Mission Statement
Bartlett Regional Hospital provides its community with quality, patient-centered care in a sustainable manner.

I. CALL TO ORDER

II. APPROVAL OF THE MINUTES – January 17, 2020 (Pg. 2)

III. PUBLIC COMMENT

IV. OLD BUSINESS
   A. Campus Plan Review (Pg. 5)
      ➢ Senior leadership comments
   B. Community Healthcare Needs Assessment Review (Pg. 12)
   C. Provider Network Development Study update (Pg. 40)
   D. Projects updates

V. NEW BUSINESS
   ➢ Review Planning Committee Charter (Pg. 68)
      ▪ Review of By-laws paragraph that defines Planning Committee (Pg. 69)

VI. INFORMATION
   ➢ Governance Institute Strategic Planning Document (Pg. 70)

VII. FUTURE AGENDA ITEMS

VIII. NEXT MEETING

IX. COMMENTS

X. ADJOURN
Called to order at 7:00 a.m., by Planning Committee Chair, Marshal Kendziorek

Planning Committee and Board Members: Lance Stevens, Marshal Kendziorek, Kenny Solomon-Gross, Iola Young and Brenda Knapp,

Staff: Chuck Bill, CEO, Kevin Benson, CFO, Rose Lawhorne, CNO, Billy Gardner, COO, Dallas Hargrave, HR Director, Megan Costello, CLO, Bradley Grigg, CBHO and Anita Moffitt, Executive Assistant

Also in attendance: David Sandberg (via video conference) and Corey Wall

Mr. Solomon-Gross made a MOTION to approve the minutes from December 20, 2019. Minutes approved as written.

PUBLIC PARTICIPATION – None

Community Healthcare Needs Assessment: David Sandberg of Cycle of Business (COB) provided an overview of the findings of the Community Health Needs Assessment conducted by COB. Discussion was held about areas serviced by BRH and how they are identified in this report. Resources used to obtain information were from: County Health Rankings, current census data, Community Health needs survey. Mr. Sandberg provided a breakdown of the demographics, the high ratio of health risk factors and the process to develop and distribute the survey to the community. Results of the survey centered on a few key areas: utilization of BRH services, specialty services, mental health care and robotic surgery. Areas that BRH does a good job in as well as areas that could use improvement were identified for both Supportive Services as well as Demographic Services. The top two barriers to using BRH were identified as cost and availability of specialists. Senior Leadership reviewed the results of the survey and identified several areas of concern to explore. These areas, as well as the physician analysis will be discussed during the strategic planning session. Physician staffing and physician to population ratio was discussed. It was noted that the survey itself is really a wants assessment, not a needs assessment and is meant to be community wide, not just for the hospital. Mr. Solomon-Gross initiated a conversation about the sample size of respondents. Ms. Knapp noted that responses may not be as accurate as we would like due to the wording of some of the questions. Discussion was also held about why people have the perception they do about mental health services available. Mr. Kendziorek noted that this is not a statistical survey, but an indicative one and is very valuable. Final conclusions to the overall survey would need to take into consideration the
fact that the outlying service areas are very different demographically than Juneau. Ms. Costello made a recommendation to eliminate the first section of the report referencing 501 (c) (3) hospitals and their requirements.

Mr. Bill will coordinate a meeting with a representative group of physicians to review the numbers and make some conclusions about specialty groups vs. family practice. Many of our family practice physicians also provide specialty care. The board will need to decide if the family practice driven model is the right model for Juneau or if we need to add more specialists. The provider network assessment will provide additional data to take under consideration during this strategic planning process. Mr. Solomon-Gross suggested including mid-level practitioners when looking at the provider mix.

**Project Updates:** No questions or comments regarding the project updates included in the packet. Mr. Grigg reported that RRC still on schedule for end of May/mid-June completion. Mr. Bill noted the Crisis Stabilization Unit is still in the design phase. The original estimated cost was $13 million. By downsizing the overall square footage and changing some of the finishing options, it is now down to about $10.5 million, with parking.

**Campus Plan Update:** Corey Wall is here to continue discussions from the December 20th meeting. For planning purposes and to move forward, he is hoping to get approval of the foundational document recommending size increases to certain departments. The next step is to use this information for specific project recommendations and get a little more definition about how those would work and how they would be phased in. A discussion was held about how the Community Health Needs Assessment will integrate with the campus plan. The biggest increase in space is in the services departments. The first floor area where laundry, materials management, cafeteria, etc. are located has not been abated or updated since 1968. Renovating the lab and the first floor at the same time would allow the heat issues in the lab to be resolved and is listed as a priority. A discussion was held about space and wait times for emergency services. It was noted that staffing and functionality are two different things. Other options for meeting emergency service needs during tourist season that do not including increasing space, were discussed.

A discussion was held about a dam failure and an emergency access road. Also discussed was the addition of a south entrance to BRH from Egan Drive via a parking garage. Realistically, this is not an option. There is an active plan to build an emergency access road from Egan Drive should the dam break however, a road should be built before an emergency happens. Mr. Bill reported that he has already discussed this project with CBJ. Money is in the CIP for a study to be conducted.

Barriers preventing campus expansion on the hillside behind the Juneau Medical Center were noted. The possibility of obtaining Wildflower Court and moving them to another location was discussed. Demolishing the Juneau Medical Center building to add a 3 story addition to the north side of the hospital would require finding space for the providers in that building. This addition would provide plenty of space to meet our needs as well as accommodate offices currently in the Juneau Medical Center. An off campus location for some outpatient services was discussed. It would need to be within 250 yards of campus to meet hospital based billing and reimbursement guidelines. There would be a lot of planning and phasing required to demolish the Juneau
Medical Center and renovate the OR. Surgical services renovation options were presented. Food services needs to move due to its prime location in the hospital. Options for an addition to the south addition were presented. This will allow expansion of the lab and address the heat issues. Discussion was held about boiler usage.

Mr. Wall summarized the takeaways from today’s meeting: The square footage numbers presented are good to continue with. The priority is still to try to solve the issues of the lab, first floor and the Emergency Department. We are going to remove the south parking option. Building a parking garage on the north side is too expensive so will be dropped way down on the priority list to be considered at some point in the future.

Mr. Bill stated that the board will need to formally accept the Jensen Yorba Wall report at the January or February board meeting. The report will be used at Strategic Planning to help identify priorities and timelines. A more specific plan with narrowed down options would be ideal. Senior Leadership will work on this.

**FUTURE AGENDA ITEMS - Continued discussion of the Campus Plan**

**Next meeting:** To be determined

**COMMENTS** – Mr. Kendziorek thanked Mr. Wall and commended him on the excellent work.

**Adjourned -** 8:50 a.m.
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**Total**                                      | **180,361** | **209,425** | **28,936**

General reconfiguration to address privacy concerns / adjacency issues

Remote Women's Clinic to allow for expansion of CT and other needs.

Double Serving and Seating. 50% increase to Storage and Kitchen

Space needs to be renovated. Additional area would be beneficial, but not required.

Additional Storage, Loading Dock, and Unboxing areas

24-hour retail space near ED, additional equipment space

Additional gym, therapy space. Could be outside main facility.

Additional gym space, more storage

Move Facilities areas out of mechanical spaces and improve access

Additional main Shop space, additional Shop in Surgical Services

Additional Storage, Laundry space in addition to mechanical renovation

Needs more central and visible location

Additional Exam, Triage, Psych rooms needed

New spa-like facility could be located outside main facility

Continue renovations to decrease Med/Surg rooms, increase Swing Beds, etc.

Reconfiguration for larger Triage room.

Comprehensive reno and some additional clean/dirty circulation. 2016 project had 7,500 sf addition

Additional Conference Rooms, General Break Room
Bartlett Regional Hospital Facilities Master Plan
Possible Projects List - DRAFT
December 9, 2019

1. First Floor Renovation / Reconfiguration
The original portions of the Main Building first floor have not been fundamentally reconfigured or renovated since the first portion of the building was constructed in 1968. The spaces contain the majority of the unabated asbestos as well as many departments that are undersized or badly configured. By moving the Kitchen and Cafeteria to a new location, space would be freed up to allow the rest of the existing departments to shuffle as the entire area is holistically abated and reconfigured.

- **16,700 sf of Renovated Space** (including current pedestrian ramp)
  - 2,580 sf new Diagnostic Imaging Women’s Clinic
  - 4,250 sf expanded Materials Management, including dedicated Loading Dock
  - 4,040 sf expanded Facilities, including shop space
  - 300 sf expanded Facilities-Biomedical Shop
  - 2,470 sf expanded Facilities – Laundry
  - 300 sf reconfigured Shared Staff Space (Toilet Rooms)
  - 13,940 sf Subtotal (x 1.2 circulation, walls, etc) = **16,728 sf Total Area**

- **Pros:**
  - Building will be fully abated
  - Many of the most pressing facility needs can be addressed, allowing for smoother operations of all departments
  - Will eliminate public traffic down to east side of Floor 1

- **Cons:**
  - Significant project costs devoted to back-of-the-house departments may limit fund-raising
  - Will require relocation of the Cafeteria

2. Emergency Department Addition
The Emergency Department has shown significant increases in use since construction a decade ago. Department use is expected to continue to increase with the projected growth in summer visitors. Because of Diagnostic Imagining to the north and the Boiler Rooms to the east, the only area for expansion is to the south. A single-story, 28' wide addition along the entire of the existing department could provide needed space without blocking the view out of the Critical Care Unit patient rooms above. Relocating the Waiting Room to the front could also be studied as part of the addition.

- **4,890 sf of Added Space**
  - 3,675 sf expanded Emergency Department including new Exam, Triage, Pysch, rooms
  - 1,215 sf new 24-hour Pharmacy
• **Pros:**
  - Addition could be constructed without impacting the current ED
  - Pharmacy and Security station could be added to new Emergency Entrance at the south side

• **Cons:**
  - Addition would require moving the Ambulance Bay to the south and will impact parking / drive lanes.
  - Addition will impact siting of new Crisis Intervention Center

3. **North Addition**
The north side of the Main Building is a single-story, metal-framed addition constructed in 1988 adjacent to the original 2-story portion of the 1960 building. Roughly 1/3 of this addition sits north of a lateral structural bay and could be removed without impacting the rest of the structure to the south. Removal of this portion of the 1988 addition, along with the adjacent wood-framed Juneau Medical Center, would allow for construction of a new, multi-story building of significant size. A 92’ wide (the depth of the 2009 addition) x 260’ long (extending almost to the east wall of the current Juneau Medical Center) would be possible without extending past current building limits. An addition of this size could provide 23,920 sf per floor. A 3-story addition would provide 71,760 sf of space—almost twice what is envisioned as being required by currently-projected BRH needs.

A 92’ x 188’ addition would provide 17,300 sf per floor. A 2-story addition would provide 34,600 sf.

- **34,600 sf of Added Space**
  - 8,200 sf replaced Physician Services rental spaces to replace Juneau Medical Center
  - 950 sf replaced Facilities offices to replace Juneau Medical Center
  - 4,160 sf + 2,720 sf replaced/expanded Physical / Occupational / Speech Therapy to replace 1988 addition
  - 350 sf + 630 sf replaced/expanded Cardiac Gym to replace 1988 addition
  - 260 sf + 700 sf replaced/expanded Infusion to replace 1988 addition
  - 8,625 sf expanded Cafeteria, including dedicated Loading Dock
  - 26,600 sf Subtotal (x 1.3 circulation, walls, mech. etc) = **34,600 sf Total Area**

• **Pros:**
  - Addition could be more than adequate to meet projected space needs.
  - Addition could contain non-medical spaces to reduce construction costs.
  - Addition could replace lower-quality spaces (Juneau Medical Center).
  - Locating the Cafeteria in the north addition would allow for new Loading Dock, easing traffic on south portion of site.

• **Cons:**
  - Addition may not be properly located for Surgical Services renovation / replacement project.
  - Addition may not be properly located for Laboratory renovation / replacement project.
  - Addition will require new elevators to access floors above main level.

4. **Surgical Services Renovation / Replacement**
The Surgical Services suite was constructed in 1988 and needs comprehensive renovation. The space is centrally located and staff has not wanted to move farther out of the building core. A 2016 conceptual plan showed a new 7,500 sf addition constructed adjacent to the east which would allow for phased renovation and replacement. Although some improvements to the layout (particularly separated paths for clean and dirty materials) is needed, staff has not identified a need for significant additional space.
- Option 1: Add space to west as per 2016 plan. Renovate existing area.
- Option 2: Utilize space in North Addition (see 3 above) for temporary or permanent Surgical Services.
- Option 3: Other ideas?

5. South Addition
The south side of the Main Building has two single-story, metal-framed additions constructed in the mid-2000s which are designed for additional floor loads above. The Boiler Room addition has a 2,200 sf footprint and the Cafeteria addition has a 2,800 sf footprint. The Boiler Room is currently under-ventilated, making the spaces above over-heated, but assuming the issue could be addressed, a 5,000 sf per floor addition is possible without new foundation work. Adjacent Floor 2 spaces are mostly Laboratory-related, while Floor 3 has patient rooms which require exterior windows.
- Option 1: Move Laboratory into a new 5,000 sf Floor 2 addition over both Boiler and Cafeteria.
- Option 2: Move a portion of Laboratory into new 2,800 sf addition over just Cafeteria.
- Option 3: Add 5,000 sf at both floors. Move patient rooms on Med Surg to new exterior wall, use expanded core for Case Managers, Storage, and Therapy spaces.

6. Medical Arts Replacement
The Medical Arts is a single-story 5,400 sf building located between the Main and the Valliant Admin buildings. Although the building is in good shape, it is taking up valuable real estate in the middle of the campus.
- Option 1: Replace the building with a 3-story building, connected to the Valliant Admin Building. This new, expanded Admin center could take the majority of Admin offices out of the Main Building, providing additional space for medical services there.
- Option 2: Relocate Admin offices to the new North Addition (see 3 above) and demolish the Medical Arts building to provide additional parking and landscaping in the middle of campus.

