-They understand our families.
- The staff knows my family and me. I feel like I can get better care because I feel like they care about me as a person rather than just some person.
- I like that personnel are VERY accommodating, doctors and staff are very professional and provide a great service to the people in their care and PMC hires locals to fill professional positions.
- Health care is tailored to patient need and situation. There are a lot of things that are taken into consideration here that may not be elsewhere, such as fishing career, living situation, off grid living, etcetera.

3. PMC in stable economic state

As discussed in Section III PMC is in a stable economic state.

4. PMC important employer Petersburg

As discussed in section IIIB11 PMC is responsible for a number of jobs and the resulting wages, salaries, and benefits. PMC employs on average 116 employees, with an average yearly wage of $59,900.

5. PMC provides uncompensated community health benefits

As discussed in section IIIB12 provides uncompensated community benefits of charity care, uncompensated care, health fairs and community health education.

B. Weaknesses

1. Ambivalence in replace versus remodel decision

Decision to replace versus remodel was not transparent and there is still significant ambivalence in staff and community. Many hospital employees and community members expressed that they strongly would like to see the Medical Center remain in its current place (16/70 or 23%). The reasons expressed were both to keep the Medical Center downtown and to decrease costs.

Key informant comments on both sides included:

- The big thing is you need a new hospital- that is cut and dry. The old one is very inefficient and nurses are getting burned out.
- Definitely a new building up the hill is better. The tsunami concerns are an issue.
- Remodel is not feasible- it would cause significant distress to patients and staff and we couldn't do our jobs.
- Replacing the old building with a new building is critical. It is not a matter of if but when we will have a catastrophic structural issue. Moving LTC would be very hard. (We) need to be proactive, not reactive.
- I am one of those tight Norwegian's who balks at the thought of spending money. I do think that a new facility would be wonderful! I also think that we need to explore the idea of a renovation. I hate to see us not get anything because we've shot for the moon.
- We have a full square block infrastructure already in place...the problem is serving the special population in LTC without another facility to house during construction. I wish there was a way to reconstruct like Muni remodel. What would happen to huge square block of facility downtown if (the Medical Center) moves elsewhere.
- I reluctantly support a new building. I don't think it is possible to do a piecemeal replacement- 20-30 years from now would see things see not working.
- I like it being downtown and close to Sons of Norway and City Center. This is very important. A new building (up the hill) would be okay but fiscal conservatives wouldn't like it. The Hospital holds the town together.
- I would like to see (the Medical Center) centrally located. The clinic sees many people in the summer that are on foot.
- I would support remodel, if there were a viable option to build a LTC annex with commons area, get city to vacate street that seems feasible to me. A lot of people think hospital is in great place- up the hill we are removed from the city and workers in the canneries maybe can't go up the hill. Citizens like this spot (in the) center of town if we could make it work.
- Stay in (the old building) and fix it up.
- Fix the one we got.
- I prefer upgrades to existing buildings in general, but in this case healthcare and addressing the needs of an aging population in Petersburg should be the absolute priority. I would support a new building if it meant the least amount of disruption to Long Term Care patients, while maintaining the level of professionalism and care already present in the facility. I believe Petersburg deserves a new hospital.
- I like the (current) location as we have a large transient summer population and the clinic is close.
- It does not seem practical to rebuild. Also, I am concerned about the current building. We need a viable use for the old building.
- The hospital is a business...if some departments don't break even then obviously the less you spend on a new building and doing a remodel instead would cut your overall costs in the long run.
- It seems that a building should not need to be replaced every 30 years.

- (I wish) new building would be a remodel of shell of old building, (making it) energy efficient with top functioning interior and temperature/air exchange/ventilation. (We should) stay modest- remember the size of the population served.
- I could see utilizing the existing parking lot, to the south of the building, for a new long-term care facility. The extension could include all the space between 1st and 2nd street all the way to F Street. I'm sure staff and management would be dead set against this alternative but it would be entirely possible.
- I think Medical Center should stay in town. Don't move Long-term care. Up the hill the residents would be more cut off. It is a real asset for elders to be downtown

2. Borough relationship unclear

The Borough does not feel responsible to support PMC financially and historically Petersburg has not provided any financial support to PMC. While the cigarette tax was being negotiated the funds were directed to the Medical Center, but after the tax passed the Borough Assembly decided to put the funds in the General Fund. The school receives breaks on energy costs while the Medical Center does not. Many Key Informants expressed frustration with this relationship and recognized the importance of a strong working relationship if a new building is going to happen:

- I wish that as a community that we had thought about (PMC's future) strategically.
- The Borough doesn't have a long-term strategic view.
- The problem is we do not have a comprehensive plan for the town. We got this ass backwards.
- I think it is as important to have a hospital here as much as a library or city building or fire department. We are the ugly stepchild. The Borough doesn't take ownership (of the Medical Center).
- The Medical Center and the Borough need to get together as part of this process and decide if the Borough wants to be in the medical center business. How committed is the Borough? Also, Long Term Care is a unique situation in small communities. How committed is the community to having the Medical Center operate elderly nursing care?
- I have frustration with the hospital's relationship with Borough and frustration with the community. They don't appreciate the hospital.
- The Borough doesn't support the hospital and no one is on the same page. (There is) no progress being made and we are starting at ground zero. This is going to be a long road and if no buy in it will not succeed. We need support before during and after, not just reaching out to older community members but also we need to reach out to younger people using social media, website and video.
- I have concerns about negative feel community has toward hospital- it is really hard to get them on board. We need to raise public opinion. I live in the trenches. It will be tough to get it on ballot and tough to get them to approve.
- The Borough needs to have buy in and needs to have skin in the game.

3. Financing issues

The ability to borrow money (bond) for replacement is dictated by association with Borough, which makes financing complicated. The Borough has written in to its charter the rules of borrowing. Because of the Medical Center's relationship with the Borough it is required to follow these conditions, which limits opportunities for generating capital for building. It also requires a vote by the general electorate before a bond can be passed. PMC may be eligible for a revenue bond, but this would still require negotiation with the Borough and a community wide vote.

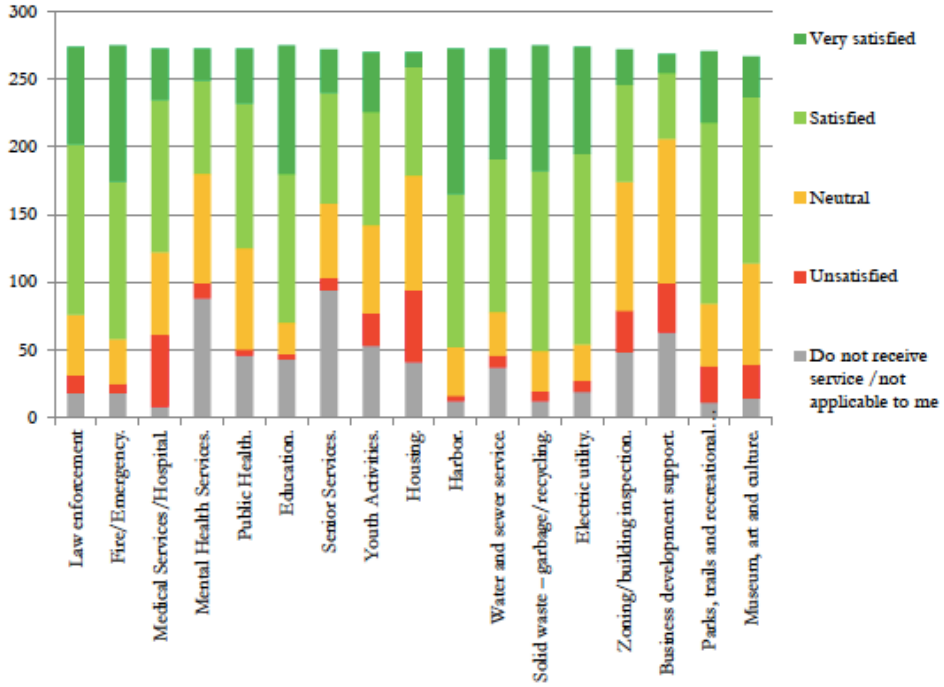
Key informant comments included:

- In practical terms at this point I am concerned replacement is not possible. Even if everyone is 100% for it I don't think we can afford to build it. The Borough doesn't have enough capacity to borrow this much money. Probably 50 million. Options grant from Feds, State money (unlikely), Donation (unlikely). Need other options like stay where we are and replace kitchen, sewer, electric, LTC.
- How will a potential new building be funded? The Borough can only borrow about $15M more at this time, and it is highly unlikely the Borough Assembly would allow all of the Borough's borrowing capacity to be used up. The Hospital could consider Revenue Bonds, which do not go against the Borough's borrowing capacity, but I do not believe the Hospital has undergone the study to determine how much in revenue bonds could be issued. This survey talks about a capital campaign, but offers no details on how this campaign would be conducted, or on what the goal would be for raising money in this fashion. Just doing the "simple math", $40M capital cost (I think this number is low by at least 50%), $15M in General Obligation Bonds (The Assembly would not likely approve this amount), $10M in Revenue Bonds, still leaves the Hospital $15M short of the $40M. It would take many years to raise this kind of money, and by then, the price would be doubled. In my opinion, the Hospital has not done the necessary legwork to put forward a reasonable cost and funding plan for this project. Last, the big, unknown is the interest level in the community? My take is the community would not approve additional debt for the Hospital.

