



City of Ketchikan

Ketchikan Medical Center Strategic Partnership Planning
Situational Assessment and Contract Goals

March 17, 2020

Introduction

This document presents findings from the situational assessment completed by ECG Management Consultants in October 2019 and describes the goals for negotiating a new arrangement with PeaceHealth for the lease and operation of Ketchikan Medical Center (KMC). The situational assessment was performed to identify community perspectives regarding PeaceHealth as a community healthcare partner and to inform the negotiation of a fair and equitable contract between the two parties going forward. PeaceHealth partially funded the community stakeholder engagement portion of this study.

Public Comment

The City Council remains interested in hearing from the community, and public comment regarding this document will be considered for incorporation into the city's final negotiation strategy. Comments or questions can be emailed to hospital-comments@ktn-ak.us.

To be assured consideration, comments must be received no later than 5 p.m. AKDT on Wednesday, March 25, 2020.

Contact

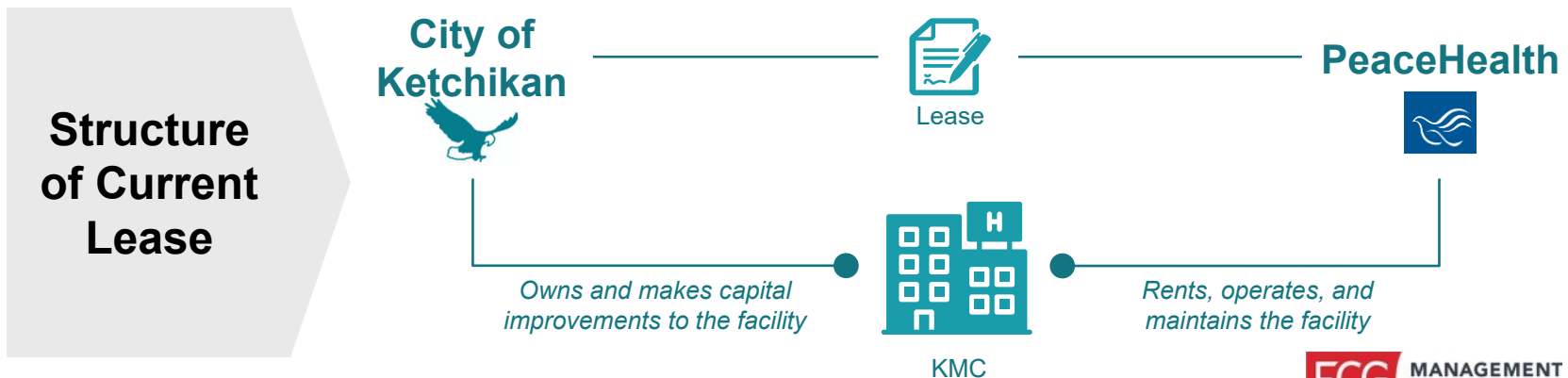
For direct questions about this project, please contact Lacey Simpson, Assistant City Manager, at 907-228-5603 or [laceys@ktn-ak.us](mailto:lanceys@ktn-ak.us).

Situational Assessment

Background

Background

- » PeaceHealth KMC is a critical access hospital (CAH) with 25 acute care beds and 29 long-term care beds serving residents of Ketchikan and the surrounding areas.
- » The facility is owned by the City of Ketchikan and leased to PeaceHealth, a not-for-profit Catholic health system based in Vancouver, Washington.
- » PeaceHealth operates KMC with full governing authority and management oversight. The relationship between the parties has been in place for several decades and has remained largely unchanged.
- » With the current lease agreement set to expire in 2023, the city is interested in understanding the value of the current deal, as well as the political, operational, and strategic considerations associated with the partnership.



Methodology

ECG independently assessed the relationship between the City of Ketchikan and PeaceHealth, the community perspectives regarding PeaceHealth, and PeaceHealth KMC's performance relative to industry benchmarks.

Specifically, ECG completed the following:

- » Assessed the current contract scope and language
- » Engaged a diverse group of stakeholders in June 2019 with:
 - › 32 interviews of over 40 key stakeholders representing a wide cross-section of the Ketchikan community
 - › A community forum held in Ketchikan and attended by more than 100 residents, including 18 individuals who spoke publicly
 - › Emails submitted to the public comment inbox established by the City of Ketchikan
- » Garnered, from these efforts, opinions regarding services provided by PeaceHealth KMC and PeaceHealth Medical Group Southeast Alaska, with input on community healthcare needs and general perspectives on PeaceHealth KMC as a community partner
- » Reviewed data submitted by PeaceHealth and publicly available data to evaluate KMC's financial, operational, and quality performance relative to industry benchmarks for hospitals of comparable size, characteristics, and markets

Major Themes

Overview

The situational assessment brought to light seven areas that deserve attention in order to develop a successful partnership with PeaceHealth going forward.

Community Perception of Value



Communication

Access and Capacity Optimization



Continuity of Care

Billing Process Improvement



Pricing and Transparency

Service Delivery Gaps



Major Themes

Community Perception of Value and Communication

Community Perception of Value

- » In recent years, the reputation of PeaceHealth in the Ketchikan community has diminished due to a perceived lack of true community partnership and dissatisfying patient experiences.
- » While many residents, including those serving on the Community Health Board, are supportive, a segment of the community is unhappy with the system and local healthcare delivery.
- » There is a perception that the current deal does not provide enough value to the community, especially in light of the investment taxpayers have made in the new facility.