7. North Parking Garage
The campus has 480 parking stalls, located in lots of various size and quality around the entire site. The 2011 Master Plan identified 442 stalls, so it is clear that staff has been reconfiguring the site to maximize parking wherever possible. Although the existing parking count more than meets CBJ requirements, it is clear that more is needed, particularly near the Emergency Department entry to the south, the Main Entry to the north, and for public classroom use at the Valliant Building. Exact needs are difficult to quantify, but an additional 25% (120 stalls) would likely solve current deficits with more needed for future growth.
- Option 1: Construct a 3-story, 125’ x 250’ parking garage on the north-east surface parking lot. The garage would have 285 stalls and replace about 100 existing stalls for a net addition of 185 stalls.
- Option 2: Construct a 4-story, 125’ x 250’ parking garage on the north-east surface parking lot. The garage would have 380 stalls and replace about 100 existing stalls for a net addition of 280 stalls.

8. South Parking Garage
There is a triangular property between the south campus and Egan Drive which has previously been listed for sale. Although the lot is small, it could be used as the base of a new parking garage which would extend into the hillside and connect the south portion of the campus to Egan Drive 30’ +/- below.
- Pros:
  - Significant new parking near the Emergency Room entrance.
Garage would connect campus to Egan drive below.

- **Cons:**
  - Would require demolition of the Bartlett House.
  - Would probably take up a significant portion of the anticipated Crisis Intervention Center.
  - Constructing the garage into the hillside would be more expensive than on a flat site.

### 9. South Campus Entry
Currently the only vehicular entrance to the campus is through the signaled intersection at Egan Drive / Glacier Highway and then up Hospital Drive to the north of campus. Any accident blocking Hospital Drive essentially cuts off BRH. Additionally, projected outflow from Salmon Creek dam runs down east of BRH property and then down through Hospital Drive, meaning BRH would be cut off in the case of a dam breach. CBJ has contingency plans to access BRH from the end of Glacier Hwy to the south through the woods above the AEL&P substation, but this would require rapid emergency tree removal and grading.

- Option 1: Create a permanent limited-use road from the end of Glacier Hwy up to the south end of the Wildflower Court parking lot.
- Option 1B: create a permanent second access road from end of Glacier Hwy up to the south end of the Wildflower Court parking lot.
- Option 2: Create a permanent limited-use road up from Egan Drive, though the AEL&P site, to the south end of the Wildflower Court parking lot. The road would be right-turn only exit and entry.
- Option 2B: create a permanent second access road up from Egan Drive, though the AEL&P site, to the south end of the Wildflower Court parking lot. The road would be right-turn only exit and entry.

### 10. North Parking Lot Access Reconfiguration
Currently an access road leading from Hospital Drive to the west cuts between the north parking lots and the north side of the Main, Valliant Admin, Medical Arts and Juneau Medical Center Building. Reconfiguring the access road to run on the north side of the parking lots would allow for safer pedestrian access between the parking and the buildings. The north side of BRH property could also be regraded with added retaining walls to possibly add additional parking.
Bartlett Regional Hospital
FACILITY MASTER PLAN
Juneau, Alaska
FUTURE DEVELOPMENT PLAN
MAIN CAMPUS
DATE: Dec. 20, 2019
DRAWING FILE: 16006
DRAWING NUMBER: 2-2

Main Building
2. ED
5. SOUTH ADD.
8. SOUTH PARKING
OPFE
RBC

Wildflower Court

7. NORTH PARKING
3. NORTH ADD.

Valliant Admin.
Medical Arts

8. SOUTH PARKING
COMMUNITY HEALTH NEEDS ASSESSMENT
BARTLETT REGIONAL HOSPITAL
2019-2020
History of Bartlett Regional Medical Center Community Health Needs Assessments

Parameters For Data Collection

The Process

The Results

Part B: Updated Physician Analysis

Appendix
PART A: CHNA

HISTORY OF BARTLETT REGIONAL MEDICAL CENTER COMMUNITY HEALTH NEEDS ASSESSMENTS

The Community Health Needs Assessment became a requirement for 501c3 hospitals with the implementation of the Affordable Care Act beginning in 2012. Under the ACA, it was designed to ensure that tax exempt status was going to hospitals that were actually trying to serve their communities in the best way. Government hospitals like Bartlett Regional Hospital (BRH) were exempt from this requirement, as it was only reserved for 501c3 Hospitals.

Many hospitals that are either for profit or are not a 501(c)(3) organization, have seen the benefits of a CHNA and have chosen to conduct a CHNA in order to better understand and serve their community. Bartlett Regional Hospital (BRH) engaged Cycle of Business to:

- Complete a Community Health Needs Assessment (CHNA) report
- Provide Bartlett Regional Hospital with a better understanding of the community they serve
- Provide information needed for BRH to better understand specific health needs and plan for services that will improve the health of the people they serve
- Integrate results into the BRH strategic plan ensuring completion of the plan.

THE BRH COMMUNITY HEALTH NEEDS ASSESSMENT:

Bartlett Regional Hospital has always tried to stay abreast of the services needed in their community. They have had a belief that understanding the community and making sure you are staffed to meet the needs of that community will always ensure patient loyalty and the best quality healthcare in the community. As a result, over the years, BRH has looked into
what services people are needing that BRH was not providing. They have analyzed leakage reports and conducted a physician staffing analysis in order to better meet the needs of the community. This year BRH decided to conduct a Community Health Needs Assessment as a final piece to the puzzle. The information derived from all these efforts will be utilized to verify their services meet the needs of the community and they are staffing appropriately so fewer people have to leave the community for their healthcare needs.

**SERVICE AREA:**

The Primary Service Area for Bartlett Regional Hospital pulls mainly from the residents of the City and Borough of Juneau Alaska. However the Secondary Service Area expands to areas as far north as Skagway and as far south as Wrangle. Because of the remoteness of the cities in Alaska and the difficulty of travel to neighboring cities and hospitals, the people in BRH’s Total Service Area have limited access to the hospital.

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*Estimated Potential For Total Service Area Population* 42,101

The population of the City and Borough of Juneau is 31,275. There are also surrounding communities that are included in the Secondary Service Area. This secondary service area adds an additional 10,826 to the population served to bring the total to 42,101.
Completion of the BRH Community Health Needs Assessment (CHNA) followed an outline designed by the Center for Rural Health at the University of North Dakota for the North Dakota Critical Access Hospitals. The sections of this CHNA generally follow their suggested methodology but were slightly modified to meet the needs of BRH and requirements of their RFP.
Two meetings were held to complete the CHNA; an initial meeting to discuss the survey as well as a follow-up meeting to discuss the results. The survey was conducted in between meetings to gather appropriate data to make final decisions on which health needs were appropriate to address in this fiscal year.

The first meeting was a general review of health information on a City and Borough level. After that meeting, Bartlett Regional Hospital reviewed and refined an electronic survey that would be distributed throughout the service area and in local businesses. The survey was further revised in conjunction with Cycle of Business and Bartlett Regional Hospital to ensure the questions asked would help Senior Leadership and the Board decide on the best course of action for the Hospital. Before the survey was distributed to the community, special care was taken to ensure the verbiage was inclusive.

A second meeting was held with Senior Leadership to review the information from the survey and prioritize the most important health issues that could and should be addressed given the resources of Bartlett Regional Hospital. Key findings from the survey were looked at to see what needed to be addressed by the hospital and what needed to be given priority.

As the survey was reviewed by the Senior Leadership team, areas of focus and clarification were outlined. The Senior Leadership Team wanted to ensure the CHNA was not only dealing with the opinions of the community, they wanted to make sure they had the data to make appropriate decisions. Finally a revised CHNA was prepared and taken to the Board of Directors for their input and approval.

**RESOURCES AND SECONDARY INFORMATION:**

The CHNA for Bartlett Regional Hospital Utilized Data From:

**County Health Rankings.** Since it began in 2010, County Health Rankings ranks the health of nearly every county in the nation and is a collaboration between the Robert Wood Johnson Foundation and the University of Wisconsin Population Health Institute. The program awards grants to local coalitions and partnerships working to improve the health of people in their communities. The information received from this website appears to be from 2016.
**Current Census Data.** The United States Government conducts a census every few years to gather data on certain demographics in the country. The last census data for Juneau, AK was conducted in 2015.

**Survey Conducted Through the Hospital and Community.** A survey was designed in conjunction with Cycle of Business and Bartlett Regional Hospital to gather information from the community on the immediate needs of the population.

**Broad Interests of the Community Were Considered:**

Special care was used to find individuals in the community who could help define the health care needs of the community representing the youth, the elderly, and varied cultures.

The individuals involved in the initial meeting were asked to review the survey and give their input on the needs of the hospital. Additional efforts were made to reach out to the community in general to give input on the survey. A link to the survey was sent out to the major employers in the community. Employers and community members were contacted personally.

**Parameters for Data Collection**

Bartlett Regional Hospital has some of the best imaging equipment in the state.
COB and BRH used the most recent population and demographic information available to ensure the community needs were being met. This included gathering national statistics of the services area as well as the demographics of the service area. The federal government also tracks certain health statistics across the U.S. by county. This information was compiled to give a good baseline of where certain health needs were being met and areas that needed improvement.

**DEMOGRAPHICS:**

The demographics for the area were collected through the use of census data and other reports. Unfortunately the latest data was only as recent as the 2015 census. Although exact population and demographic information may vary slightly from that articulated in the CHNA, the outcomes of the CHNA will not be affected by any minor discrepancies.

The population of the City and Borough of Juneau, AK is estimated for 2015 at approximately 31,275. Due to the fact the additional zip codes from the secondary service area we incorporated into this analysis only make up a small portion of the population served, we will use the demographic data from Juneau to represent the secondary service areas. Therefore, based on what we know from Juneau:

- 67% of the population are between the ages of 18 and 64
- 18% are 60 or older

<table>
<thead>
<tr>
<th>Age</th>
<th>Population by age range</th>
<th>Population by age category</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 to 64</td>
<td>67%</td>
<td>67%</td>
</tr>
<tr>
<td>65 and over</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Under 18</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

- 49% of the population identify as women
- 65% are white and 11% are Native Alaskan, 7% are Asian, while 6% regard themselves as Hispanic.
96% of Juneau residents have graduated from high school compared to the Alaska average of 92.4%.

40.3% of Juneau residents have a Bachelor’s degree of Higher.

This is 1.4 times the rate of the rest of Alaska which is only about 29%.

“BRH DOES AN OUTSTANDING JOB PROVIDING ESSENTIAL SERVICES TO THE COMMUNITY OF JUNEAU WITH A LIMITED AMOUNT OF FUNDING”

Survey Participant
• The median household income in the City and Borough of Juneau is $90,749 with a per capita income of $41,904.

• 7.4% of the population live in poverty

• 13% of the population of the City and Borough of Juneau live without health insurance. This 13% of uninsured people is 3% less than the state of Alaska which is 16%.

The City and Borough of Juneau has some areas that are advantageous to the people who live there. 100% of the people report having access to exercise. The 13% of people without insurance is relatively low and they have extremely good ratios of patient to provider for Primary Care, Mental Health, and Dental.

On the other hand Juneau has a fairly high ratio in the following health risk factors:

• Excessive drinking is above top performing counties

• Alcohol impaired driving deaths (Half of all automobile deaths)
According to the County Health Rankings website, in half of all driving accidents where there is at least one fatality, alcohol was a contributing factor.

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<thead>
<tr>
<th></th>
<th>Juneau County</th>
<th>Top Performers</th>
<th>Alaska</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Smoking</td>
<td>18%</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>Adult Obesity</td>
<td>29%</td>
<td>26%</td>
<td>30%</td>
</tr>
<tr>
<td>Excessive Drinking</td>
<td>22%</td>
<td>13%</td>
<td>19%</td>
</tr>
<tr>
<td>Alcohol Impaired Driving Deaths</td>
<td>50%</td>
<td>13%</td>
<td>37%</td>
</tr>
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</table>

- STDs including HIV are much higher than we would like to see

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<thead>
<tr>
<th></th>
<th>Juneau County</th>
<th>Top Performers</th>
<th>Alaska</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIV per 100,000</td>
<td>69</td>
<td>49</td>
<td>109</td>
</tr>
<tr>
<td>Sexually Transmitted Infections per 100,000</td>
<td>494.6</td>
<td>152.8</td>
<td>771.6</td>
</tr>
<tr>
<td>Teen Births per 1000</td>
<td>17</td>
<td>14</td>
<td>30</td>
</tr>
</tbody>
</table>
• Drug overdose almost 3 times what we would like to see

• Mammogram Screenings should be higher

• Flu Vaccinations 35% lower than top performers

<table>
<thead>
<tr>
<th></th>
<th>Juneau County</th>
<th>Top Performers</th>
<th>Alaska</th>
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</thead>
<tbody>
<tr>
<td>Life Expectancy</td>
<td>79.5</td>
<td>81</td>
<td>78.5</td>
</tr>
<tr>
<td>Premature Death</td>
<td>7,900</td>
<td>5,400</td>
<td>8,200</td>
</tr>
<tr>
<td>Mammography Screenings</td>
<td>33%</td>
<td>49%</td>
<td>33%</td>
</tr>
<tr>
<td>Flu Vaccinations</td>
<td>34%</td>
<td>52%</td>
<td>32%</td>
</tr>
<tr>
<td>Drug Overdose</td>
<td>29</td>
<td>10</td>
<td>18</td>
</tr>
</tbody>
</table>

Premature death is another area of concern. This number is calculated by taking the cumulative number of years people die in the community before reaching their 75th birthday and extrapolating that number for a population of 100,000 residents. For Juneau the equivalent of 7,900 years would be lost between the time people die and their 75th birthday if Juneau had a population of 100,000. In the state of Alaska 8,200 years are lost per 100,000, However the CDC would like to see those rates closer to 5,400 per 100,000.

One other point of concern is that drug overdoses in Juneau are almost 3 times the national average and almost 66% more than the State of Alaska. This concerning health factor was supported later with the results of the CHNA survey. Mental and Behavioral Health issues were the most common concern of the respondents in open ended questions.

**THE PROCESS**

**meetings with community members and focus groups**
Initial meeting:

On October 4 and 5 of 2019 a meeting was held with members of the community who demographically, represented the people of the community. Special care was taken to ensure all people would be represented in the results of the survey. This meant reaching out to large employers as well as special interest groups who would help ensure all demographics were well represented. Discussions took place to review a template of the survey to be distributed, and suggestions were made to ensure the survey would be acceptable to all potential respondents.

The focus group recognized that health care needs may differ between genders, ethnicity, sexual preference and age. The focus group also pointed out that Juneau has a growing LGBTQ+ population and each subset of that group would have unique needs. As a result, the survey was written to be inclusive and ensure that everyone would feel comfortable in responding to the question.