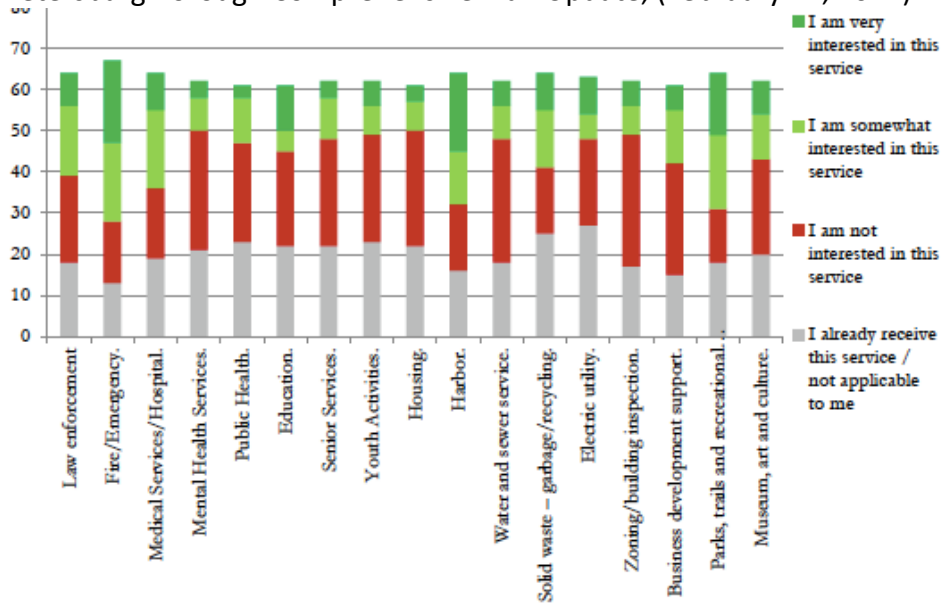
4. Satisfaction with the Medical Center versus other Borough services is not high

The Borough updated their comprehensive plan in 2017 and research for that plan included a community survey. Borough residents were asked about their satisfaction with Borough programs and services. Programs and services with the highest level of satisfaction were Solid Waste (82 percent very satisfied or satisfied), Harbor (80 percent very satisfied or satisfied), Electric Utility (79 percent very satisfied or satisfied), Fire/Emergency (78 percent very satisfied or satisfied) and Education (74 percent very satisfied or satisfied). Programs and services with the lowest satisfaction ratings included Housing (19 percent unsatisfied), Medical Services/Hospital (19 percent unsatisfied), Business Development Support (13 percent unsatisfied), Zoning and Building Inspection (11 percent unsatisfied). This shows room to improve satisfaction with PMC.

Survey Responses to the Question, "How satisfied are you with the following programs or services?"
Petersburg Borough Comprehensive Plan Update, (February 22, 2017)



Survey Responses to the Question, "If you live outside of Service Area One, which service(s) would you like provided?
Petersburg Borough Comprehensive Plan Update, (February 22, 2017)



5. Some Key Informants expressed concerns with care

Key informant comments included:

- Patients aren't always heard.
- Doctors take the easy way out with their solutions.
- The communication is not good. They are not on top of things with labs and paperwork.
- In the clinic I don't like being questioned by 18 year old asking me questions that she doesn't know the significance of. With nurses checking me in I felt differently.
- I dislike that, before I started seeing an out of town doctor, I always saw a different doctor. I would prefer to see the same doctor every time as I do with my doctors down below.
- There is discrimination against some people and age groups.

6. Some Key Informants expressed concerns with management and billing

Key informant comments included:

- Departments seem to be solo, not a team.
- I don't like the communication between departments. There is not fluid teamwork.
- A new building is great but it is more important to work in a team. There is a huge cost of turnover, nurses leaving and everyone leaving not happy. We need to get happiness back, make sure everyone happy, get concerns resolved, make sure compensation fair and fix what is going on between these walls.
- A lot of the employees are in silos. There are some divergent thinkers but very few.
- Concerned that not all PMC staff are adequately trained for their jobs with emphasis on hiring locally.
- Billing system seems to be difficult to navigate. People call from your collection service and don’t know much about the local hospital. Seems difficult to pay for specific services that won’t be covered by insurance.
- Consider bringing the billing in house- keeps/create jobs in Petersburg.
- Billing is slow, has numerous mistakes (and) often duplicated. It is very confusing to balance hospital statements with medical bill.
- The medical center needs better relationship with Mountain View Manor
- I don't like the attitude towards LTC. LTC is what pays for this hospital. Holding fundraisers for LTC shower or wheelchairs is ridiculous. It makes me feel they don't value residents in LTC and are just using them to raise money.

7. Borough population is stagnant or decreasing

The Borough population is stagnant or decreasing and aging (See IIIA1). The Borough's 2017 Comprehensive Plan discussed challenges that prevent people from staying in the Borough. These include the high cost of living and lack of economic diversification. Cost of living aggregates factors like housing and food costs relative to one standard. There are high costs for groceries, travel, shipping and fuel. Many residents do not receive livable wages. Community survey respondents said that wages do not compare with Juneau or Ketchikan. As a result it is difficult to attract and retain young, employable residents and families to support the workforce. There are limited career opportunities, both professional and working class, for residents. There is also a lack of vocational training opportunities

8. Borough economy lacks diversity

The economy of the Borough is heavily dependent on commercial fishing. Many jobs are seasonal, such as fishing and tourism; there is a need for more year-round jobs, since it is difficult to make a living off seasonal employment. Some residents leave town for the off-season, which is hard on local businesses. There are limited stores and services in the Borough, including very few restaurants, especially during the off-season. There are not enough people to support larger stores or additional services.

9. The State of Alaska is not in strong economic position

The State of Alaska is not in a position to support large capital projects.

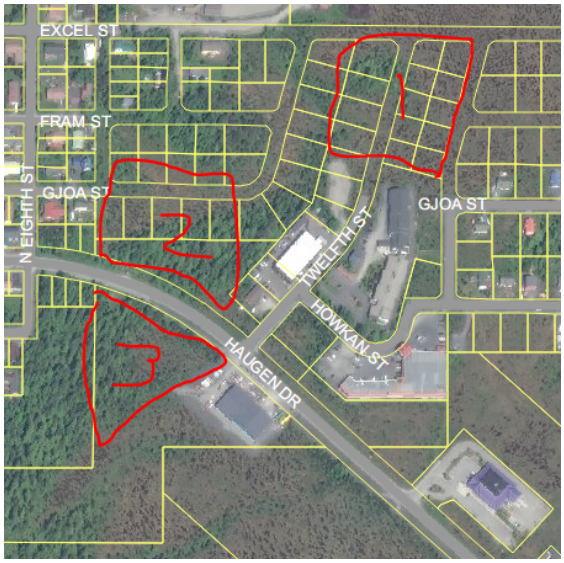
C. Opportunities

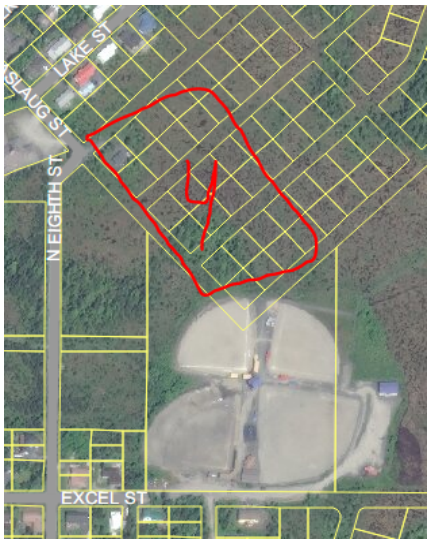
1. Transparency appreciated during interviews

As part of this CNA information was exchanged with interviewees and a Long Term Planning section of the PMC website was established. Consistently community members expressed appreciation with information they obtained during this process.