Communication

- » Despite PeaceHealth's recent efforts to improve communication, the level and effectiveness of communication between the city and PeaceHealth are not yet at a point where residents feel their voices are being heard and issues are being resolved.
- » The historical lack of communication and absence of a formal conflict resolution path between PeaceHealth and the Ketchikan City Council have prevented an optimal partnership and are areas that will require ongoing efforts to address.



Major Themes

Access and Capacity Optimization and Continuity of Care

Access and Capacity Optimization

- » As a result of access, scheduling, and throughput issues, patients are not always receiving the right care at the right time in the right place.
- » While these quality concerns are not unique to Ketchikan, the local community is expecting PeaceHealth to actively address and improve specific pain points impacting the patient experience and the quality of care patients receive.
- » Focus areas for improvement include provider staffing, appointment and ED wait times, and urgent care options to reduce delays for patients seeking timely and effective care.

Continuity of Care

- » Provider turnover is a major issue impacting both the overall supply and continuity of care available to residents in Ketchikan.
- » Due to its remote and rural location, PeaceHealth KMC relies on traveling physicians (“travelers”) to fill certain positions.
- » Patient and community provider perceptions of the care provided by these physicians are unfavorable, largely due to a lack of communication and the temporary nature of the patient-provider relationship.
- » While this is a problem throughout Alaska, a PeaceHealth–Ketchikan partnership strategy is warranted to address the challenges of recruiting and retaining physicians and other qualified providers in Ketchikan.



Major Themes

Billing Process Improvement and Price Transparency

Billing Process Improvement

- » Despite PeaceHealth's recent improvement efforts, billing continues to come up as an issue and may linger as a major dissatisfier if continued advancements are not made.
- » Recent initiatives include staff training, appointment of local liaisons, implementation of verification tools, and redesigned billing statements.
- » It remains unclear whether the implemented changes have had an effect on reducing billing frustrations, improving customer service, and achieving more patient-friendly billing practices as measured by patient satisfaction surveys, focus group results, or other performance metrics (percentage of accounts sent to collections, utilization of local billing ombudsman, etc.).

Pricing and Transparency

- » Pricing is a major issue for healthcare purchasers in Ketchikan, and depending on the price differential for a case, patients may be directed from KMC to out-of-state competitors.
- » The community at large is unaware of the uninsured discounts offered by PeaceHealth for services not covered by insurance or for patients who do not qualify for financial assistance.
- » As a matter of competitiveness and customer service, if PeaceHealth does not increase price transparency, begin to price select services more competitively, or deploy different pricing and/or discount strategies for patients and employers, KMC will likely see more cases leave the community.

Major Themes

Service Delivery Gaps

Service Delivery Gaps

- » Ketchikan, like many other communities across the country, faces significant healthcare challenges in behavioral health and must also prepare to meet the increased demand for healthcare services resulting from an aging population.
- » PeaceHealth plays a significant part in addressing these healthcare challenges, which require holistic solutions and healthcare resources that are tailored to meet the needs of specific populations.
- » City leadership and the broader community are looking to PeaceHealth to be their partner in crafting and deploying solutions, such as offering detox beds to support residents with substance abuse disorders.



Contract Goals

Negotiating Goals

The City of Ketchikan has defined goals that will guide negotiations for a new contract with PeaceHealth.

Improve Collaboration.



Promote Both Parties' Best Interests.

Require Insurance Plan Participation.



Define Required Services.

Establish Annual Rent.



Set Performance Goals.

Adopt Performance Reporting Standards.



Enhance Accountability.

Conclusions and Next Steps

Summary of Findings

Gaps to Be Addressed

Based on our analysis of community perspectives and review of hospital performance, PeaceHealth provides value to the community, but several gaps need to be addressed during negotiations.

Service Gaps to Be Addressed

- » No urgent care or extended hours options
- » Significant behavioral health needs
- » Long wait times to see specialists and receive care in the ED
- » Instability in the overall supply of providers and continuity of care
- » Historical lack of patient-friendly billing practices

Contract Gaps to Be Addressed

- » No operating agreement
- » No defined channels of communication or pathways to resolve conflicts with PeaceHealth
- » Minimal rent that lacks enforcement and no additional rent provisions tied to performance and/or profitability, which are common in similar types of leases

Key Considerations

Putting it in Context

When evaluating the partnership with PeaceHealth, it is important to consider the context in which KMC operates and the inherent challenges of running a hospital in a small, rural community.

Key Considerations

- » Operating a small hospital in an isolated, rural community such as Ketchikan is challenging for any health system.
- » At the time of the study, KMC performed reasonably well on key quality, efficiency, financial, and patient satisfaction indicators.
- » Considering the Ketchikan community's size, KMC has a more comprehensive service offering than is typically expected.
- » In general, the community appreciates the breadth of service—including primary, emergency, specialty, and diagnostic care—that PeaceHealth brings to the community.
- » Without the benefits of system integration and favorable CAH reimbursement, it would be not be feasible to operate KMC and maintain the comprehensive service offerings that are present today.

Next Steps

Over the next several months, the City of Ketchikan will engage in contract negotiations with PeaceHealth.

Next Steps

- » Finalize the draft term sheet.
- » Present the draft term sheet to PeaceHealth in Q2 2020.
- » Meet with PeaceHealth regularly to negotiate contract terms.
- » Confer with legal council to develop contract language and definitive agreements.

Note: If a satisfactory partnership cannot be achieved with PeaceHealth, the City Council may elect to initiate a request for proposal process to identify a new provider.

While it is difficult to predict how long it will take to reach agreement with PeaceHealth, the City of Ketchikan is planning for a nine to 12 month negotiation period.