The survey was also written to go beyond the current national data that is readily available. BRH wanted to be able to specifically look at the results needed to meet the service needs of the community. They also wanted to staff the hospital with the appropriate physician mix.

DISTRIBUTION OF SURVEY

After reviewing and revising the CHNA survey, BRH sent a link to the survey out to community members who represented the population at large and specific demographics within the community. The representatives then forwarded that link to their respective communities in order to ensure the population was appropriately represented in the answers of the survey. Additional links to the survey were also placed on the hospital’s website and radio interviews were given to make sure the community would
know how to access the survey.

After giving the community 3 weeks to respond to the survey, the responses were gathered and analyzed to be presented to the Senior. Leadership staff.

**COMMUNITY ENGAGEMENT**

The community was well represented in the initial meeting where the process and a description of their assistance was discussed. Bartlett staff wanted to ensure the broad interests of the community were taken into consideration. The participants gave important insight into what needed to be included in the survey and how to make sure certain specialties were brought to the public to insure what services were most needed.

253 members of the community responded to the survey. Respondents appeared to cover all the demographics of the community. Their feedback covered health needs of the community but also social challenges and suggestions for improving access to care. They were candid in their responses and gave the hospital information that will assist them as they improve on their service to the community. The feedback from this survey will be utilized to develop a strategic plan for the year 2020 and beyond.

**THE RESULTS**

**SURVEY RESULTS**

Results of the survey centered around a few key areas.

**Utilization:** The hospital is currently not being utilized by the community as one would expect. 57% of the respondents said they do not use BRH for their main healthcare. 56% of the respondents had received some of their healthcare from hospitals outside of Juneau in the last 3 years. The reasons for this varied, but dealt mainly with specialties the patient needed. Due to the nature of specialties and what BRH offers, it is possible that some of the respondents could be using BRH for primary care only to be referred outside for specialties that are not available in Juneau.
There were also concerns about insurance coverage as well as the cost to the patient. Alaska has a higher cost of healthcare than other areas in the lower States. This concern showed itself throughout the survey.

**Specialties:** Recruitment is always difficult in rural hospitals. Due to the remoteness of the area and the limited number of people in the area, it has been difficult to hire and retain specialists. This has made it more important than ever to ensure the specialties provided by a hospital such as Bartlett Regional Hospital are specialties that are supported by the community and ensure the physician is able to have enough business to make it viable.

The Community Health Needs Assessment mentioned several specialties that will need to be explored. Those specialties included, Cardiology, Endocrinology, Nephrology, Neurology, Orthopedics, Oncology among others. Developing a responsible plan for growth in the specialties will take more research beyond the CHNA, however, the information in the CHNA will assist in focusing our attention in the correct areas. BRH will review the results of the survey, comparing them to current hospital data to see how those requested specialties line up with existing physicians as well as needed specialists. Based on the need, the expressed desire to have someone local, and the financial feasibility, BRH will decide on which specialties need to be filled, methods for filling them, and the timeline for doing so.

**Mental Health:** Mental health was referred to more than any other topic in the open ended questions. It appears that Mental and Behavioral health is a concern that affects almost every member of the community. Areas specifically mentioned were mental health among the homeless population, grief counseling, and drug and alcohol addiction. As mentioned above, Juneau faces nearly four times the level of alcohol related driving deaths, nearly three times the level of drug overdoses, and nearly twice the level of excessive drinking as the top performing counties in the nation.

Bartlett already has a robust Mental health program which includes:

1. 16 bed residential substance abuse recovery program
2. Large behavioral outpatient service
3. 12 bed locked adult mental health unit
4. 8 bed crisis intervention center under development with separate beds for Adults and Youth
Additional insights from the survey:

When asked what services the respondent, a member of their family, or a person they know from the community utilized, respondents prioritized the following at the top 10 services. Many of these are already provided by BRH.

![Top 10 Services For Juneau](chart)

**Robotic Surgery:**

Robotic surgery is becoming more prevalent in the industry and many newer physicians are being trained to use them for specialty procedures during medical school and their internships. Some rural hospitals are finding they are unable to recruit specialists who are trained and rely on these machines. There are concerns about how patients, as well as physicians, would feel about bringing these services to Juneau.

When asked, “Would you be open to having a robot used for a surgery performed on you or a loved one?” 45% of the respondents said yes, 32% were unsure, and 23% said no.
Would you be open to having a robot used for a surgery performed on you or a loved one?

Answered: 250  Skipped: 3

Supportive Services:

When asked about how people felt about the supportive services BRH provides to their patients, the top five services where BRH was doing well were as follows.

1. Follow-up /Discharge Planning
2. Referral to Other Locations
3. Health Education
4. Help Understanding Recommended Medical Care
5. Care Management

However, there were areas where BRH could improve. These areas include:

1. Bariatric Services
2. Translation
3. Help With Enrollment Services for Medicaid
4. Medical Supplies For In Home Use
5. Transportation
Transportation issues were multifaceted with difficulties coming to Bartlett from surrounding areas because the Governor of Alaska has cut funding for the Ferry. This has made transportation difficult for some people.

The second area of transportation concerns dealt with Air Transport from Juneau to outside hospitals that can better serve certain healthcare needs. Juneau has three separate transportation companies each requiring an annual fee. These companies take shifts to fly people out when needed. Juneau residents are concerned the transporter they have chosen may not be the on duty service when they need it.

**Demographic Services:**

When looking at areas BRH does well in servicing the health needs of the community, positive results were seen in the following categories:

1. Adults
2. Children
3. Women Of Child Bearing Age
4. People Eligible for Medicare / Seniors
5. Schools

However, there are a few groups where the community felt needs were not being met. Those groups included:

1. Transgender Community
2. People with no insurance
3. The Homeless
4. People with Behavioral Health Needs and Substance Abuse Issues
5. People with minimal insurance

When asked what aspects of healthcare are most important to the community, it was interesting to see the perspective of the people of Juneau. The top five most important areas to the residents revolved mostly around taking charge of their own health. They were:
1. Access to healthy foods

2. Scheduled Appointments

3. Urgent Care

4. Convenient Pharmacy

5. More active care management by your primary care practitioners

**Barriers to Using BRH:**

When asked if there were barriers to using BRH only 29% of the respondents said there were. The top two reasons they gave were Cost and the availability of Specialist. However, when asked where people had actually received care in the last 24 months, the main reasons for getting care outside of BRH or its clinics were because of lack of specialties at BRH. Cost was the least common answer.

When asked in what areas the people of Juneau would like additional information and learning to help them stay healthy, Addiction Recovery and Substance Abuse took the top two position. They were followed by Depression and Anxiety, Diet and Nutrition, with Smoking/vaping rounding out the top 5.

<table>
<thead>
<tr>
<th>Area</th>
<th>Highly Applicable</th>
<th>Applicable</th>
<th>Not Applicable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addiction Recovery</td>
<td>56.31%</td>
<td>18.02%</td>
<td>25.68%</td>
<td>222</td>
</tr>
<tr>
<td>Substance Abuse</td>
<td>57.34%</td>
<td>19.72%</td>
<td>22.94%</td>
<td>218</td>
</tr>
<tr>
<td>Depression or Anxiety</td>
<td>55.36%</td>
<td>26.57%</td>
<td>16.07%</td>
<td>294</td>
</tr>
<tr>
<td>Diet/Nutrition</td>
<td>45.69%</td>
<td>41.89%</td>
<td>13.51%</td>
<td>222</td>
</tr>
<tr>
<td>Smoking/Vaping</td>
<td>45.41%</td>
<td>28.44%</td>
<td>26.15%</td>
<td>218</td>
</tr>
</tbody>
</table>
IMPLEMENTATION PLAN

Senior Leadership reviewed the results of the survey in order to create a structured Implementation plan. During this meeting several areas of concern were identified as areas BRH would like to explore as they prepare for an upcoming strategic planning session. These areas, as well as the physician analysis will be discussed in the upcoming strategic planning session this spring.

Enhance Patient Navigation:

Residents mentioned they would like more help in navigating their healthcare. This included educating the population around what to do when they have a condition and how to work with the BRH, their Insurance Company and what to do once they are released.

Getting the right Physician/Specialist mix:

BRH will be working with the local physician group to review the physician assessment and how those numbers align with the current staffing levels.

Develop a faster way for people to move through the ER:

BRH would like to reduce the time in the ER and become more efficient in dealing with wait times and service there.

Dealing with the 5% cut on medicaid payments:

The State of Alaska has cut 5% in reimbursements from medicaid. This loss can negatively affect the organization’s ability to support programs that don’t cover their cost.

What to do about state employee cutbacks/less insured people

With cutbacks in government employees, fewer people have insurance. This has had a negative effect on the hospital. BRH is looking into what, if anything can be done to prepare for such cutbacks and loss of covered people.

Ferry and Air Evacuation transportation issues.

Transportation can be an issue in remote areas. The government has cut back on the number and frequency of Ferry Transportation to Juneau. In the CHNA survey people from BRH’s Secondary Service Area expressed concern they were not able to
get to BRH for services. In addition, survey participants mentioned they would like to see a better solution for Air Evacuation issues. Maybe with a program that covers all carriers.

**Partner with state on health plans for employees and retirees**

BRH would like to explore with the State what can be done to help employees and retirees keep their health insurance.

**Mental Health/Behavioral Health**

Even though BRH has a fairly robust Mental Health Program and is building a new facility to assist both adults and teens. They would like to ensure the needs of the community are covered and that the community is aware of what is offered.

**REVISIONS TO PHYSICIAN RECOMMENDATIONS**

In 2015 BRH hired MJ Philps and Associates to conduct a Hospital Development Plan for Medical Staff and Hospitalists. This report was designed to give a better understanding of the staffing needs at Bartlett Regional Hospital based on population and a number of widely accepted physician to population ratios. This report identified a number of areas where BRH could modify their existing staffing models and better meet the population models.

Cycle of Business took the MJ Philps Study and compared the identified staffing needs to the feedback on the Community Health Needs Assessment Survey. This was done to ensure the recruiting efforts were focused on staffing that met population needs as well as the specific health needs of BRH’s primary and secondary service areas.

Recommended physician to population ratios were reviewed based on the same studies used for the Michael Philps Study of 2015. Declining populations also impacted the number of physicians needed at BRH.

These numbers were then matched to survey information as well as data from BRH databases to calculate the correct physician mix. BRH and Cycle of Business also addressed the prioritization of specialty need in an effort to bring in the right services first.

Other options such as Telehealth and Traveling Physicians were also discussed as strategies to meet the current and upcoming needs of the population.
**FINAL PRESENTATION TO BOARD**

Senior Leadership met to review the information from the CHNA survey. This information outlines the wants and desires of the community. It gave insight into areas the respondents considered were important to the health of the community. However, there were areas of concern that weighed heavily on the community that may not have been as wide spread of a concern as the CHNA survey made them out to be. These false positives were a result of recent government cutbacks coming directly from the Governor's office. Before taking information that may have been disproportionately influenced by recent news stories, the results of the survey were matched against data from the hospital. This allowed BRH to take the most important topics directly to the board for consideration and allowed BRH to focus their energies on the right areas.

The Final presentation to the board will be given after the Senior Leadership team has had a chance to review and create a recommended implementation plan. Additional steps will be taken to convert the more general action plan to more specific actions during the Strategic Planning session planned for Spring of 2020.

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**PART B: UPDATED PHYSICIAN ANALYSIS**

**BACKGROUND:**

In 2015 Bartlett Regional Hospital contracted with Michael J Philps & Associates to analyze the number of physicians currently working with BRH. The purpose of this study was to ensure the correct level of staffing to handle the healthcare needs of the community. Recommended levels of physicians by specialty were based on ratios of physician per 100,000 residents and then adjusted based on the population of the BRH primary service area.

Cycle of Business has revisited those numbers and that methodology and revised the numbers accordingly. Some specialties BRH is currently offering were not included in the original analysis. COB has added those specialties to the current analysis and included
recommended staffing based on current nationally accepted staffing levels. Adjustments were made in the formulas to scale appropriately. Finally the specialists were given a staffing relevance ranking based on the level of concern stated in the Community Health Needs Assessment. This allows BRH to prioritize the recruiting efforts of staff based, not only on the shortage of physicians but also on the wants of the community.

**CONSIDERATIONS:**

The levels stated in this survey are based on current levels. In 2015 the projected staffing, numbers were based on expected population for the year 2020. During the last 4 years the population of the City and Borough of Juneau has not grown according to expected growth rates. In fact, the population has decreased slightly. As a result COB has recommended staffing to current population and not for growth.

When calculating staffing levels this year, several organizations that project physician numbers have adjusted their 2015 calculations for what the appropriate staffing levels should be as of 2019. Those numbers have been modified for 2019 when calculating blended averages. Even though the same companies were used where possible, the recommended numbers of those companies varied slightly. COB also found in some cases there were no updated numbers for certain specialties.

A few points to mention are around Oncology and Geriatrics. These specialties are focused mainly on the elderly. Therefore, the blended averages were also multiplied by the percent of the population most effected to get a better idea of how many physicians to consider. In the case of Juneau, 28% of the population are 60 or older. Once the blended averages were reached, 28% of those numbers were used as the recommended number of physicians needed based on appropriate demographics.

**CALCULATING PHYSICIAN STAFFING AVERAGES:**

Exhibit 1 is designed to give a blended average of physicians required given the population size of BRHs primary service area. The numbers used were based on the 4 sources used in 2015. For some specialties recommended numbers were not available from the original sources, and therefore COB utilized the numbers available to them from other sources. In those cases the recommended ratio was placed in the Solucient column in Exhibit 1.

An area that needed special consideration was the right staffing levels based on current mix of Family Medicine physicians vs OB/GYN. All national numbers were based on OB/GYN levels. BRH has several Family Medicine physicians that also do OB work. They have only
one physician who specializes in Obstetrics and Gynecology. Current physician levels confirm that BRH has more than enough physicians to fill Family Medicine positions. For the size of the Primary Service Area, between 10.0 and 13.5 Family Medicine physicians are recommended. BRH currently has a total of 19 FTEs in this category. On the other hand, for the population size, 3.5 to 4.7 OB/GYN physicians are recommended. BRH currently has 1 physician who specializes in OB/Gynecological work. Therefore it might make sense to replace retiring Family Medicine physicians with OB/GYNs in order to balance the mix. (See Exhibit 2)

In the case of certain specialties, the numbers of specialists were difficult to find. Also in the case of specialties like Geriatrics and Oncology, the specialty is either exclusively or primarily used by the elderly. The rationale for the numbers presented in these specialties are explained in the appendix.