2. Land potentially available that could be used for building site

- One interviewee suggested the old water treatment site as a potential site.
- The Armory also owns land and building that also potentially could be donated (Tucillo, private correspondence).
- The Land surrounding PMC is potentially available in a remodel (See IIIB6)
    - The Medical Center owns two small plots of land that could be utilized as a remodel staging area.
    - There are three lots for sale adjacent to the Medical Center.
    - The Borough owns multiple lots adjacent to the current structure.
- The Borough could potentially donate land for the new building. A new building would be built above the flood line up the hill from the present building. There are four sites that have been identified:





3. Build the hospital we want

Key Informants often used the word efficient or evidence based design both to describe the physical hospital and functional hospital that they want to see in Petersburg. Over and over again key informant employees commented on the problems with flow and privacy at the Medical Center and inefficiencies in design.

The consistent themes were:

a. Noise and privacy concerns

Many hospital employees and community members addressed noise and privacy concerns in the hospital, particularly in the clinic, the Emergency Department and the nurses station. The ED could be built with separate bays that have privacy issues addressed. The Clinic could have a private check in station. Single patient rooms, the use of noise reducing construction materials and improved layout for patients and staff could significantly improve patient satisfaction and privacy issues.

- I would like to see a clinic and ED designed thinking about privacy. This is such a small community. We have to try to do our best to make it private for people.
- The ED needs more privacy.

b. Transition from the sick/inpatient model toward wellness/population health

What does transition to a population health model mean for PMC? Petersburg is a very defined population. Under a population health model this whole population group would be accounted for. Special services for those people in the community who utilize the most health care would be provided, for example, nutrition classes, behavioral well being groups, and chronic condition management programs.

- PMC should help the community learn about preventative care and wellness.
- Visiting physicians should be required to do an education event. Then people would become better acquainted with service providers and learn self care.
- Add wellness services like physical therapy, weight reduction and pain control
- I think a wellness program would be a benefit to the community. Such a program could make use of hospital services as well as parks and rec. for exercise programs, swimming, maybe a personal trainer. It might take years for it to start paying dividends, but supporting subscriptions might be possible from local business, state and federal employers.

c. Improve access, efficiency and safety

Many Key Informants listed integrated services, including central registration, as very important. Comments here included:

- PMC is not easy to navigate, not efficient and very broken up. The elevator doesn't work. Many of us are old and can't get around the hospital that well.
- The new building should be constructed with the elderly in mind, with hallways that fit wheel chairs.
- Whatever design is, no second floor!!! The elevator is wearing out and the door gets stuck.
- A better overall layout/flow between all departments is important. One example is that it seems the main entrance is through the ER Bay. People must walk past the ER to visit

patients. The people waiting for lab/X-ray sit right outside the ER door. It is not ideal when the ER is full or there is a significant medical/trauma and there is a lot of activity.

- The new building should have a natural work flow layout
- The new building should really incorporate best practices in infection control
- I would like to see overall efficiency- up to date but not over the top fancy, light and bright facility, inviting, make patients feel comfortable

d. Build a more functional and pleasant LTC with outdoor space

Improving LTC was the most important concern for Key Informants. Comments included:

- Until people need long term care most people not aware of situation- all Borough residents should have dinner sometime in long term care.
- There is not enough room anywhere (in Long Term Care). We need more social areas and a chapel area.
- The call light system (in Long Term Care) is outdated, the Code Blue system no longer works, the elevator is rarely working, the rooms aren't big enough for LTC residents (and) the plumbing is not reliable. Things in the building are worn down and breaking, the water doesn't heat up and the doors are barely wheelchair accessible.
- (LTC) is usually the last home in (a resident's) life. I believe they should have a facility that honors them. There should not be issues with hot water and old wheelchairs.
- Make sure there is access for community van near doors as present ER entrance is too low for van to get under- with all the rain a dry spot would be good.
- I guess the question is how well are we going to take care of our old people?

e. Integrate mental health and physical health

Comments included:

- This is really important. Building a new building that integrates behavioral and physical health will attract new young people to Petersburg. Why can't we make this a place like Norway where we integrate progressive policies into our medical system? Let's build something with windows and light.
- Mental health services should be a part of the hospital.
- I would add a behavioral health office in the clinic for integrated care.

f. Build services that support seniors, including dementia care

Many Key Informants suggested adding elderly daycare, or other senior support systems.

g. Add childcare that could co-function and complement senior care

Many Key Informants suggested adding childcare to PMC, both for employees, but also to complement senior care.

h. Build a hospital that is energy efficient, has low maintenance needs and supports new technology

Comments included:

- ❖ The new building needs modular design with the ability to meet future medical and technological changes in the future.
- ❖ My main concern would be that the building be utility efficient and properly designed for this climate so that we can avoid the ongoing problems with the roof and climate control in the existing building.

i. General comments about a new building

- ❖ Media splash about this in hospital conference room like forest service show and tell and present options on posters and people write down sticky notes on posters for what they prefer.
- ❖ If a decision is made to design a new building, I think it is important to have a committee of local construction savvy citizens involved throughout the design and construction. This was done with the new library and I think we have a better facility because of it.
- ❖ I have been through this- you don't want to build anything by committee and you don't want assembly oversight. Also you don't want a pie in the sky building. Be realistic. We are a small community.
- ❖ I don't think we need a Taj Mahal...keep it simple. All the new bells and whistles would be fun but hard to pay for with a town of 3,000.
- ❖ Build a new building with comfort, convenience and beauty for all community members and staff; a welcoming atmosphere and artwork.
- ❖ The new building needs to be functional, not fancy (with) some pleasing characteristics but no over-the-top architecture that will increase the cost of the new structure.

4. Consider adding services that could expand market demand

Petersburg is a very contained population and the opportunities to expand Market Demand are very limited. As noted in the section IIIB4 on PMC utilization:

- Inpatient Acute Care utilization is steadily declining
- Radiology exams are steady
- Laboratory exams are steady
- Outpatient utilization of the Clinic is steady
- ED utilization is steady although seasonal variation is seen, with increases in the summer

Some possibilities for increasing Market Demand are:

a. MRI

An analysis should be performed to determine the number of MRIs that are ordered out of town and the cost of providing a MRI. Market demand could potentially be expanded to Wrangell, who does not currently have a MRI.

Comments included:

- ❖ I think an MRI machine is a realistic goal. The existing staff could be trained to use it. I think the cost of the machine and training can be recouped through the patient's fee for service. I believe the patient would save money overall. Maybe they pay a little more for the service, but save on travel outside the community, hotel, and missed work.

b. Increase senior services

Adding adult daycare, senior housing and more Long Term Care Beds could potentially increase market demand. Across Alaska, and especially Southeast, communities are facing an impending and rapid increase in the number of seniors. By 2022 24 percent of Petersburg residents will be 65 years of age or older, up from around 13 percent in 2012. This will represent a significant shift in resident demographics. PMC replacement could meet projected future demand if it includes expanding senior services, long-term care options and/or memory care.

Utilization of LTC shows consistent ability to be almost at the 15 patient maximum, which suggests the potential for increased demand.

c. Increase wellness services and consider population health

Physical therapy, occupational therapy, weight management, addiction and wellness services are becoming increasingly important to hospital systems as they move to a population health model. New models of payment to hospitals are based on a population health model, where the health of the entire population is considered. While CAH revenue has not yet been tied to population health, there is a strong likelihood that at some point in the future it will. Increasing services in these areas would not only potentially benefit the people of Petersburg, it also could benefit the bottom line financially.

5. Opportunities for old building

a. Housing

Petersburg is facing an unusual housing "crisis" where the population is stable or even declining, but where the housing supply is limited, particularly for rental housing, and where many people are hard-pressed to pay for housing within their salaries. This set of challenges reflects changing demographics, increasing housing construction costs, and the gap between earnings of local residents and housing costs. The Petersburg Comprehensive Plan states that part of the solution is expanding housing supply. One important housing strategy is to increase the supply of housing within the already developed parts of town. PMC could potentially be transformed into a multi-unit condo or apartment complex to provide:

- Housing for seniors
- Housing for families with young children
- Short term housing
- Low income housing

b. Many other ideas for old building

As noted in IIIF there are many ideas for what to do with the old building:

- Housing for homeless, low income, seniors, transient workers (27)
- Community Center (15)
- Rehabilitation Center (14)
- Childcare or children's center (13)

- Mental Health treatment facility (11)
- Remodel PMC- don't rebuild (11)
- Use for more senior services, like senior daycare or senior center (10)
- Substance abuse and addiction services treatment facility (10)
- Medical offices (9)
- Sell the building (8)
- Convention Center (7)
- Offices (5)
- Museum (4)
- Long Term Care facility (3)

6. Petersburg is a wealthy community and could support a Capital Campaign

Petersburg is a wealthy community, and many fishermen have made their fortunes here. Could some of the wealth that has been accumulated be captured in a PMC Capital Campaign? A successful hospital Capital Campaign requires committed leadership and a strong volunteer base. The importance of the campaign project must be communicated. Potential donors must be prospected and a strong case for support must be made. Why is this project important? The case must speak to both vision and need, with vision foremost.