**PHYSICIAN DEFICITS AND OVERAGES:**

Bartlett Regional Hospital wanted to see where the community had appropriate resources and where they had deficits. Recommended staff levels were calculated and compared to current FTEs in order to decide where to focus efforts. Information from the CHNA was also reviewed in order to help prioritize areas where the community might have needs waiting to be filled.

A unique characteristic is the population adjustments needed for the tourist months. Juneau is a port on many Alaskan Cruise lines. This leads to the population increasing dramatically over those months. For 6 months out of the year an addition 11,111 people per day are coming to the area. This brings its own set of problems, one of which is staffing for potential illnesses that may occur.

Exhibit 1: Physician Calculations

COB calculated the physician staffing levels based on non-tourist season populations as well as tourist season populations in order to get a better idea of what the levels of staffing should be. They are also reflected in Exhibit 2 above.

**NEXT STEPS:**

BRH will discuss the staffing levels with the physician groups covering the area, to decide on correct staffing. They will discuss the areas that showed up in the CHNA as levels of
Concern with the population. They will also look at what specialties they are seeing that are currently being referred outside of the area for services. In deciding on the proper specialty — patient — population ratio, BRH will be able to better meet the demands of the community.

Once the staffing levels are decided, BRH will need to look deeper into the feasibility of certain roles and staffing levels. This will be part of the Strategic Planning sessions planned for spring of 2020.

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<td>9.1</td>
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<td>1.7</td>
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<tr>
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<td>2.9</td>
<td>3.7</td>
<td>3.1</td>
<td>2.9</td>
<td>31.754%</td>
<td>42.865%</td>
<td>0.9</td>
<td>1.3</td>
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<td>2.7</td>
<td>5.5</td>
<td>9.3</td>
<td>12.3</td>
<td>7.5</td>
<td>31.754%</td>
<td>42.865%</td>
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<td>Family Medicine</td>
<td>40</td>
<td>25.2</td>
<td>38.3</td>
<td>22.5</td>
<td>31.5</td>
<td>31.754%</td>
<td>42.865%</td>
<td>10.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Family Practice / OB</td>
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Exhibit 2: Physician Staffing Report
APPENDIX

Rationale for numbers.

**Geriatrics:** This was a difficult number to find. None of the reference studies had calculated for geriatrics. COB was able to find a US News and World Report article in which the American Society of Gerontology gave some statistics. These were that about 30 percent of the 65 and older patient population will need a geriatrician and that one geriatrician can care for 700 patients. Given the population of Juneau during tourist season and the off season, COB calculated the needed geriatrician numbers as follows.

<table>
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<th>Calculation for Gerontologists</th>
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<td>Population of Juneau / Season</td>
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<td>-----------------------------</td>
</tr>
<tr>
<td>31,754</td>
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<tr>
<td>42,865</td>
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**Radiation Oncology:** COB was unable to find credible numbers for Radiation Oncologists as well. Most of the tables had numbers for a category called Hematology/Oncology. This number was used to for the calculation of Medical Oncologists in our study. However, the only numbers available for Radiation Oncologists were based on the Supply of Radiation Oncologists Rather than the Demand for them. COB then calculated what the supply would dictate based on the the percentage of population likely to get cancer and the percentage of cancer patients likely to use radiation for treatments. In just new patients based on 2020 estimates, Juneau would need a .2 FTE increase to the existing demand. This validated an estimate for Radiation Oncologists as a percentage of the supply side as a starting point and then consulting with the existing oncology practice in Juneau to decide on what would be most appropriate.

<table>
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<td>2020 Expected New Cancer Cases in U.S.</td>
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<td>1,956,916</td>
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<td>Patients per Radiation Oncologist per year</td>
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<td>250</td>
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CONDUCTED BY
CYCLE OF BUSINESS
2019-2020
Bartlett Regional Hospital

Provider Network Development Analysis Response to Request for Proposal

January 21, 2020

CONFIDENTIAL
City of Borough of Juneau  
Purchasing Division  
155 South Seward Street  
Juneau, Alaska 99801

ECG is pleased to present the attached response for the Request for Proposal 20-109 entitled “BRH Provider Network Development Analysis.”

**Our Understanding of Your Situation**

Bartlett Regional Hospital (BRH) is the sole community provider of hospital services within the City and Borough of Juneau (CBJ), Alaska. With primary competitors located at least 400 miles away, BRH is uniquely positioned to provide care across roughly 3,250 miles of the southeastern Alaska Panhandle. The nature of the geography, as well as the unique competitive landscape in the state, have allowed the organization to secure a stable market and financial outlook; however, the traditional market boundaries that once made Juneau a largely self-contained healthcare service area may be redefined by efforts to reduce the cost of care through innovative methods of access and evolving care pathways.

While BRH has demonstrated its commitment to providing high-quality care through top quartile performance in readmissions, HCAHPS, and Medicare’s Value-Based Purchasing Performance scores, the operating cost structure that is required to sustain this performance in Alaska is high. In fact, BRH’s current Operating Expenses Per Adjusted Patient Day are among the highest in the country. This degree of investment makes the organization particularly vulnerable to reimbursement changes and the potential outmigration resulting from payers directing patients to out-of-state providers. In fact, BRH’s second largest competitor in terms of leakage is Virginia Mason Medical Center in Seattle.

While many health systems in the state have been able to mitigate this impact through partnership or alternative reimbursement models from tribal affiliation, as an independent health system, BRH has managed to remain viable through more traditional management. To date, this approach has been successful as BRH’s Board of Directors and management believe that the organization is currently in a strong financial and market position. In light of the changing healthcare landscape and factors like those mentioned, they do feel the need to proactively evaluate how to best maintain and expand on BRH’s existing strengths. They also want to evaluate strategic alternatives in order to better define and identify the most effective options for the organization’s long term success.
Our Qualifications

ECG is a national healthcare consulting firm that for nearly 50 years has worked exclusively in the healthcare provider sector serving academic medical centers (AMCs), hospitals and health systems, and physician organizations including several of the largest health systems in the state of Alaska. Over 250 consultants in 10 offices across the country, including Atlanta, Boston, Chicago, Dallas, Minneapolis, San Diego, San Francisco, Seattle, St. Louis, and Washington, DC, partner with clients to assist them with a broad range of strategic, financial, and operational challenges. Since 1973, we have completed over 12,100 consulting projects for more than 2,400 clients nationwide. Over 80% of our clients ask us to assist with additional projects—a statistic that we believe speaks strongly to client satisfaction and the quality of the services we deliver. ECG brings a unique perspective to healthcare strategic option evaluation; we combine a strategic perspective with a skilled technician’s understanding of the detailed nuances that affect the long-term success of healthcare providers overall.

Authorized Representative

John S. Budd
Associate Principal
ECG Management Consultants
3030 Clarendon Blvd
Arlington, Virginia 22201
P: 571-814-3476
F: 703-522-8470
Jbudd@Egmc.com
www.ecgmc.com

Acknowledgements

ECG acknowledges the receipt of the RFP and subsequent addendums.

We look forward to discussing our response in detail with you further.

Sincerely,

John S. Budd
Associate Principal
Our Understanding of Your Situation

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Engagement Objectives

To achieve this goal, BRH and CBJ seek a qualified consultant to provide a comprehensive situational assessment and provide leadership with a detailed analysis of available strategic options. Specifically, BRH and CBJ seek the following:

» A comprehensive situational assessment outlining the most relevant commercial, organizational, and statewide factors that will be pertinent to planning for the future positioning of the organization

» A thoughtful evaluation of BRH’s current-state trajectory that is accompanied by available strategic options, including short and long-term financial analysis, tradeoffs, and the medical staff implications to change

» A recommended implementation strategy for each option, including timelines, major milestones, critical paths and financial implications

Based on our experience assisting health systems with similar engagements and our prior work with BRH and across Alaska, ECG is uniquely qualified lead this scope of work. We look forward to
partnering with BRH and CBJ on this engagement and have developed the approach and scope document below in response to the request for proposal (RFP).

**Our Methodology**

Based on our experience with other community hospitals that were exploring their strategic options, the process that BRH and CBJ employ can be as important as the outcome; your constituents and regulators will ask whether the Board of Directors honored its fiduciary responsibility to objectively evaluate its options. Ultimately, the fundamental determination of whether BRH should consider a strategic partnership of any type should be based on that partner’s ability to successfully meet the needs of its community and independently achieve its strategic goals. Accordingly, our process is designed to build toward this decision objectively, to make sure BRH’s board can confidently represent to its community that all potential courses of action were thoroughly examined in the best interest of the organization and those it serves.

As part of this process, we propose engaging the two groups below in support of this engagement. These participants will provide guidance and support in determining BRH’s future direction.

- **Planning Committee:** We suggest that a planning committee with four to six members be formed as the primary group to participate in the strategic options assessment. We recommend that this group include a subset of board members and senior leaders. We envision this group meeting several times, both in person and by conference call, over the course of the assessment process as further delineated in this proposal.

- **Senior Leadership:** Typically, for a strategic options engagement the administrator serves as the primary point of contact for day-to-day issues and project management. Additionally, we suggest weekly or biweekly discussion sessions with senior leadership to review and discuss material for the planning committee.

ECG will communicate our final findings and recommendations to the full board on May 23, 2020, as outlined in the RFP.

**Key Activities and Meetings**

We envision this engagement being divided into the following three components:

- **Component A:** Assessment of Current-State Position
- **Component B:** Assessment of Future-State Position
- **Component C:** Articulation of Strategic Alternatives

Table 1 details the tasks currently contemplated to complete the process. Specific tasks may be modified, depending on BRH’s needs.
### Table 1: Key Project Tasks

**Component A: Assessment of Current-State Position**

**Task 1  Market and Strategic Position Assessment**

We will assess BRH’s current strategic position in the local and regional markets, building on the most recent market assessment and other analyses completed by BRH, if applicable. ECG’s understanding of the historical market dynamics will also expedite the completion of this task. Specifically, we will consider the following:

- Local market demographics, including the age and payer profile of BRH’s service area population
- BRH’s clinical portfolio, including volumes, market share trends, geographic draw, patient complexity, financial performance, physician dynamics, and programmatic differentiation, as appropriate
- Significant and/or unexpected changes in BRH’s performance related to quality, efficiency, and customer satisfaction, as well as supply and demand for its services
- BRH’s distribution network and key access points
- Regional system development, summarizing the strategic footprints and market position of key systems

We will also review BRH’s strategic plan, if applicable, to understand the organization’s priorities, goals, and targeted outcomes as well as its major initiatives, with an emphasis on market-based strategies and key accomplishments to date.

**Task 2  Stakeholder Interviews**

ECG will conduct individual interviews (not to exceed 15 interviews) with BRH’s Board of Directors and senior leaders to gain insights regarding the following:

- BRH’s long-term objectives
- Differentiating characteristics that have led to BRH’s historical sustainability
- Aspirations, objectives, and guiding principles for a potential affiliation/partnership
- Key elements that must be part of an affiliation/partnership, including any specific economic and noneconomic expectations and requirements
- Other factors or considerations

**Task 3  Financial Position Assessment**

We will comprehensively evaluate BRH’s current financial position, capital capacity, and high-level performance requirements, inclusive of a credit analysis, debt capacity analysis, baseline multiyear capital plan, and/or capital position analysis. Key components of the assessment are outlined below.

- **Credit Analysis:** Using the most recent capital market medians, ECG will develop a credit profile analysis that will form the basis for estimating current capital capacity and set future organizational goals and targets. This work will be performed within the context of BRH’s credit rating–specific goals and objectives, if applicable.
» **Debt Capacity Analysis:** We will estimate the debt capacity of BRH’s operating entities based on industry standard methodologies, including cash flow, balance sheet, and cash-to-debt approaches.

» **Baseline Multiyear Capital Plan:** ECG will work with BRH to develop a multiyear estimate of the capital requirements of the organization, including ongoing capital, strategic initiatives, information technology (IT) plans, facilities options, and so forth.

» **Capital Position Analysis:** The above information will be summarized in a presentation document that indicates whether, considering its strategic goals, BRH is expected to have a capital surplus or a shortfall over the planning period.

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**Key Meetings**

» One or two meetings with the planning committee (as needed)

» Sessions with the senior leadership team to prepare for and debrief after the steering committee meetings

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**Component B: Assessment of Future-State Position**

**Task 4  Articulation of BRH’s Point of View**

ECG will work closely with BRH and CBJ to prepare a point of view that describes the key healthcare industry characteristics and trends that are expected to have the greatest impact on BRH’s local and regional market. These may include but are not limited to the following:

» Direction of federal and state healthcare policy

» Health services needs of the population

» Evolution of technology to support care delivery

» Nature of relationships between health services providers

» Organization and structure of future service delivery distribution systems

» Role of the patient in care management

» Structure and function of the insurance market

» Reimbursement environment

» Outlook for continued consolidation in the region and nationally

» Validity and feasibility of current strategic plans and options

With this set of characteristics in mind, ECG will work collaboratively with BRH to identify planning assumptions and key uncertainties. Then we will outline the implications for the organizational strategies and types of initiatives and investments that are—and are not—consistent with BRH’s point of view. This will also provide the context and rationale for BRH’s future-state vision that will be communicated to internal and external stakeholders following this process. Upon completion of the point of view, ECG will work with BRH leadership and other constituencies to determine the organization’s desired position in the region.

**Task 5  Market Demand and Utilization Projections**

Demand modeling will rely on quantitative and qualitative findings uncovered during the market and internal assessment of BRH and its service area. First, volumes for future hospital-based services and outpatient sites will be forecast. Following the volume projections, facility need by key room and modality will be projected over 5-year and 10-year
time frames. ECG’s approach is to model future bed need based on the following four key variables that drive demand for inpatient beds:

» Population
» Inpatient utilization rates
» Incremental patient volumes to the market
» Operational factors such as occupancy rates and length of stay

The estimated volumes will then be translated into key capacity considerations based on historical BRH experience and external benchmark throughput/occupancy standards. For inpatient units, the focus will be on beds and bed type.

**Task 6 Financial Projections**

We will use BRH’s existing long-term financial projections, if applicable, to establish a multi-year view of the organization and assess its capital requirements and financial position under various operational and strategic scenarios. Specifically, we will assist BRH’s financial leadership in:

» Identifying the level of performance required to support defined capital needs.
» Reviewing the current financial projections and recommending adjustments to the underlying assumptions, as appropriate.
» Determining the level of utilization and market-share growth or the cost-saving initiatives required to reach the performance associated with a success strategy; assessing the likelihood of achieving this level.