D. Opportunities and Threats

1. Petersburg Medical Center thought of as Band Aid Facility

Critical Access Hospitals by their very nature are "Band Aid" Facilities. According to federal requirements CAH are required to transport complicated patients or those patients needing extended acute care. Unfortunately this designation is often used derogatively about PMC. Community education about the scope of services for CAH in general and PMC specifically could help this.

2. Wrangell Medical Center is working towards replacement

Wrangell Medical Center is currently working towards replacement. This could be an opportunity to collaborate on some costs such as debt analysis and financing research. However, this also could be a threat because of competition for grants or other opportunities.

3. Consider affiliation partner

There are 14 Critical Access Hospitals in Alaska and most have an affiliated partner:
Three are affiliated with Providence, four are operated by Tribal Health Organizations, one is affiliated with Peace Health and one affiliated with SEARHC and one is considering affiliation with SEARHC. Of the five that have no current affiliation, three receive tax support from their Borough or municipality. Only Petersburg and Wrangell Medical Centers have no affiliation or tax support. Affiliation with a larger organization could help with raising capital for remodel or replacement, but would cause PMC to lose autonomy.

Potential affiliates for PMC include:

- SEARHC (SouthEast Alaska Regional Health Consortium)
- Providence
- Peace Health
- Other hospital system based down south

SEARHC has ties to many communities in Southeast Alaska including Sitka, Wrangell, Kake, Haines, Klukwan, Angoon, Craig, Gustavus, and Hoonah. In April 2017, after more than a year of discussion between SEARHC and Alaska Island Community Services (AICS) in Wrangell, the two healthcare organizations merged. On May 2017 SEARHC proposed to the Sitka Assembly that SEARHC lease the Sitka Community Hospital facility and acquire all of its operating assets and operations to create a sustainable healthcare delivery system for Sitka. This merger has not occurred but negotiations are ongoing.

Hospital mergers can result in substantial benefits, including benefits of scale, reduced costs of capital, and clinical standardization. However, hospital mergers also result in a loss of local control and autonomy. If PMC decided to consider affiliation a primary consideration would be the Alaska Public Employees' Retirement System (PERS) that current employees are enrolled in. Any affiliate would need to buy out this liability, currently assessed at approximately nine million dollars.

Comments included:

- ❖ PMC should consider a partnership or affiliation with another health care organization.
- ❖ There needs to be support from Borough to continue to thrive. A lot of people would not be happy (if the hospital were to) affiliate with another healthcare organization. This would give us less control. If we want control to be local then we need support.

4. Consider change in scope of service

At a Borough Assembly meeting in May 2016 a Borough Assembly member suggested a new facility or an upgraded facility could potentially be smaller and "provide less and not more." Thirteen percent (13% or 13/70) of the Key Informants I interviewed suggested that decreasing scope of service would improve the bottom line and change the capital needs for a new building. Eighty-seven percent (87% or 61/70) wanted to maintain a clinic, 24/7 emergency department, laboratory, radiology diagnostics, physical therapy, observation unit and treatment room. When pressed about inpatient services all these Key Informants also thought that the Medical Center should be able to provide short-term hospital admission for acute illnesses. Long Term Care is an economic driver of the medical center and elimination of Long Term Care was not an option embraced by either hospital associates or community members, with many suggesting expansion of elderly care services as the community ages.

The comments about changing scope of services or operations included:

- ❖ Could the current service line be maintained, but operations streamlined or improved to better fit the needs of the community and decrease operating costs?

- The question is can we afford it? Do we want to pay for them? PMC has to realize that times are changing, more and more people are combining their vacation with medical visits. It is great to have a hospital that can provide a wide range of services, but is it really doable?
- My priorities are good long-term care and an emergency room.
- The clinic and the ED are needed if we want attract and maintain the population, quality of jobs and future investors. However, I have not seen PMC making management changes in order to make those services not so unprofitable. Nobody likes change, but we cannot run things like 50 years ago. If PMC were not a nonprofit organization, would it be run as is??? I really doubt it.
- I think some services are a bit overreaching for what can be effectively provided...such as buying used equipment for various medical procedures that is only used a few times a year and is unable to provide results acceptable by other facilities. This just increases the patient's costs as they often end up paying for 2 procedures when/if they have to fly out for medical attention.
- I understand that medical services are expensive to provide, however, the few times I have needed an x-ray, mammogram, etcetera I have ended up to have it done somewhere else again or have to be redone. It becomes extremely expensive to have anything done here.
- It seems like there are so many people in management. Is this necessary? Can some jobs be consolidated? Possibly share with other hospitals in Southeast.
- To an outsider it feels like there are more and more people hired to do paperwork and administration rather than hands on care of patients and residents. It is probably government regulations that add the costs, but to have 116 employees averaging almost $60,000 a year seems top heavy and a bone of contention to city residents.
- Use FNP/PA in clinic to reduce costs.
- Consider cost saving staffing, i.e. PT assistant vs. PT and PA or NP vs. MD
- I have lived in Petersburg since 2002, during all of these years I have heard the talk about a new hospital……..my thought is we are putting the cart in front of the horse. We need a new facility, there is no doubt, probably with less services because the population does not support the expense of anything else, but prior to that we need to come up with a new management model, perhaps having another medical center managing our facility, perhaps sharing all officer positions with the rest of SE hospitals, perhaps cutting number of doctors, perhaps cutting employee benefits. That is a decision that nobody wants to take, and therefore we are unable to move forward. I will vote NO to increase the mill rate or any other financing tool unless there is a change in the business model.

E. Threats

1. Petersburg Borough assembly and community not supportive of increase in taxes and new buildings

At the Borough Assembly meeting in May 2016 Assembly member Bob Lynn was concerned about funding medical center replacement. “The state’s going to pass the cost back to the Boroughs in Alaska that they’ve been (normally) funding,” Lynn said. “In the next four years we’re going to have some serious hurt here, I think. Everybody in here is going to be paying

more taxes, paying more fees for everything. It's going to be a multiple hit on everybody and so would people vote to do it (approve a bond)? I don't think so."

In the May 2016 meeting assembly member Paust suggested, "Just do the electrical service and green up the building as money becomes available. And that is indoor air quality, light quality and water quality in the building and just hold it at that. I know it's kind of a crushing admission to think that's all we're able to do but even that may exceed our financial abilities."

A current assembly member candidate is quoted in a recent Pilot, "As nice as it would be to have more brand new facilities around town, at this time we can't afford it. Financial decisions made now will be paid for by mine as well as my children's generations"

This analysis found 27/70 (39%) supported a tax, 30/70 (43%) potentially supported a tax and 13/70 (18%) did not support a tax.

Key informant comments were mixed in this area:

- We are all in this Borough together and all need the hospital. The senior sale tax needs to be evaluated. We are all getting services and asking young families to pay.
- A new building would be ideal to correct deficiencies and reduce liability. However, can the people of this community afford a new building (estimated at $40,000,000)? Increasing taxes and increasing fees for service may make it unaffordable to live here. Economical times are tough all around.
- I don't want the hospital to take the senior tax. I don't trust the Borough- they were going to give us the cigarette tax. I do not want an additional burden on taxpayers- as library and harbor roll off then add. I don't want additional property tax.
- Yes I am willing to pay more in taxes to support (Medical Center Services). No, I would not be in favor of additional taxes without substantial changes to the current Borough tax structure. The Borough has a hard cap on our property tax rate, and offers substantial exemptions for senior sales taxes, higher end purchases (sales tax cap), and there is the State senior property tax exemption. At least two of these four issues would need to be resolved before I would be in favor of adding taxes for the Hospital.
- I am not opposed to a new building but I have questions. The building will not likely be built for several years.
    - What plan does the hospital administration have for repairing structural issues in the interim?
    - How will the construction be funded?
    - We haven't taken the time to explore renovation and assess whether it is a more viable option. Will that ever be done?
    - As a single industry community we are more vulnerable. A foreign multi-national company now owns our largest cannery. If it doesn't stay in the black, it will most likely be closed. One of our three canneries isn't working this summer. What are the plans for a downward shift in Petersburg's economy?
    - Proposed changes to Medicaid being debated at the federal level are likely to reduce funding to our hospital. Is there a plan for that?

- I don't think the Borough assembly will approve any type of public funding to support hospital services. The hospital administrator asked that the tobacco tax be earmarked for hospital services, and the Borough said no. The hospital administrator worked with the city manager and the school superintendent to develop a plan for reduced funding for electrical services. The Borough approved the school's request but not the hospital's request. I think the Borough assembly speaks for the people they represent.
- The big unknown is the interest level in the community. My take is the community would not approve additional debt for the Hospital. The conversations in the community are all about cutting costs, reducing spending, and lowering taxes.
- This town is crazy about new buildings and it's taking its toll on the working people.
- It would be ideal to have a new building, but is it realistic economically for this community? The population has been stagnant at best, declining at worst. Are there outside funding sources that can be taken advantage of? Putting this financial burden on the residents of the community is unrealistic. Not only will we be paying for services and operating costs, but also we will be paying for the additional cost of the building. I would hate for community to be unable to meet the financial obligation of a new building and need to close the doors. Bottom line is, I would like more information before I could support this wholly.
- It seems you just want to spend more money the city doesn't have, so do what everyone does- start a savings account.