**Task 7 Sensitivity, Scenario, and Risk Analysis**

ECG will assist BRH in identifying the key variables that drive performance and the sensitivities that will be applied to each. We will then work with BRH’s financial leadership to test the implications of a select number of scenarios (e.g., two or three) compared to the existing financial projections. The analysis will allow us to better understand BRH’s likely future performance. It will also reveal the dependence of this performance on key variables (including volume, payer mix, and reimbursement rates) and inform our assessment of BRH’s viability as a stand-alone entity.

**Task 8 Implications of a Stand-Alone Strategy**

ECG will use our strategic planning framework and the findings from the aforementioned tasks to advance the strategic considerations for BRH into a roadmap for future success. This process will include establishing or refining BRH’s specific goals and identifying preliminary strategies that support the achievement of each goal.

As illustrated in figure 2, ECG believes that, under the current—and ever-evolving—funding and care delivery environment in the United States, health systems must be able to organize and execute across four key strategic imperatives: (1) growth and positioning, (2) community and patient experience, (3) population health management, and (4) value.
Figure 2: ECG’s Strategic Planning Framework

ECG will offer focused recommendations for improvement, redesign, and/or optimization across each of these areas. With these recommendations as context, we will then work with BRH to assess the ramifications of a viable stand-alone strategy. Specifically, we will jointly outline the critical success factors for BRH as an independent organization that would most effectively position it against competitors and address internal weaknesses or deficiencies.

**Key Meetings**
- One or two meetings with the planning committee (as needed)
- Sessions with the senior leadership team to prepare for and debrief after the planning committee meetings

**Component C: Articulation of Strategic Alternatives**

**Task 9  Guiding Principles and Evaluation Criteria**

Based on the work completed in the previous components, ECG will define the long-term objectives that clearly articulate what BRH would seek to achieve through a potential partnership. We will then work with the steering committee to prioritize those objectives by facilitating discussions related to the relative importance and merit of each objective. These long-term objectives will be synthesized into a set of guiding principles.

From the guiding principles, a set of evaluation criteria will be developed that reflects BRH's priorities, including its continued relevance in the market and the achievement of its vision. This criteria will be used to facilitate the evaluation of partnership options and potential partner organizations. Collectively, we will continually measure our progress, based on these initial objectives and guiding principles, to direct the process toward identifying a partnership that addresses BRH’s vision, goals, and objectives.
**Task 10  Identification of Strategic Alternatives**

Using the guiding principles and evaluation criteria developed in task 9, we will assist BRH in examining its strategic alternatives, which may include the following:

» Remaining an independent health system
» Engaging a third-party management company
» Pursuing less than fully integrated partnerships (e.g., joint ventures, collaboratives)
» Fully integrating BRH into a larger system, an academic medical center, or community providers
» Exploring nontraditional partnerships and affiliations
» Other alternatives identified during the analysis

**Task 11  Assessment of Spectrum of Partnership Options**

ECG will evaluate the spectrum of partnership models, ranging from fully integrated structures (e.g., mergers, acquisitions, consolidations, joint operating agreements) to structures that are less than fully integrated (e.g., joint ventures, management agreements, clinical affiliations). In addition, we will discuss the long-term track record for success that is associated with the various models. Finally, for each structural partnership option, we will assess the impact on those factors that are critical to BRH’s success, relative to remaining independent.

**Task 12  Profiles of Potential Partners**

ECG will assemble high-level profiles of possible partners, including organizations in the market and/or the region, that could potentially advance BRH’s achievement of the critical success factors previously identified. These partnership profiles would include the following:

» Corporate form
» Ownership/sponsorship
» Scope and scale of principal service-delivery sites
» Corporate infrastructure
» Physician platform
» Utilization trends
» Market share trends
» Key services and points of competitive differentiation

**Task 13  Evaluation of Strategic Alternatives**

ECG will develop a detailed evaluation matrix and accompanying analyses that summarize the qualitative and quantitative factors of BRH’s stand-alone strategy versus a partnership-pursuit strategy. The framework will delineate the strategic alternatives that are available and the potential risks and rewards associated with each approach.
**Task 14  Deliberations**
We will facilitate a series of deliberations with the planning committee to review and discuss the analysis, interpret the implications of the strategic alternatives, and reach consensus on the key messages to be delivered to the Board of Directors and related constituencies.

**Task 15  Final Presentation to the Board of Directors**
ECG will present an overview of the results of our work during the May 2020 Board of Directors meeting, facilitate a discussion about the findings and recommendations, and outline next steps given the conclusions from BRH’s evaluation of its strategic options.

**Key Meetings**
- Two or more meetings with the planning committee
- Sessions with the senior leadership team to prepare for and debrief from the steering committee meetings
- A detailed on-site briefing of the Board of Directors

**Deliverables**
The key project deliverables for this engagement will be provided in the form of Microsoft PowerPoint presentations that summarize the analytical work and input that is gathered through meetings and work sessions, interviews, and focus groups. Specifically, these presentations will include the following:

- Board and executive leadership education sessions regarding the changing healthcare environment and new developments in partner relationships
- A strategic profile for BRH, including:
  - A high-level market, strategic, and financial position assessment
  - BRH’s point of view and future-state vision of how it intends to serve and be positioned within the market in the near, intermediate, and long term
  - Articulation of key critical success factors that will close the gap between the current and desired future state
- A summary of independent strategic and financial projections, including:
  - The expected impact on volume and/or costs, and the operating and capital requirements necessary to support the future state
  - A summary of key assumptions and output of the financial projections, as well as a financial plan tied to the independent strategic and financial direction
- A summary of the evaluated strategic partnership alternatives and structures, potential benefits and risks, and recommended next steps
- A comprehensive summary encompassing the findings, which will serve as the primary communication document to organizational stakeholders
Management Plan

RFP Management Plan Questions

a) Organizational chart specific to personnel assigned to accomplish the work, including any sub-consultants, include personnel’s backgrounds and relevant experience.

» Include the length of time this group has worked together.

RESPONSE: The Strategic and Business Advisory division at ECG has been working on similar engagements nationally for over 45 years. While our teams work on different projects at different times, our team brings a significant depth of experience including senior leaders with more than 20 years guiding health system strategy and potential affiliations

» Include any referenced projects this team has completed.

RESPONSE: See the “References and Case Studies” section for several examples of projects that the division has undertaken.

» Describe the role this team occupies within your organization.

RESPONSE: This team represents senior leadership from both our Strategy and Business Advisory (SBA) services division as well as our Performance Transformation (PT) division. This approach allows our team to bring a wholistic and actionable approach to these types of engagements.

» Describe individual specialties in management or provider network development.
RESPONSE: Detailed individual specialization information for the team can be found in the summary biographies provided in the "Experience and Qualifications" section. In addition, select expertise has been added to this engagement to bring a depth of knowledge working with smaller health systems to evaluate independence and other alignment options as well as significant Alaska subject matter expertise.

b) Lines of authority

RESPONSE: Over the course of this engagement, all project staff and SMEs will report directly to the project manager for the purposes of ensuring that project deliverables meet the highest level of quality standards. The project manager will report to the Project Officer.

c) Individual responsible for decision-making and accountable for the completion of work (project manager) and the extent to which this individual will be available to BRH. Provide his/her level of authority

RESPONSE: The project manager and officer will have broad decision-making authority and be accountable for the completion of the work. Our project managers are senior firm leaders and as such are entrusted to lead client engagements on behalf of ECG. If BRH or the project manager require additional support, they can escalate to the project officer who is a shareholder in the firm.

d) Describe how this project fits into your overall organizational structure and the current workload.

RESPONSE: In order to assist BRH with completing this engagement and meeting their timelines, upon selection of ECG, our leadership team will protect the necessary hours on each individual's workload to make certain that this engagement is a high priority and that uninfurged staff and leadership time is dedicated to BRH.

e) Describe how other departments within your organization will support the team assigned to this project.

RESPONSE: This is the advantage of working with ECG. The breadth of expertise from strategy, clinical service line development, managed care strategy and performance transformation allows us to bring in the right resources to answer key questions as they may arise. Throughout the course of this engagement, the project manager may call upon subject matter experts (SMEs) from across ECG to provide additional insights that will help create a more holistic set of options for BRH. These resources will be accommodated within the existing pricing framework outlined below and will be managed to maintain continuity for BRH.

f) Describe your approach to project monitoring, control, risk assessment, and management.

RESPONSE: Our project managers and officers have a structured approach to project monitoring and management. Beginning with a rigorous internal project work plan accompanied by regular staff reviews, we set clear expectations for major project milestones in line with our client's needs, both internally and with our clients. At the outset of the engagement, we will schedule routine check-ins with BRH project sponsors to discuss current status and any variation from the project plan—including rationale, expected corrective path, and any other details that are necessary.
Experience and Qualifications

Project Team

ECG brings a unique perspective to healthcare strategic option evaluation; we combine a strategic perspective with a skilled technician’s understanding of the detailed nuances that affect the long-term success of healthcare providers overall. The core ECG team members will lead and facilitate this engagement and work closely with BRH leadership to ensure all objectives are met and the engagement’s progress and outcomes are in accordance with our firm’s highest standards. We anticipate that this team would facilitate all components of this project; however, additional subject matter experts may offer support as the need arises. Descriptions of the senior team members and their relevant expertise are provided below.

Jeff Hoffman
Project Officer
Principal

Jeff has been a builder of healthcare relationships for nearly 30 years. He drives collaboration across stakeholders, setting up systems and processes that make action and change possible. He is passionate about developing the right partnerships and affiliations for a new health paradigm—the kind that go beyond the low-hanging fruit of cost reduction to create value through better care outcomes and enhanced market presence.

His client base includes urban multihospital organizations, national health systems, academic medical centers, and community hospitals, such as Cedars-Sinai Health System, UCLA Health, Providence Health & Services, Trinity Health, and Salem Health. Jeff has led engagements on competitive business strategy, mergers/affiliations and partnerships for success in a value-based world, creative physician development and alignment strategy, and health system network strategy to position ambulatory care, clinical service lines, and inpatient capability for quality and value. His industry expertise is bolstered by excellent skills in both the technical and process aspects of planning—he makes complex projects approachable.
John Budd
Project Manager
Associate Principal

John brings his extensive background working at the intersections between service lines, medical groups, and acute care performance to lead clients in comprehensive network strategy development and performance transformation. He has held a variety of executive and senior leadership roles within integrated health systems and has led major performance improvement initiatives with some of the nation’s preeminent health systems. John was among Becker’s Healthcare’s 2019 “Rising Stars: 66 Leaders in Healthcare under 40.”

At ECG, John has worked with a wide range of integrated health systems and large physician practices to expand operations and develop new approaches to improve existing services. John has served in senior system change management roles to drive the adoption of best practices across large and complex systems. He developed and operationalized an integrated health system with more than 500 providers at the University of Kansas Health System. In addition, John has led some of the nation’s premier academic and community health systems in process transformation initiatives, including front-end process redesign, system throughput initiatives, comprehensive revenue cycle performance improvement, and systems optimization. He has also spoken nationally on physician enterprise performance and ambulatory strategy at conferences organized by MGMA, HIMSS, and HFMA.

John is a fellow of both the American College of Healthcare Executives and the American College of Medical Practice Executives. In addition, he is a Lean Six Sigma Green Belt and is certified in Human-Centered Design.

Kevin Kennedy
Subject Matter Expert for Alaska Market
Principal

A 25-plus-year consulting career has given Kevin a unique understanding of shifting trends in the healthcare industry. A member of ECG’s Board of Directors and head of the firm’s Northwest Healthcare practice, Kevin has guided hospital executives and physician leaders through periods of dramatic change, and he is highly regarded for his informed perspective on the industry’s changing conditions and new models of care, as well as the business arrangements required to achieve clinical integration. He has helped dozens of hospitals, health systems, and
medical groups solve their most challenging strategic, financial, and operational problems, and clients value his thoughtful analysis of healthcare business decisions.

Kevin has particular expertise in hospital-physician relationships, physician compensation planning, and service line integration and development. Recently, he has been assisting hospitals with service line and enterprise-wide strategic planning; working with health systems to define their operational relationships with member hospitals; and facilitating multiple transactions, including hospital-hospital and hospital-physician acquisitions.

As the industry moves toward value-based care, providers throughout the healthcare continuum appreciate Kevin’s critical thinking. His recent publication topics include the evaluation of joint venture issues, the changing landscape of hospital-physician relationships, and the physician customer service aspects of operations improvement. Kevin is a frequent speaker before industry associations and has received the Yerger/Seawell Article of the Year award from the Healthcare Financial Management Association for outstanding contribution to professional literature.

Dan Merlino

Subject Matter Expert for Alaska Market
Principal

Throughout his consulting career, which has spanned more than 30 years, Dan has gained the trust and respect of physician leaders and healthcare executives throughout the United States. Dan’s extensive experience has given him unique insights into the strategies and operations of large providers, enabling him to understand the realities of his clients’ environments and design strategies and structures that meet their specific needs. His familiarity with all aspects of the healthcare industry, and in particular the physician practice environment, allows him to offer a well-rounded perspective in addressing issues concerning strategic planning, operations analysis, and the financial feasibility of new ventures.

Dan has assisted major health systems, medical centers, and physicians’ organizations in developing business strategies and implementing organizational and operational improvements. Most recently, he has specialized in strategic planning, physician-hospital alignments, and subspecialty program development, assisting several hospitals in mergers, acquisitions, and new program development.
Kelly McFadden

Subject Matter Expert for Alaska Market
Senior Manager

Kelly's expertise in hospital-physician alignment, physician network development, and physician compensation makes her a trusted partner to healthcare organizations seeking strategies to optimize their physician relationships and performance. As a member of ECG's Strategy and Business Advisory Division, she navigates clients through the complexities of alignment from planning to implementation, helping them understand market demands, assess practice performance and options for alignment, develop contract terms, and operationalize business units to maximize success. Her efforts have resulted in the development of a new medical foundation and two hospital outpatient department specialty clinics in California as well as optimized professional services agreements for primary and specialty care. Kelly has also performed numerous assessments of hospitalist coverage arrangements, advising hospitals and hospitalist providers on industry trends, optimal coverage models, alternative funding models, and compensation plans. Her solutions have resulted in transformative partnerships that support integrated care delivery, expanded access for Medicaid patients, physician recruitment strategies, and aligned incentives for improved organizational performance.

Case Studies

Due to the sensitive nature of partnership negotiations and affiliation planning, several of the case studies have been deidentified. However, references who can speak more broadly to our Alaska market knowledge and strategic business planning services have been provided.

Ketchikan Medical Center Strategic Options Review

City of Ketchikan, Alaska

For several decades, the City of Ketchikan has contracted with PeaceHealth to manage Ketchikan Medical Center (KMC). During the course of the arrangement, PeaceHealth has developed an employed medical group in Ketchikan, provided call coverage for the hospital, and rotated various specialists up to Ketchikan on a regular basis. The terms of the agreement are very general and do not address considerations such as service scope, performance expectations and accountabilities, pricing, or the city's recourse in the event of healthcare delivery concerns. The city council sought consultant support for an effort to implement a more transparent, responsive, and accountable contract going forward. If a satisfactory partnership cannot be negotiated, the council will also need assistance in pursuing other potential operators.
The objective of this engagement was to identify Ketchikan community healthcare needs and concerns and develop a KMC management contract that reflects these considerations. The project includes the following components:

» Review the PeaceHealth contract arrangement to understand and evaluate the nature and components of the current deal, including financial terms, resource commitments, accountabilities, and the parties’ recourse in the event of disagreement.

» Engage the community to identify its perceptions of healthcare delivery in Ketchikan and determine key priorities going forward.

» Identify negotiation priorities that reflect both community needs and current contract gaps.

» Assist in negotiating a new management contract with PeaceHealth.

» If a satisfactory partnership cannot be achieved with PeaceHealth, support a Request for Proposal (RFP) process to identify a new provider.

Findings were presented in a comprehensive report that documents the supporting analysis, outlines key considerations, and provides a recommended path forward given the community’s needs and identified priorities.

**Enterprise Strategic Planning and Performance Transformation**

*Mémorial Health System, Marietta, OH*

Memorial Health System (MHS) is a long-term client of ECG. We completed MHS’s last two strategic plans and continue to do in-depth work on improving the efficiency and productivity of its 300-person medical group. Just recently, ECG supported the introduction of a new IT platform, and the medical group is seeing a 30% to 40% increase in provider productivity. ECG is also leading revenue cycle improvements that have resulted in $2 million in additional cash collections. ECG’s strategic work has led to advancing MHS’s position as a regional rural health system by integrating its medical group, hospitals, and advanced ambulatory platforms.

**Joint Operating Agreement Development**

*Confidential Client*

A large independent medical group with more than 700 physicians in over 50 locations was exploring alignment opportunities with health systems in its geographic area. The group operates in rural settings but has a long history of providing services typically available only in larger urban markets. Poor economic alignment among the group and hospitals has resulted in unsustainable healthcare costs for employers and patients in much of the group’s service area. Alignment was needed to transform the financial relationship among the group and hospitals and provide greater value to the communities the group serves.

ECG was engaged to confirm the preferred alignment strategies for the group and facilitate terms of the arrangements. Our role included the following:
» Determining and evaluating feasible alignment options, including selling a division of the group, establishing either one or two joint operating agreements (JOAs) with health systems in the service area, and other alternatives

» Partnering with the group to evaluate and negotiate the terms of two JOAs with two separate health systems that covered different regions of the group’s total service area

» Assessing changing competitive and market dynamics affecting a joint operating company’s ability to grow, achieve scale, and attain the volumes and market share essential for ongoing viability

» Providing strategic, tactical, and operational recommendations concerning the JOAs and developing a financial impact analysis for such transactions, including scenario and sensitivity models and ongoing performance measurement metrics

» Advising on the incorporation of research and education into the JOA

» Leading steering committees and finance, operations, legal, and health plan work groups for each of the two JOAs to develop definitive agreements

A component of our work included a multidisciplinary study of the operations of the medical group and both health systems, including an in-depth analysis of:

» Clinical laboratories and pathology capacity.

» Radiology provider and plant capacity.

» Pharmacy supply chain and 340B Drug Pricing Program opportunities.

» Physical therapy, occupational therapy, and speech therapy deployment.

» Outpatient surgical capacity.

» Facility and staffing utilization.

» Primary care deployment.

» Physician productivity and compensation.

» Inpatient length of stay.

» Information technology.

» Administrative overhead.

In addition, our team utilized proprietary benchmarking techniques to compare the cost structures of the medical group against other large medical groups nationally and identify further cost reduction opportunities. ECG’s analysis identified savings opportunities in excess of $200 million that could be realized under the two JOAs and through targeted cost reduction efforts. Our analysis included:

» Assessment of opportunities to align ancillary service capacity with regional demand, resulting in the opportunity to reduce variable costs by over $63 million.

» Identification of opportunities to consolidate primary care capacity and reduce the cost of providing care by more than $25 million.
» Completion of a comprehensive cost structure analysis that identified over $75 million in non-staff 
operating cost reduction opportunities.

**Community Health System M&A Advisory**

*Confidential Client*

A not-for-profit, community-based health system headquartered in New England that provides nearly 
half a million patient services per year had improved profitability in recent years, but capacity remained 
limited given its inability to execute on physical plant expansion plans that were postponed due to a 
highly leveraged capital structure and diminished operating cash flow. Inpatient volumes had declined 
year-over-year, and the system had also noted increases in bad debt in the same time frame. Its payer 
mix was heavily weighted toward Medicare, Medicaid, and self-pay, which also limited the system's 
ability to realize meaningful gains in revenue growth.

With increasing competitive pressure due to patient volume out-migration, combined with limited capital 
capacity weighing on future growth potential, the system elected to consider its strategic partnership 
options and identify the optimal manner in which it could serve its patient communities and fulfill its 
long-term mission. ECG's M&A professionals were engaged to provide the health system with a com-
prehensive understanding of the requirements for achieving sustained success in a population health 
environment and ultimately manage the execution of a comprehensive M&A sell-side process to identify 
and engage the optimal partner to help the system achieve its long-term objectives.

The role of ECG's M&A professionals included:

» Leading and executing the M&A sell-side partnership transaction process to maximize the system's 
long-term viability, while simultaneously ensuring its partnership goals and objectives were fulfilled.

» Coordinating efforts to identify and engage a select group of both non-for-profit and for-profit suit-
or, each of whom had a strong strategic and financial rationale for partnering with the system.

» Preparing the confidential offering memorandum, contacting each suitor, and coordinating potential 
partner presentations.

» Drafting and negotiating the letter of intent with the selected suitor and assisting in the development 
and negotiation of definitive transaction agreements.

» Working in collaboration with legal counsel to ensure the transaction’s state and federal regulatory 
approval and consummate a membership substitution transaction resulting in the system's merger 
with a top-ranked academic medical center to become the third founding member of a new, fully in-
tegrated regional health system.

**Regional Hospital M&A Advisory**

*Confidential Client*

A 235-bed, full-service acute care hospital located in rural Pennsylvania with over 2,000 employees and 
a medical staff of more than 270 providers had achieved consistent financial and operating
performance. However, the hospital’s Board of Directors and leadership team recognized that a new set of core competencies would be required to compete in a rapidly changing geographic market. As a result, the hospital began a process to review its strategic options to help ensure that it would remain an essential community healthcare service provider for generations to come.

ECG’s M&A professionals were engaged by the hospital to conduct a comprehensive evaluation of its strategic alternatives within its service area and broader geographic market, including the option to remain an independent entity. The hospital’s Board of Directors ultimately determined that the organization would best achieve its mission, vision, and long-term strategic plan by pursuing a strategic affiliation with a partner that would offer it resources and capabilities to help it succeed in a rapidly evolving regional market.

The role of ECG’s M&A professionals included:

» Serving as the exclusive M&A adviser to the hospital and leading the sell-side partnership transaction process to ensure its goals and objectives were achieved.

» Identifying candidates to include in the partnership exploration process, all of whom demonstrated a strong strategic and financial rationale for affiliating with the hospital.

» Leading the transaction’s overall planning and timing, preparing all marketing and solicitation materials, and contacting and negotiating with the potential partners.

» Receiving and analyzing initial partnership proposals and leading the coordination and completion of site visits and interviews with potential partners.

» Leading the development and finalization of the nonbinding letter of intent, preliminary and confirmatory due diligence, and definitive transaction agreements between the hospital and the selected partner.

» Working in collaboration with legal counsel to ensure the transaction’s state and federal regulatory approval and helping to consummate a change-of-control transaction resulting in the hospital’s acquisition by the largest fully integrated health system in the eastern Pennsylvania market.

References

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<th>Organization</th>
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<tr>
<td>Southeast Alaska Regional Health</td>
<td>Dan Neumeister, MSHA, FACHE</td>
<td>Strategic planning and advisory services</td>
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<td>Health Consortium (SEARHC)</td>
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<td>City of Ketchikan</td>
<td>Lacey Simpson</td>
<td>Strategic planning and advisory services</td>
</tr>
<tr>
<td></td>
<td>Assistant City Manager</td>
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<td></td>
<td>334 Front Street</td>
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<td></td>
<td>Ketchikan, Alaska 99901-6431</td>
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About ECG

ECG is a national healthcare consulting firm that for nearly 50 years has worked exclusively in the healthcare provider sector serving academic medical centers (AMCs), hospitals and health systems, and physician organizations. Over 250 consultants in 10 offices across the country, including Atlanta, Boston, Chicago, Dallas, Minneapolis, San Diego, San Francisco, Seattle, St. Louis, and Washington, DC, partner with clients to assist them with a broad range of strategic, financial, and operational challenges. Since 1973, we have completed over 12,100 consulting projects for more than 2,400 clients nationwide. Over 80% of our clients ask us to assist with additional projects—a statistic that we believe speaks strongly to client satisfaction and the quality of the services we deliver. Our core service areas are depicted in figure 1, including further practice areas that elaborate on specific capabilities.

Figure 1: ECG Core Service Areas

- **Strategy**
  - Enterprise strategy
  - Facility and capital asset planning
  - Service line strategy
  - Physician strategy and alignment
  - Health reform and ACO strategy
  - Mergers, acquisitions, and partnerships
  - Organizational design and development

- **Finance**
  - Business and financial advisory services
  - Payer contracting and reimbursement
  - Provider compensation planning
  - Bundled payments
  - Valuation services
  - Industry benchmarking

- **Operations**
  - Performance improvement
  - Care model transformation
  - Patient access
  - Revenue cycle optimization

- **Technology**
  - IT strategy and planning
  - IT vendor selection and contracting
  - IT system implementation and optimization
  - Regulatory compliance
  - Technology infrastructure and operations
  - Digital health

We pride ourselves on offering the highest-quality management and technical assistance available in the healthcare consulting field, as reflected in the following core values:
» **Client-Focused Solutions:** To serve the best interests of clients above all by providing pragmatic and implementable solutions to problems

» **Highly Specialized Expertise:** To provide leading-edge services to meet clients' evolving needs through continual enhancement of ECG's expertise in core market niches

» **Highest-Quality Services:** To exceed client expectations by demanding excellence and striving for perfection in all work that ECG performs

» **Unmatched Professionalism:** To maintain the highest standards of professionalism, integrity, and ethics in the provision of services

**Recent Siemens Partnership**
The evolution of the US healthcare market toward value-based care is creating unprecedented change in clinical services, payment reform, organizational structures and leadership, technology enablers and disruptors, and patient expectations. And the pace of this change continues to accelerate.

ECG recently announced the next phase of our commitment to improving healthcare delivery and enhancing client relationships through a partnership with Siemens Healthineers. The move demonstrates the willingness of two leading healthcare businesses to combine their highly complementary strengths. ECG will be part of the Siemens Healthineers global Enterprise Services business, which has a strong track record of delivering on long-term business Value Partnerships. As Siemens Healthineers further expands into integrated solution offerings, joining forces with a management consulting firm committed exclusively to the healthcare market is a critical step. The addition of ECG to the Siemens Healthineers portfolio bolsters the company's ability to support our clients with integrated and comprehensive solutions.

**Other RFP Questions and Responses**

a) Describe any comparable assignments completed. Of these, how many clients elected to remain independent and how many sought a partner:

**RESPONSE:** Over the past few years we have had many clients that develop strategic plans with similar questions regarding independence. In fact some have asked this question over the years to make sure they are looking out for the best interests of their constituents. Memorial
Health System, Marietta, Ohio, Blount Memorial Hospital, Marysville, Ohio, and Rice Memorial Hospital, Wilmar, MN are all recent clients. For Memorial Health System they remain independent and we are in process of their fifth strategic plan and we will ask and answer that question again based on the outlook for their future. Blount Memorial Hospital remains independent. And our work with Rice Memorial Hospital assisted them to develop a unique 3-way venture with a large medical group and a larger region health system. Rice Memorial is also a governmental owned hospital.

b) Review your experience in advising local government-owned hospitals in business combination transactions. These include hospitals whose assets or business or both, are owned by either counties, boroughs, parishes, cities or districts:

RESPONSE: ECG has extensive experience working with and advising government-owned hospitals. Rice Memorial Hospital, Wilmar, MN is owned by the City of Wilmar. Blount Memorial Hospital, Maryville, TN is a county owned facility, Marin General Hospital, Greenbrae, CA is a district hospital. At Marin General we assisted with a unique strategic plan that advised they exit their affiliation with a major regional health system and to become independent. ECG assisted in the exit transaction that included multiple public meetings, interactions with the County Board of Supervisors and various major lenders.

c) Describe a creative example of a hospital partnership or affiliation agreement developed by your firm:

RESPONSE: Rice Memorial Hospital (RMH), Wilmar, MN, now Carris Health, was a unique transaction. RMH owned by the city of Wilmar, MN was looking to create a partnership with the regional 125-provider medical group. The medical group was interested, but wanted control of the new organization which was not what the Hospital was interested in, but all recognized the value of a joint Hospital/Medical Group partnership. CentraCare Health from St. Cloud MN, a large regional health system was interested, but neither RMH or the medical group was interested in an outright acquisition. ECG assisted in the creation of a deal where a new LLC was formed for what we called a "Rural Regional Health System" was created. The new LLC "leased" the hospital from the City of Wilmar, the medical group joined the LLC under a deal that they can choose to be acquired in later years and CentraCare funded the LLC, but did not acquire any entity; Carris Health was born. A new Board was created at Carris Health to oversee the venture. ECG has many examples of unique ventures we have assisted in developing; The new Marin Health, Memorial Health System in Ohio, etc.

d) Describe any existing engagements or on-going roles with potential partners for BRH, including investor-owned companies as well as tribally-run or affiliated hospital or healthcare entities:

RESPONSE: ECG has worked extensively across the state of Alaska including with SouthEast Alaska Regional Health Consortium (SEARHC), PeaceHealth, and BRH. We take confidentiality and potential conflicts very seriously and as such, all work products for BRH will be separated and protected from teams engaged elsewhere in Alaska and vice versa.

e) Include any experience working with special committees:
RESPONSE: ECG has worked with local government and their designated leadership in work with county-owned and government-owned health systems nationally. We are comfortable working with a wide range of stakeholder groups including special purpose Steering Committee and have extensive experience working with them.