2. Medicaid funding at Risk

Medicaid funding for Long term Care is the economic driver of PMC. If this funding were decreased then Medical Center revenue would be at significant risk. As the United States government works on replacement of the Affordable Care Act, Medicaid funding may be at risk.

3. Petersburg residents often leave town for health care

The Community Needs Assessment done in 2001 outlined the reasons that Petersburg residents leave for medical care, and key informant interviews in 2017 found the exact same reasons. Petersburg residents reported leaving Petersburg most frequently for the following health care services: obstetric services, emergency care, orthopedic services, surgeries, cardiac services, MRIs, and cancer treatment. A number of participants reported visiting a variety of other specialists and receiving specialized services such as oral surgery, eye care, and kidney dialysis. Generally, residents leave town because specialized services or equipment are not offered locally. Sometimes they leave to get a second opinion, and a few participants reported seeking health care elsewhere for the following reasons: they believed they would receive better care, they wished to be near supportive family members, they felt there would be greater confidentiality elsewhere or they received care in a community where they overwintered. Respondents also pointed out that Native community members who are beneficiaries of Southeast Area Regional Health Consortium (SEARHC) must often leave Petersburg to receive services in Sitka. Petersburg residents reported that typically, when receiving health care services outside of Petersburg, they travel to Juneau, Ketchikan, Sitka, Anchorage, or Seattle

Comments here included:

- ❖ Many people my age have their medical exams and basic medical services provided in Palm Springs or other winter locations.
- ❖ I travel out of town for all routine and annual care. I combine with other business. (I feel more privacy).

Is it possible to stop community residents from leaving town for medical care? In my conversations with Key Informants I left with the impression that this is not negotiable in most cases.

V. Summary

Petersburg Medical Center is obsolete and worn. What should the community of Petersburg do to provide healthcare in the future? How important is a new building? If a new building is built what services should it provide?

This Community Needs Assessment finds that a new building or significant remodel is vital to Medical Center sustainability and that the health of the Medical Center is vital to the health of the community. A May 12, 2016 article in the Pilot is entitled, "PMC to begin community outreach as uncertain future looms". The article goes on to say: "Petersburg Medical Center staff and board members face tough decisions and an even tougher fiscal climate as they continue discussion on how to improve or replace their inadequate facility." Now is the time to face these tough decisions head on and work towards community consensus and action.

This Forces of Change analysis outlines strengths, weaknesses, opportunities and threats to guide PMC and Petersburg in moving forward. Strengths should be built on and celebrated, weaknesses should be addressed, opportunities should be evaluated and taken advantage of, and threats should be defended against.

VI. Recommendations

The path to PMC replacement or remodel is steep and rocky and will require a committed leadership and a strong team. The next step is for Borough and PMC Board and leadership to focus on planning and preparation in five areas:

- Strategic analysis of PMC operations
- Develop and implement a community engagement plan
- Develop a financing proposal
- Develop preliminary facility design
- Develop a timeline for remodel/replacement process

A. Strategic analysis of PMC operations

1. Long term planning

PMC Strategic Plan 2017-2020 is a great foundation for long term planning, and its focus is aligned with many of the issues identified in this Forces of Change assessment. This Strategic Plan is focused on People, Service, Quality, Financial Strength and Stability, and Planning for the

Future. Regular review of this Strategic Plan is occurring by PMC leadership, and with this review strengths are being built on and weaknesses are being addressed.

Also, long term planning should include a hard look at scope of services at PMC.

- Does PMC want to continue to provide all services it provides?
- Does PMC want to add additional services?
- Should some services be discontinued?
- An examination of hospital utilization does not indicate a large potential to increase Market Demand. The population of Petersburg is stagnant or decreasing and many residents go out of town for care, and do not seem amicable to receiving that care in town.
- A potential increase in services could be gained by:
    - Adding an MRI
    - Increasing senior services, including more Long Term Care beds
    - Adding more Wellness Services such as addiction care, weight loss services, physical therapy and occupational therapy
- These potential increases to Market Demand should be researched further.
- Acute Care beds are not being utilized maximally and could be decreased.
- Does PMC want to continue to provide all the diagnostic services it offers? What are the costs to providing these services and the revenue generated?
- The clinic is utilized at about 800 visits per month. Is it sized appropriately for this utilization?
- Summer months see a spike in Emergency Department visits from about 80 to 100 visits per month. Would it be prudent to have a walk in clinic easily accessible to tourists and cannery workers, perhaps staffed by a Physician Assistant?

These long-term planning questions to define Medical Center scope of services are important to ask and answer.

2. Explore affiliation

Hospital mergers can result in substantial benefits, including benefits of scale, reduced costs of capital, and clinical standardization. However, hospital mergers also result in a loss of local control and autonomy. A review of CAH in Alaska shows that many have chosen the path of affiliation. This should be explored further by PMC.

B. Develop and implement a community engagement plan

1. Actively engage the community with PMC long term planning

Many Key Informants expressed that they were not familiar with the infrastructure problems with the current medical center and stated that they would like to learn more. There is an opportunity to build a hospital that not only solves these infrastructure problems, but also builds the medical center that Petersburg wants. Engaging the community in both the problems with the current situation and the potential for the future will help to build support for moving forward.

2. Actively engage the community with PMC functions and operations

Similarly many Key Informants expressed that they were not familiar with PMC functions and operations. Areas that PMC should actively communicate are noted in the Strengths section (IVA1-5):

- PMC provides vital function in community
- PMC provides quality care
- PMC in stable economic state
- PMC important employer
- PMC provides uncompensated community health benefits

Engaging the community could include:

- Regularly updated website and Facebook with utilization statistics and quality and maintenance reports
- Tours of current facility
- On line survey regarding rebuild or remodel
- Focus groups
- Community meetings
- Tell patients stories and put on Facebook, website, radio and newspaper

C. Develop a financing proposal

1. Obtain debt capacity analysis

A formal debt capacity analysis is needed to see what amount of money PMC can borrow for replacement**.** The debt capacity analysis provides an estimate of the amount of debt that the hospital would be able to service or sustain and establishes the preliminary financial parameters. A debt capacity analysis would guide bond and capital campaign and facility design parameters.

2. Research financing options

PMC would have to take out a loan to finance building replacement. This loan would be in the form of a municipal bond and would have to be ratified by a general vote. There are constraints on the amount of borrowing that could be done based on the Borough Charter. Administration will need to work with the Borough to determine options for bond financing. General obligation bonding is limited by the Borough debt limit. Revenue bonds are potentially available.

3. Develop and implement a Capital Campaign

Petersburg is a wealthy community and a strong Capital Campaign could be a vital piece in new building financing. This will require a development plan that communicates both the vision and the need for a new building. Potential donors must be prospected and a strong case for support must be made. Why is this project important? Defining the case for support should be an expression of how the project is going to make a real difference in “healing or saving lives.” The process of putting down on paper the reasons for the campaign is an important first step. This

process will force PMC and Capital Campaign volunteers to build the case on why the fundraising should take place.

4. Research grant opportunities

An initial analysis of grant opportunities did not find any silver spoon answers, but more research is needed in this area. A Rasmuson Tier 2 grant potentially could be applied for but the requirements are steep:

- Strong, committed local cash support is in place
- The board and key staff have supported the project financially
- The site has been secured and permits are in place
- Plans have been completed
- A budget has been developed
- A fundraising plan is in place, if applicable
- Government funding has been requested and/or committed, if that funding reflects a significant portion of the project budget
- Applicant is able to demonstrate that the project is sustainable

In order to meet these conditions Petersburg Medical Center rebuild or remodel would need a strong vision and local support.

5. Negotiate with Borough about bonding, land acquisition, utilities and road

PMC Strategic Plan 2017-2020 specifies the importance of collaboration with the Borough Assembly to ensure the longevity of PMC. The PMC Board members have scheduled a work session with the Borough assembly for August 2017. These work sessions should be regular during this active period of long term planning and strive to build a relationship between PMC and the Borough that has clarity and mutual respect.

6. Develop a preliminary project budget

Based on the results of developing a financing proposal a preliminary project budget can be developed. This budget provides a working document until you can finalize the budget in a later stage after construction documents have been completed.

D. Develop preliminary facility design

1. Revisit decision to remodel versus replace and make decision transparent and definitive

Many Key Informants (16/70 or 23%) strongly expressed that they would prefer the Medical Center to remodel, rather than replace. The preference was due to both the cost of the project, but also many Key Informants felt that staying in the current location was optimal. Renovating would certainly be more cost effective than replacing. If the decision is made on full facility replacement the community must understand that facility replacement is a strategic business decision.

2. Continue to engage hospital employees and the community in best practices ideas for new building

During the interview process many hospital employees shared with me their ideas for increasing efficiency in a new building. One employee suggested binders in each area of the hospital for employees and patients to submit suggestions for replacement or remodel.

Many Key Informants had strong opinions about what a new building should look like, and these are summarized as:

- Address noise and privacy concerns
- Transition from the sick/inpatient model toward wellness/population health
- Build a more functional and pleasant LTC with outdoor space
- Integrate mental health and physical health
- Build services that support seniors, including dementia care
- Add childcare that could co-function and complement senior care
- Build a hospital that is energy efficient, has low maintenance needs and supports new technology

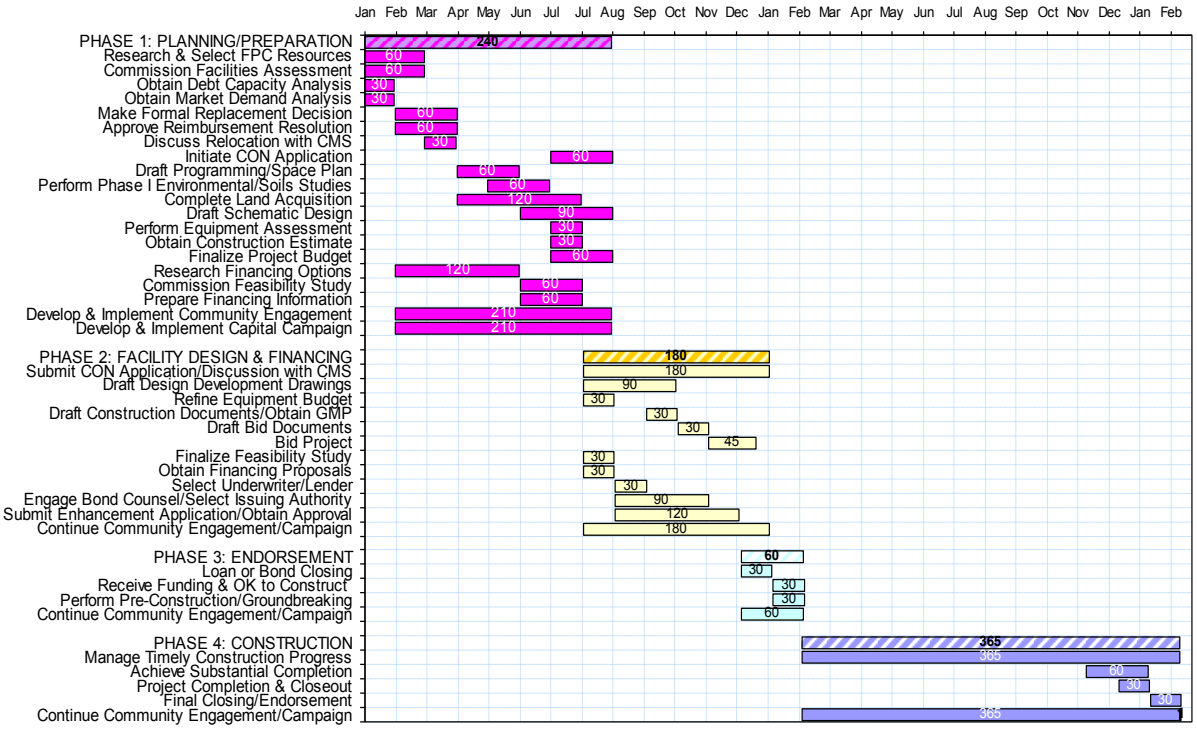
Communicating these ideas and building them into draft design drawing is important.

3. Refine draft design drawings

Preliminary drawings have been done by Jensen and Lott (see Appendix 4) and should be widely circulated, considered and refined once decisions are made regarding scope of services, project budget and facility decision decisions.

E. Develop a timeline for remodel/replacement process

The Critical Access Replacement Manual has a draft timeline that should be modified for PMC.

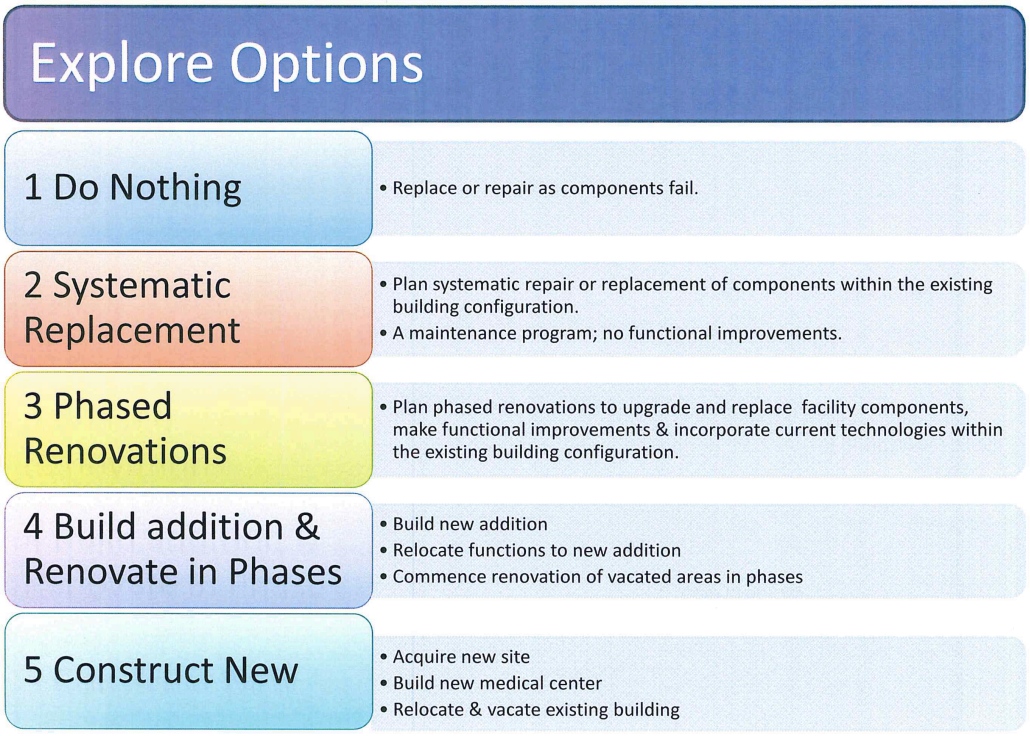


Dr. Monica Gross Biography

Dr. Gross received a medical degree from the University of Washington Medical School, completed her pediatric residency at the University of Michigan and has a master's degree in public health from the University of California, Los Angeles. Dr. Gross is certified by the American Board of Pediatrics and is a member of the American Academy of Pediatrics. She consults on many public health issues including health care administration, health system strategy, innovation and community collaboration, and population health program development, implementation and evaluation.

Appendices

Appendix 1



Appendix 2- Key Informants

PMC Administration:
Jennifer Bryner
Jill Dormer
Doran Hammett
Elizabeth Woodyard
Chad Wright

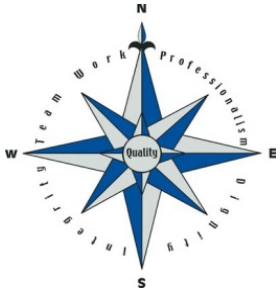
PMC Board Members:
Marlene Cushing
George Doyle
Tim Koeneman
Kathi Reimer
Darlene Whitethorn

PMC Employees:
Christy Axmaker
Elizabeth Bacom
Don Bieber
Mike Boggs
Adrian Buller
Belinda Chase
Shawnee Cook
Sheena Cook
Margaret Fleming
Alan Gross MD
Elizabeth Hart
Cortney Hess MD
Jennifer Hyer MD
Elise Kubo
Janet Kvernik
Felicity Lamphere-Englund
Janna Machalek
Angela Menish
Cindy Newman
Jeanne Norheim
Jenna Olson
Jennifer Ru
Julie Spiegelmyre
Patty Steele
Tammy Strickland
Mark Tuccillo DO
Ellie VanSwearinger

Petersburg Community Members:
Anon1
Anon2
Anon3
Anon4
Anon5
Anon6
Anon7
Anon8
Anon9
Anon10
Anon11
Anon12
Paul Anderson
David Berg
Desi Burrell
Ronn Buschmann
David Byrne
Carin Christensen
Joyce Cummings
Susan Erickson
Susan Flint
Stephen Giesbrecht
LTC Council
Rocio Larson
John Mason
Karin McCullough
Kris Norosz
Susan Paulsen
Julie Schonberg
Rexanne Stafford
Chelsea Trembley
Maxine Worhatch

Appendix 3

Petersburg Medical Center Long Term Planning Survey 2017



Introduction

In June 2017 the Medical Center contracted with Dr. Monica Gross to survey hospital employees and community members to explore priorities for Petersburg's health care system and expectations for future health services. Specifically, Information gathered will facilitate the hospital and community in long-term strategic planning for Petersburg Medical Center, particularly in regards to possible construction of a new hospital. Construction of a new hospital is a major capital project. This survey is a first step. There will be many opportunities along the way for the community to participate in this process.