Include any experience with the State Attorneys General:

RESPONSE: In selected states, we have interfaced with the State’s Office of the Attorney General. One example is in the state of California, where we have worked with the Office of the Attorney General supporting a small hospital client that was exiting an affiliation with a large health system.

f) Describe any challenges experienced with a regulatory agency:

RESPONSE: Our team has many examples of working closely with health system and/or third-party legal counsel throughout our engagements and brings a wealth of experience in developing compliant transaction structures. As such, we have worked with regulatory agencies to seek alternative models or exceptions that have allowed our clients to create and operationalize truly unique strategies.

g) Include any advised transactions where a letter of intent was signed and failed to close, include any extenuating circumstances

RESPONSE: This question assumes a linear “black or white” response; however, partnership discussions are more complex and nuanced. A successful outcome may include the recognition of a smaller community health system maintaining an existing relationship with a potential suitor or deciding to pursue a different model than the one originally envisioned. The key measurement of success for ECG is structuring a formal process with a clear end point, where board members and executive leadership are comfortable with the preferred direction. For some clients, the decision to not conclude the “deal” is the right decision. A “deal at all costs” is never the best way to approach these discussions. ECG has an exceptionally strong track record based on this success metric. Advised transactions do not always close for a myriad of different reasons, and ECG has been engaged in situations where this has occurred. However, due to the sensitive nature of these types of engagements, we are held to the strictest confidentiality standards for our clients and are unable to share specific details regarding these types of transactions.

Price Proposal

The estimated professional fees associated with phase one of this project are $200,000 to $230,000. We will not exceed $230,000 in professional fees without your prior approval. The tables below outline our anticipated hours and rates by project team member as well as our anticipated hours by major project component:

<table>
<thead>
<tr>
<th>Project Team Member</th>
<th>Hourly Rate</th>
<th>Anticipated Hours</th>
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<td>Project Officer</td>
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Bartlett Regional Hospital | ECG
<table>
<thead>
<tr>
<th>Project Component</th>
<th>Anticipated Hours</th>
<th>Projected Fees</th>
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</thead>
<tbody>
<tr>
<td>Component A: Assessment of Current-State Position</td>
<td>231 to 250</td>
<td>$80,000 to $92,000</td>
</tr>
<tr>
<td>Component B: Assessment of Future-State Position</td>
<td>172 to 195</td>
<td>60,000 to 69,000</td>
</tr>
<tr>
<td>Component C: Articulation of Strategic Alternatives</td>
<td>172 to 195</td>
<td>60,000 to 69,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>575 to 640</td>
<td>$200,000 to $230,000</td>
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</table>

We charge for our services based on the professional fees and project-related expenses incurred. Our professional fees will be determined by the actual hours worked on the engagement at our standard hourly rates. Project-related expenses will include travel, phone, and other out-of-pocket expenses. Our out-of-pocket expenses typically do not exceed 15% of professional fees.
City of Borough of Juneau  
Purchasing Division  
155 South Seward Street  
Juneau, Alaska 99801

Shelly,

Thank you again. Please find the supplemental case study to be appended to our request for proposal (RFP) response for RFP No. 20-109. This is an addition to the section ‘Experience and Qualifications – Case Studies’.

| Supplemental Case Study |

| Development of a Clinical Affiliation |

*Southeast Alaska Regional Health Consortium, Juneau Alaska*

ECG was engaged by SEARHC to develop a business arrangement with a Seattle-based tertiary medical center in support of its mission of caring for tribal and non-tribal populations of Southeast Alaska. After assessing the needs of the service area, we assisted in vetting three different systems for possible partnership; developing an RFP and evaluating responses; and negotiating a term sheet for the affiliation. Our work resulted in a completed affiliation with Swedish Medical Center that included specialty rotations to SEARHC clinic sites in Juneau and Sitka, a streamlined admissions process for transferred patients, and expanded cooperation in education and research initiatives.

We look forward to discussing our response in detail with you further.

Sincerely,

John S. Budd  
Associate Principal
Bartlett Regional Hospital Planning Committee Charter

Purpose

The principal purpose of this committee is to make recommendations to the hospital board of directors relating to overall corporate business policy, long-range strategic plans, and urgent corporate strategic issues. Two corollary purposes are to recommend specific policies relating to expansion or contraction of the services delivered and to provide feedback to management regarding information systems planning and technology to support an integrated system.

Responsibilities

In fulfilling its charge, the strategic planning committee is responsible for the following activities and functions:

- Provide advice to the hospital board and counsel the president of the hospital regarding corporate policy, strategic issues management, long-range plans, and, in general, the overall strategic direction of the organization.
- Review proposals for and make recommendations regarding new business ventures and alignment opportunities, including affiliation/collaboration proposals, new technology for the organization, and proposals for discontinuing services.
- Review and make recommendations relating to the hospital’s annual update of the strategic plan.
- Develop specific mission-based goals and objectives for strategic alignment opportunities.
- Monitor legal, regulatory, and legislative developments affecting health reform in general and alignment opportunities in particular.
- Keep abreast of major state and national issues relating to healthcare and make recommendations to the board, as appropriate, regarding advocacy efforts.
- Address other matters that relate to corporate strategy as may be referred to the committee by the board of directors.
- Review present information systems in view of current technology and make recommendations regarding systems to more fully integrate clinical, financial, and managerial functions in support of the organization’s further development of an integrated regional healthcare delivery system.
- Review and periodically revise the information systems plan to ensure that present and planned systems fully support the strategic business objectives and operational needs of the organization.
- Review significant information systems capital expenditure proposals in view of the information systems plan and make recommendations. Address and make recommendations regarding such information systems issues as may be brought before the committee by the board of directors or executive management.

Composition

Committee members are appointed in accordance with hospital bylaws by the chairperson of the hospital board. The board chairperson also appoints the committee chair. The committee will consist of no less than three members.

Meeting Schedule

Every other month or as needed.
5. **Planning Committee**

The Planning Committee shall consist of a Chair and two members appointed by the President. The Planning Committee shall provide information to the Board on changes and trends in the health care field that may influence the growth and development of the hospital.

A. The Committee may assist in the preparation and modification of long-range and short-range plans to ensure that the total hospital program is attuned to meeting the health care needs of the community served by the hospital. Any plan should coordinate the hospital services with those of other health care facilities and related community resources.

B. The Board shall provide for institutional planning by including the Administration, the Medical Staff, the Nursing Department, other department/services, and appropriate advisors in the planning process with participation at the Planning Committee meetings.

C. Maintenance and building issues will be referred to the Planning Committee.
Moving beyond the Basics of Strategic Planning: The Board’s Role

BY MARIAN C. JENNINGS, M. JENNINGS CONSULTING

“Strategy is a word that gets used in so many ways with so many meanings that it can end up being meaningless.”1 This quotation by Harvard Business School professor and well-known author Michael Porter was not meant to imply that strategy itself is meaningless. Instead, it underscores his point that strategy should focus on what can make an organization unique rather than head-on competition with others.

What does this mean in a period of upheaval in healthcare? What does this require of hospital and health system boards?

While we think of today’s healthcare environment as uniquely turbulent, the following paragraph introduces Health Care Strategy for Uncertain Times, a book I edited and co-wrote 15 years ago:

The healthcare industry is in the midst of a fundamental, often painful restructuring. Major healthcare systems and hospitals that long have enjoyed success and dominance no longer assume that their future is ensured. Community hospitals worry about their ability to remain independent while continuing to pursue their mission of service to all those in need. Rural hospitals, often serving an older and sicker population, worry about their ability to survive as a needed community resource. Physicians no longer hold the social or economic status that they enjoyed as recently as a decade ago. All the players—providers, physicians, and insurers alike—stand on the threshold of biotechnology and information technology advances that will transform what is meant by health, healthcare, healthcare delivery, and healthcare financing.2

Some feel that since this turbulent environment requires so much flexibility, agility, and quick responsiveness, long-term strategic planning is no longer valuable. But being agile and speedy without a clear sense of direction is simply random motion, not progress. History shows us that those organizations in 2000 that embraced a future reality very different from what then was in place and effectively implemented a focused, disciplined long-term strategy are now winners. Indeed, they were flexible, agile, and responsive in “how” they moved forward, but they were disciplined in keeping their eyes on where they wanted to be in 10 years or more.

“Skating to where the puck is going to be,” is admittedly an overused Wayne Gretzky quotation. Yet while it may sound trite, that is effectively what your healthcare organization’s strategy needs to do. Your organization cannot expect to be successful by “skating to where the puck is now”—for example, focusing on today’s quality measures yet not preparing for how quality will be judged by payers and consumers in the future. Or worse yet, believing “consumers don’t know what quality is.” Similarly, your organization cannot endlessly replay its mistakes trying to figure out how you could have succeeded.

Establishing strategic direction for the hospital or health system and providing oversight related to implementation of that direction are core responsibilities of the board. Of course, the board works in partnership with management to craft the direction. Given overall not-for-profit healthcare performance, one must conclude that most “plans” have not led to

stronger, higher-performing hospitals or systems. Many are not winning in today's environment and are not well prepared for tomorrow.

Why? The following are the most common failings of strategy setting in hospitals and health systems, with a recommended course of action for the board to avoid these pitfalls:

- **The plan lacks clarity regarding the organization’s desired positioning in five years.** Instead, many plans have general statements of desired positioning (“provide exceptional quality, service, and safety” or “improve the health of our community” or “become a leader in population health management”), without defining what these mean in measureable, practical terms. Other plans reflect a belief that future uncertainties require that we plan for only a year or two—hardly sufficient time to see an innovative strategy be implemented successfully. The board must demand that the strategic direction be articulated clearly and concisely, avoid jargon, and include a short list of strategic 10-year and five-year measures of success (strategic or “destination” metrics).

- **Executive compensation is not tied directly to the plan.** What you measure is what you get. Many executive compensation plans primarily reward performance against today’s operational metrics rather than incorporating meaningful measures of both short- and long-term performance. A recent study of governance in the private sector by McKinsey & Company indicates that this short-term focus is not unique to not-for-profit healthcare governance. The study recommends that directors of corporate boards spend less time focusing on short-term performance and instead “spend more time discussing disruptive innovations that could lead to new goods, services, markets, and business models.” Similarly, the hospital or system board must insist on executive performance measures that assess both today’s performance and progress toward desired future strategic outcomes.

- **The plan is too operational, not strategic.** Strategy formulation can challenge the culture and comfort zones of leaders, physicians, and staff. The desire to build consensus can result in “lowest common denominator” strategies or avoidance of issues that may generate conflict. This in turn can lead to the plan being simply a compilation of initiatives that will address today’s performance issues but will not adequately prepare the organization for tomorrow.

- **Budget shortfalls crowd out strategic thinking.** With the impact of multiple pressures on current financial performance, strategic planning often gets pushed aside as pressures to make budget take precedence, and anything that does not contribute directly to this objective gets cast aside. The board can and should play a unique, important role in redirecting discussions to focus on long-term success and ask, “What must we do now to avoid this same situation every year?”

- **The plan is developed by those wearing “rose-colored glasses.”** Plans often fail to adequately address organizational weaknesses, market threats, or, most commonly, potential major challenges or disruptions. While directors are naturally inclined to be supportive of their hospitals or systems, good planning requires a grasp of reality rather than a bias toward optimism. In particular, directors must avoid being lulled into a sense that “these industry disruptions would never happen in our market.”

- **The plan does not challenge the status quo or collective thinking.** We need more directors who are willing to make observations similar to that of one insightful board chair during his system’s recent planning retreat, “Keep in mind: ‘consumerism’ may be new in healthcare, but it is well known to American business... and the bottom line is that consumers value low cost more than higher quality. Our overall American business experience with active consumerism should be a cautionary tale for our health system.” This statement was made

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following much discussion by clinicians and others that consumers should be willing to pay more for services delivered by the hospital than at a freestanding center, since (although we cannot prove it) “we believe the hospital offers higher quality care.” The chair’s real-world insights brought the discussions down to earth.

- **The plan takes nothing off the table.** The easy part of planning is to identify strategies and initiatives. Understandably, each part of the organization wants to make certain its priorities are included in the strategic plan document. The hard part of planning is saying “not now” or “no” to initiatives that, while potentially valuable, are not the best use of scarce resources. One valuable element of a good plan is a list of “the things we will not do.” Board members should ask for such an inventory of eliminated initiatives or projects.

- **The plan is not integrated with a long-term strategic financial plan.** Ultimately, strategic planning is about resource allocation to position the organization for future success. Without a long-term financial plan, there can be no clear sense of which initiatives represent the best and highest use of scarce resources, which should be the highest priorities and why, and/or the preferred sequencings for initiatives or investments.

### What Needs to Happen?

As one CEO nicely summarized:

> In this era of unprecedented change in the healthcare system, the work of our boards to bring about and support this monumental transformation is critical. Leading strategically, supporting disruptive innovation, and driving boldness in our efforts to improve the health of individuals and communities are what make governance effective in transformed health systems. Just like every aspect of our organizations’ operations, what has worked well for us in the past likely will not be sufficient for tomorrow’s success. The same is true for governance.⁴

The purpose of this article is not to provide directors with a prescriptive strategic plan for their organizations. Instead, it is to identify how the board can adapt its own governance structure and governance policies to strengthen the effectiveness of its strategic planning and provide better oversight of plan implementation.

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### With the impact of multiple pressures on current financial performance, strategic planning often gets pushed aside as pressures to make budget take precedence. The board can and should play a unique, important role in redirecting discussions to focus on long-term success and ask, “What must we do now to avoid this same situation every year?”