Background Information

Petersburg Medical Center Services

- Petersburg Medical Center is a Critical Access Hospital, meaning it serves a rural area and receives some additional funding from the federal government.
- The Medical Center provides many services for the Petersburg community: The Joy Janssen physician's clinic (with 4 family practice physicians), Inpatient Acute Care Medical Services, Outpatient Infusion Services and Treatment Room, Home Health and End-of-Life services, A Long-Term Care facility, Radiologic imaging, Physical Therapy, Laboratory, Surgical Services and Visiting Specialists (including General Surgery, Orthopedic Surgery, ENT Surgery, Ophthalmology/Optometry, Podiatry, Obstetrics/Gynecology) and Health Promotion.

Petersburg Medical Center Building is Obsolete and Worn

- In 2015 the Jensen Yorba Lott design team did a building condition assessment of the Medical Center to document the overall condition of the facility. The full report is available on the Medical Center website. The original hospital is now the Long Term Care wing and was built in the 1950's or early 1960's. The rest of the Medical Center was built next to the Long Term Care Building in 1984. The clinic was added in the mid 1990's. The basic infrastructure of the Medical Center is 30 to 50 years old.
- Jensen Yorba Lott found that a majority of the systems, components and finishes have exceeded or are near the end of their service life and should be replaced, and that functional improvements are needed for infection control, patient safety, patient privacy, food service and sanitation.

- Jensen Yorba Lott outlined five options for the Medical Center:
    - Do nothing and replace or repair as components fail;
    - Plan systematic repair or replacement of components within the existing building configuration, with no functional improvements;
    - Plan phased renovations to upgrade and replace facility components and make functional improvements;
    - Build an addition and renovate in phases; or
    - Acquire a new site and build a new medical center.

  The assessment estimated the cost of upgrading the existing building to be more than sixteen million dollars, and the estimated cost of constructing a replacement facility at more than forty million dollars, excluding the cost of land.
- Renovating in phases would be very disruptive to the people in Long Term Care.
- Following a recommendation from Petersburg Medical Center Long Term Planning Committee the Board voted in May 2017 to proceed with exploring building a new Medical Center.
- Financing the new building would be with a long-term Bond (loan) borrowed by the Borough and a Capital Campaign. According to Petersburg Municipal Charter the community must vote to ratify a Bond.
- The new building would be up the hill from the old building, out of the Tsunami zone, but no exact site has been picked. The Borough has some property that could work well.
- Although it is not fit for a hospital the old building could be remodeled for other purposes. The Long Term Care Wing would have to be demolished.

Petersburg Medical Center Finances and Replacement Financial Impact

- The Borough owns the Medical Center land and building but the hospital operates independently under the guidance of the Hospital Board.
- The Medical Center provides services for the benefit of the community. Not all services generate revenue. Long Term Care generates most revenue for the Medical Center. The Clinic and Emergency Room just about breakeven.
- The Medical Center receives no funding from the Borough for operations or capital expenses. Many Critical Access Hospitals do receive some source of additional funding from their community like a cigarette tax.
- Overall hospital finances are in good order. Annually Medicare Rural Hospital Flexibility (Flex) Program looks at financial indicators and rates "the risk of distress in two years". In 2015 (the last year for which we have data) Flex rated Petersburg Medical Center's risk of financial distress as LOW.
- Besides providing medical services the Medical Center is an important employer. The Medical Center employs on average 116 employees, with an average yearly wage of $59,900. These wages put almost $7 million dollars a year into the Petersburg economy.
- Replacement could potentially improve the Medical Center's bottom line, quality of care, operational efficiency, physician and staff recruitment and patient and employee satisfaction. Other rural hospitals that have replaced aging buildings report improvement in these areas.

Petersburg Medical Center Long Term Planning
Community Needs Survey

How many times have you or a family member used the services at Petersburg Medical Center in the last year?

Have you visited a friend or loved one at Petersburg Medical Center in the last year?

What do you **like** about health care services at the Medical Center?

What do you **not like** about health care services at the Medical Center?

What health care services would you like to **add** at the Medical Center? Please try to be realistic about potential revenue and costs for additional services.

Are there services you think are **not** needed at the Medical Center?

Because the building is old and has significant infrastructure problems the Medical Center is considering building a replacement building. This new building would be at a new location (yet to be decided where), up the hill. Do you agree with the plan to replace the old building with a new building?

If not, why?

Would you support the Borough gifting Petersburg Medical Center the land for a new building?

Would you support the Borough gifting the utilities and road?

Many of the services provided at Petersburg Medical Center that are vital to the community, like the Clinic and the Emergency Department, do not break even. Would you support a tax to support these services?

What services have you traveled out of town for that you think could be provided in Petersburg?

Do you have any thoughts on what to do with the old building? Even though it is not fit for a hospital it could be remodeled for other purposes.

What would be on your wish list for a new building?

Other questions/comments?

Name (Optional)

Answers to this survey can be emailed to Dr. Monica Gross at mgross@pmcak.org or this survey can be printed and mailed to the Medical Center at PO Box 589 or dropped off at the Reception Desk at the Medical Center.

Appendix 4 Yorba Jenson Lott Report

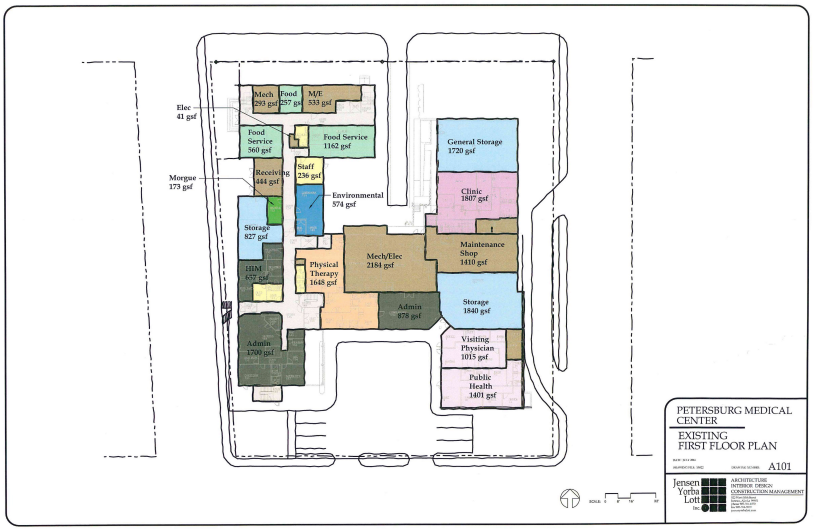
Concept Design Exploration

Departments	Existing sf	Floor Level Beds	Renovation Addition sf	Floor Level Beds	New sf	Floor Level Beds
						all 1st floor
Patient Care						
Acute Care Nursing	4,013	2 (12 beds +ldr)	6,533	2 (12 beds +ldr)	7,040	12 beds
Long Term Care Nursing	5,066	2 (15 beds)	9,736	2 (17 beds)	13,856	19 beds
Operating suite/central sterile	2,045	2	2,660	2	2,750	
Emergency Department	1,110	2	2,328	2	2,463	
Laboratory (recpt waiting)	1,818	2	2,088	2	2,173	
Imaging	2,195	2	2,042	2	2,090	
Physical Therapy (PT,OT,ST)	1,648	1	1,462	1	1,500	
Pharmacy	128		247	2	243	
Visitng Physician clinic	1,015	1	1,015	1	0	
Public Health	1,400	1	1,400	1	0	
Medical Staff						
Offices	737	2	930	1&2	577	
Toilets Showers lockers lounge	392		843	1&2	852	
Support						
Waiting/Public Toilets	220	1&2	457	1&2	876	
Administration	1,700	1	3,200	1	1,836	
HIM	654	1	450	1	400	
Environmental	605	1	1,190	1	960	
Food Service	2,079	1	2,208	1	2,130	
Dining	0		780	1	765	
Education/Conference	878	1	1,480	1	1,410	
Medical & Supply Storage	2,547	1	2,820	1	1,925	
Facility Storage	1,840	1	1,840	1	1,650	
Maintenance	1,600	1	1,710	1	1,530	
Morgue * with family meet room	173	1	360*	1	322*	
Support Staff toilet lockers break	406	1	800	1	735	
Trash	250	1	250	1	300	
Receiving	194	1	194	1	200	
Medical Clinic	5,350	1&2	5,350	1&2	5,500	
SUBTOTAL	**40,063**		**54,013**		**53,761**	
IT, building systems, circulation, structure	11,218	factor .28	12,963	factor .24	8,064	factor .15
Attic/ penthouse mech	1,000		1,000		1,600	
TOTAL	**52,281**		**67,976**		**63,425**	

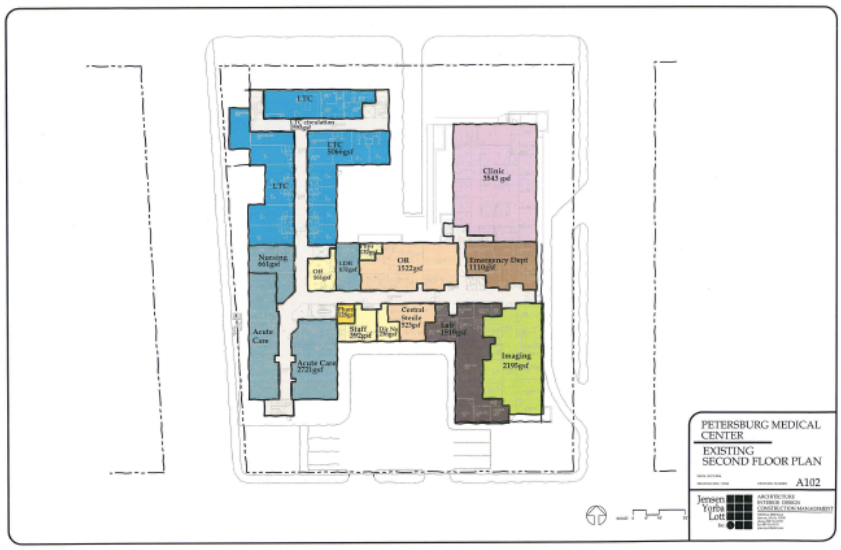
Total Project Cost Summary

Element	Renovation Addition		New Construction	
Direct costs	Subtotal		Subtotal	
Site Work and Utilities	$940,448		$4,808,426	
Clinic	$0		$2,992,730	
Medical facility new construction	$19,178,891		$33,283,388	
Medical facility renovation	$8,783,509		$0	
Public health Visitng Phys		in reno/no work	$1,305,912	
Construction Total	**$28,902,848**		**$42,390,456**	
Indirect costs				
Site acquisition (6 acres) City Land Donated	$0	existing site	$0	6 acres - city land ?
Finance cost				
Legal fees				
Project Administration City & PMC				
Phasing move out/move in	$120,000	6 phases 20 k	$0	
Phasing lease space - laundry, food service	$320,000	9 months 24-35k	$0	
Site survey	$8,000		$22,000	
Geotechnical field work & report	$15,000		$32,000	
Asbestos Survey	$0		$0	
Design Fees	$2,023,199		$2,967,332	
Construction Services Fee	$867,085		$1,271,714	
Plan review/permits	$28,903		$42,390	
Inspections	$38,358		$84,781	
Utility connection assessment	$0		$30,000	
Furniture Fixtures and Equipment	$300,000		$300,000	
Moving expenses	$80,000		$150,000	
Total Project Cost	$32,703,393		$47,290,673	

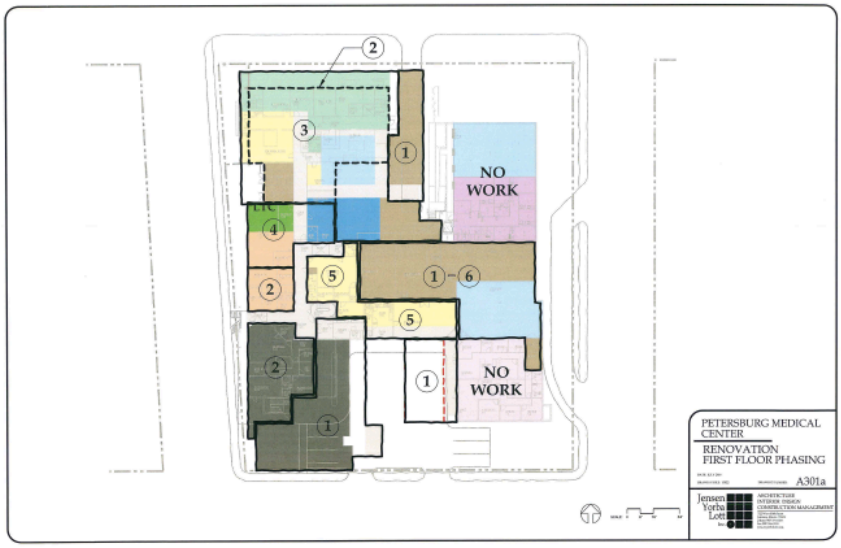
Existing First Floor Plan



Existing Second Floor Plan



Renovation First Floor Phasing



Renovation First Floor Plan

Renovation Second Floor Planning

Renovation Second Floor Plan

New Construction

Appendix 5

2015 Financial Indicator Values for PMC, Peer Group, Alaska and the United States

	PMC	PEER	AK	US	Favorable	Benchmark
Total Margin %	1.15	1.55	2.78	3.09	Up	>3
Cash Flow Margin %	7.98	3.73	5.68	8.08	Up	>5
Return on Equity %	2.71	2.67	4.62	5.97	Up	
Operating Margin %	1.15	-1.93	0.56	1.79	Up	>2
Current Ratio (times)	3.52	2.73	3.32	2.35	Up	>2.3
Days Cash on Hand	62.50	65.01	62.50	76.26	Up	>60
Days in Net Accounts Receivable	112.81	58.31	66.10	52.46	Down	
Days in Gross Accounts Receivable	132.5	53.36	79.83	50.37	Down	
Equity Financing %	42.85	53.91	70.43	57.82	Up	
Debt Service Coverage (times)			8.20	2.89	Up	>3
Long-Term Debt to Capitalization	51.45	39.87	14.87	27.72	Down	
Outpatient Revenues to Total Revenues	59.90	56.17	59.67	76.36		
Patient Deductions	7.81	27.03	13.18	42.73		
Medicare Inpatient Payer Mix	96.44	72.54	59.62	73.24		
Medicare Outpatient Payer Mix	34.69	30.81	24.12	36.83		
Medicare Outpatient Cost to Charge	90.40	55.87	73.57	0.45	Down	<55
Medicare Revenue per Day	2891	2546	4508	2493		
Salaries to Net Patient Revenue	47.34	47.55	45.45	44.68	Down	
Average Age of Plant (years)	15.33	14.22	13.02	10.18	Down	<10
FTEs per Adjusted Occupied Bed	16.81	9.71	12.12	5.51	Down	
Average Salary per FTE	59616	51706	72194	54306		
Average Daily Census Swing-SNF Beds	2.40	2.59	0.67	1.53	Up	
Average Daily Census Acute Beds	0.45	1.10	1.97	2.91	Up	
Number of Included CAHs	1	21	13	1293		

Profitability Indicators- Profitability is the net result of a large number of reimbursement and managerial policies and decisions and it reflects the combined effects of liquidity, asset management, and debt on operating results. Profitability indicators measure the ability to generate the financial return required to replace assets, meet increases in service demands, and compensate investors.

Liquidity Indicators- a liquid asset is one that trades in an active market and hence can be quickly converted to cash at the going market price. An analysis of liquidity asks the question "will the organization be able to pay off its debts as they come due over the next year or so?" Liquidity indicators measure the ability to meet cash obligations in a timely manner.

Capital Structure Indicators- the extent to which an organization uses debt financing, or financial leverage, has three important implications. First, debt allows not-for-profit organizations to provide more services than it could if it were financed only by contributed capital and retained earnings. Second, creditors look to the equity to provide a margin of safety, so the higher the proportion of total capital provided by the owners, the less the risk faced by creditors. Third, if the organization earns more on investments financed with borrowed funds than it pays in interest, the return on owner's capital is magnified, or leveraged up. Capital structure indicators measure the extent of debt and equity financing.

Revenue Indicators- Most organizations receive revenues from many sources and relative profitability often varies among sources. A substantial proportion of revenue from commercial and private payers reduces reliance on the fixed margins of Medicare and Medicaid. Revenue indicators measure the amount and mix of different sources of revenue.

Cost Indicators- Most organizations incur labor, supply, and capital costs. Cost management reduces the likelihood of financial problems due to low productivity, poor inventory management, and excessive asset acquisition costs. Cost indicators measure the amount and mix of different types of costs.

Utilization Indicators- Overhead costs is incurred on all assets, whether used or not. More patient activity generates higher revenues and reduces unit costs by spreading fixed costs over more patients. Utilization indicators measure the extent to which fixed assets (beds) are fully occupied.