### Structuring Governance to Enhance Strategic Planning and Oversight

For our purposes, by “governance structure” we mean bylaws that legally outline roles and responsibilities, the board’s “job description,” board committees and their charters, and—for organizations that function with multiple levels of governance—the governance matrix that specifies board responsibilities and authorities at each level.

We do not advocate maintaining a standing strategic planning committee but prefer that setting strategy and monitoring performance be the work of the board as a whole. However, should your organization prefer to utilize a planning committee, you should:

- **Consider reconstituting your finance committee as a strategy and finance committee.** The work of these two committees must be inextricably linked. This is especially the case given changes in payment models such as value-based payments as well as new delivery models such as accountable care organizations. Positioning the organization to deliver value—as defined by consumers/payers, not providers—is both a strategic and financial imperative.
- **Alternatively, establish a time-limited ad hoc strategic planning committee to serve a specific purpose.**

### Changes to Board Policies and Procedures to Enhance Effectiveness of Strategy Development and Oversight

- Foster generative discussion.
- Lead change from the top.
- Set higher expectations related to the process and plan content.
- Embed the plan into the work of the board and its annual board calendar.
- Use “bifocal” governance dashboard metrics.⁶
- Develop a competency-based board.
- Strengthen board orientation, education, and development.
- Hold management accountable.

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5 The Governance Institute outlines what board-delegated powers should be granted to strategic planning committees for both freestanding hospitals and health systems, and also provides sample committee charters in Board Committees (Elements of Governance), The Governance Institute, 2012, pp. 14–15, 31–32.


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**Foster Generative Discussions**

Generative discussions are those that ask questions about fundamentals: existential questions about the core purpose of the organization, what makes the organization relevant, how the organization will become distinctive, what the organization values, and how it will add value. Generative thinking is about deciding on what to decide, probing assumptions about the organization, and identifying the underlying values that should drive strategy and tactics.7

Hospital and system boards should incorporate generative discussions into all decision making, not reserve it for the annual board planning retreat or the planning process.

In developing or updating the strategic plan, directors should start not with a review of the current mission and vision, for instance, but rather with a series of broad-based questions to foster creative thinking and dialogue:

- Why does our organization exist? If we did not exist, why would someone establish us—or would we be needed at all?
- What do we expect to be the greatest changes in our market—and when?
- What do we want to become in five years? In 10 years?
- In what ways would we be distinctive?
- How would we add value—and to whom would these benefits accrue?
- What will it take to achieve that “desired future state”? Is it realistically achievable with focus and hard work?
- How much change is implied by our desired future state?
- Would we be willing to radically redeploy our resources to achieve our desired future state?
- What will be required of us as a board? Of our leadership team? Of our physicians and other clinical colleagues? Of our staff?

Such discussions can be uncomfortable at first. They require that board members be willing to explore questions that have no correct answers. They require that directors be willing to consider futures drastically different from today and become more comfortable with ambiguity. However, in times of major disruptions, it is imperative that boards become more actively engaged in strategy formulation and oversight as their hospitals and systems seek to navigate uncharted waters.

These generative discussions lay the groundwork for revitalizing your planning processes and developing more useful plan content.

**Lead Change from the Top**

Planning must be led from the top of the organization. Transformation may demand radical changes in business models, decisions to eliminate or downsize business lines, importation of new leadership and/or staff competencies, or changes in the power hierarchy. Such changes are identified only rarely in a bottoms-up approach.

Importantly, leading from the top does not mean executing from the top. The board should set strategic direction but allow management latitude in how to achieve it. The board must restrain from micromanaging the strategies, initiatives, and tactics used by management.

Beware consensus. Consensus can force out innovation or yield “lowest common denominator” strategies. Consensus building also can function like the game of telephone: by the time a final decision has been made, so many parties have had input that the final decision bears little resemblance to the original strategic intent. While decisions should be reached in an informed, open, and transparent process with dialogue that is respectful of all perspectives, directors are cautioned against believing consensus means “we all agree.” Doing so can unwittingly allow the party least willing to change to dictate the pace of change—an enormous strategic disadvantage in times of rapid change.

Execution lives or dies with the managers in the middle. Research shows that “consensus” or involvement in decision making is less important to effective execution than are ensuring effective communication from above to middle managers, ensuring that critical information about real-time events flows freely across organizational boundaries, and clarifying so-called “decision rights” (that is, a clear articulation of the decisions and actions for which one is responsible).8

**Set Higher Expectations Related to the Process and Plan Content**

In some organizations, planning has become a rote or even ceremonial process. Others have turned to using a one-year plan, basically hoping that incremental change will improve their long-term viability.

We believe that the process of developing a viable long-term strategy should be lively, using generative discussions to ensure all issues are on the table. Practically speaking, the board can facilitate a more robust process and a better resulting plan by ensuring:

- There is clarity around roles and responsibilities for plan development.
- The plan is based on objective information and market research; specifically, it includes expert opinions on emerging market trends/disruptions.
- The plan includes clearly articulated assumptions about future market conditions, along with implications for your hospital or system.
- The board or planning committee routinely incorporates scenario planning.

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or “what if” analyses in plan development to ensure leaders have considered the impact of potentially dramatic market changes—especially those that would challenge continued success or require substantive changes.9

• The plan is as clear about what “we will not do” as what the organization will do.

• The plan includes a clearly articulated “desired future state” that looks out at least five—but preferably 10—years. This desired future state should include four to six related “destination” metrics that would answer the question, “How would the board know we have achieved our desired strategic positioning?” These metrics must be both meaningful and measurable. For example, if your intent is to be a high-performing health system that improves the health of the community, exactly how would you propose to measure that? (See sidebar “Sample 2020 Destination Metrics for a Regional Health System.”)

• The plan focuses on strategies and tactics for the next three fiscal years consistent with the longer-term desired future state.

• The plan includes strategic metrics for each of the three years consistent with the longer-term destination metrics. The board will utilize these annual strategic metrics to monitor implementation progress.

• There is a strategic financial plan that outlines the required capital along with expected incremental revenues and expenses associated with plan implementation.

• The board and management agree on the major risks associated with plan implementation, and management has identified practical approaches to mitigate these risks.

• There is regular frequency of and rigor in monitoring and evaluating the strategic plan.

• The board conducts its annual planning retreat in the first quarter of the fiscal year to review current market changes and emerging disruptions/trends and to identify needed changes to plan content. This timing is critical to ensure changes to the plan can then be incorporated into the capital and operating budgets for the upcoming fiscal year.

Sample 2020 Destination Metrics for a Regional Health System

• System has received AHA’s Foster McGaw Award for hospital/systems that distinguish themselves through efforts to improve the health and well-being of everyone in their communities.

• System named among Truven’s Top 50 Health Systems at least twice in five years.

• System has maintained at least an A+ bond rating.

• System’s community (hospital referral region) has improved from third quartile to second quartile on “Overall Health System Performance” in state’s Scorecard on Local Health System Performance.

• System has doubled external research funding.

• System has at least 200,000 “attributed” lives for which it is responsible for both clinical and financial performance—and is making money on these contracts.

Even if the board uses a committee or ad hoc group to develop the proposed plan, the whole board must spend the time required to thoroughly understand the plan context and content. Typically, the organization would conduct a major reassessment of the plan every three years, with updates in the interim years. When in the reassessment portion of the cycle, board members should engage in generative discussions to explore underlying assumptions as well as the types/degrees of transformation the plan requires for the organization; ask “why are we doing this?”; understand the magnitude of change required by the organization and how that will be managed; and learn about the alternatives considered.

The board should not be asked to complete an initial review and approve the plan at one meeting. Instead, the board should be engaged in generative discussion of the initially proposed plan, expecting that a final proposed plan will be brought to the board for approval at the next meeting.

Embed the Plan into the Work of the Board and Its Annual Board Calendar

Keep the plan front and center for the board at all times to ensure that strategy drives board policy formulation, decision making, and oversight. Use a consent agenda to accomplish routine board business to allow time for directors to understand and discuss areas of greater long-term importance. Consider holding fewer but longer board meetings to refocus them from a format of presentations with little conversation to meetings that allow for generative discussion, thoughtful decision making, and more effective execution of all governance responsibilities. Specifically:

• Develop an annual board calendar in which each meeting is organized around one of the goals in the plan. In this way, the board obtains an in-depth understanding of each focus area and has an opportunity for generative discussions around what is occurring in the market, how effectively the plan is being implemented, proposed priorities for the upcoming year, and the challenges and opportunities related to the goal.

• Ensure that major decisions of the board are made in the context of how the

decision will further the long-term strategic positioning of the organization. For example, management should identify why each decision is essential to long-term success, along with how it furthers specific goal(s), strategies, or strategic metrics.

- During the annual capital and operating budgets approval process, ensure that the board understands how these tie directly to the core strategy.

Use “Bifocal” Governance Dashboard Metrics

Many boards use a balanced scorecard that incorporates key performance indicators related to, for example, quality, safety, and the patient experience; financial performance; employee engagement; turnover rates; and success in physician recruitment. This approach is valuable to directors in effectively overseeing current performance and moving the organization to higher performance levels.

However, unintentionally, these indicators of current performance may overly focus the board on “skating to where the puck is now” and reinforce the status quo. While necessary, they are not sufficient. Just as a driver needs to see both his dashboard and look further down the road, directors need to track both current performance and key indicators of future success.

In addition to broad strategic destination metrics, the board should review performance against clearly defined metrics related to each goal on a quarterly, semiannual, or annual basis based upon the nature of the metric.

Below are some thoughts around what these more strategic, longer-term dashboard metrics might look like:

- Assuming a continued rise of consumerism, the board should anticipate how future healthcare decisions are likely to be made—with much greater emphasis on convenience and low cost—and begin tracking how the accessibility and cost-effectiveness of its care compare to that of regional competitors.

- If a system wants to perform at the level of a Truven Top 50 system, it should track not only the usual balanced scorecard metrics, but also begin to compare itself against likely future benchmarks of top performers. (“Skating to where the puck will be.”)

- Envisioning a future where more payment will be based upon delivering “value,” in addition to monitoring specific quality or other metrics, the board should monitor what portion of potential incentive dollars the hospital or health system achieves for delivering “value” and estimate how it is likely to fare in the future on such incentives.

- Preparing for a future in which individuals will relate to networks of providers, the board should track what portion of “attributed lives” in the region relate to its system and affiliates.

- Anticipating a future with greater transparency of hospital quality data, the board should monitor its performance against quality data of local competitors not simply track its own improvements.

Develop a Competency-Based Board

Numerous studies and blue ribbon panels have come to the same conclusion: hospital and health system boards should use a competency-based approach, not only to recruit new board members but also to assess, educate, and develop existing members—ultimately creating a board with the right blend of knowledge and expertise, experience, personal attributes, and diversity for the hospital or health system of the future.

What are the specific competencies the board should look for to be more effective in strategy formulation and oversight? Several come to mind to complement the more traditional competences found on boards:

- Knowledge and expertise (“hard skills”)
  - Expertise in change management/innovation and transformation
  - Knowledge of customer service process improvement
  - Expertise in public policy or community health planning
  - Knowledge of reliability science for improving quality and patient safety

10 Don Seymour and Larry Stepnick, Governing the 21st Century Health System: Creating the Right Structures, Policies, and Processes to Meet Current and Future Challenges and Opportunities (white paper), The Governance Institute, Fall 2013.

11 Marian Jennings, “Competency-Based Board Recruitment: How to Get the Right People on the Board,” Governance Notes, The Governance Institute, February 2015.
• Professional and personal experience
  » Experience in managing complexity or governing in a complex organization
  » Experience in successfully navigating an organization during a period of rapid change
• Personal attributes
  » Strategic thinking
  » Ability to hold self and others accountable for achieving goals
  » Curiosity and an interest in continuous learning

Importantly, in addition to possessing these competencies, board members must demonstrate them in the boardroom and other board-related responsibilities. They must be well-prepared, active participants in board dialogue and in their committee service.

The board must provide management the latitude to be agile, flexible, and responsive to market changes in its approaches, while ensuring that steady progress is being made toward achieving the desired long-term positioning.

**Strengthen Board Orientation, Education, and Development**

The magnitude of change related to industry restructuring—and the associated demands on boards of hospitals and health systems—require substantially strengthened board orientation, education, and development. These activities should include:

- Content related to understanding the healthcare industry and industry trends, restructuring, and disruptions.
- The roles and responsibilities of not-for-profit healthcare boards.
- The roles of the board within a multi-level governance structure (if relevant). This is particularly important since, all too frequently, board members of hospitals that are part of a larger health system are unclear about their roles and responsibilities.

Orientation must be designed as an intensive ongoing activity throughout the first year of a director’s initial term, rather than a one-time event.

The board governance committee should develop a focused annual education and development plan to ensure that directors have the knowledge and skills to support strategy formulation and oversight. This includes not only a knowledge of the industry and emerging trends both nationally and regionally, but a solid understanding of the changing roles and responsibilities of hospital and health system boards in this era of transformation. The board should be surveyed annually to identify its greatest needs for education and development to fulfill their strategic planning and oversight roles, to inform a solid annual board development plan.

There are benefits to educational sessions in which all board members are in attendance, since these give rise to opportunities for generative discussions. These include forums such as annual board retreats or attendance at national or state conferences. Additionally, as described earlier, at each board meeting, the board as a whole can do a deep dive into specific issues and trends.

Increasingly, Web-based courses, Webinars, and other virtual forums are available, focused on board development for hospital and health system directors. These can be used in individually tailored education and development plans or for the board as a whole.

For hospital board members of larger health systems, the regional or national health system may have its own board education and development programs you can access. Understanding the responsibilities and authorities of subsidiary boards is essential to effectively carry out the responsibilities delegated by the parent organization.

**Hold Management Accountable**

As part of its oversight responsibilities, the board should regularly monitor progress in achieving key elements of the strategic plan and, where performance is lagging, expect management to prepare and initiate thoughtful, realistic corrective plans of action to get back on track.

The board must provide management the latitude to be agile, flexible, and responsive to market changes in its approaches, while ensuring that steady progress is being made toward achieving the desired long-term positioning.

Sometimes referred to as “tight-loose-tight,” the recommended approach is for the board to be:

• “Tight” in its definitions of expected future outcomes related to desired future strategic positioning. These are the longer-term metrics that should be incorporated into the bifocal governance dashboard. To be effective, there must be clearly defined, objective, and measurable five- or 10-year destination metrics along with a set of goal-related metrics with annual targets for at least the next three years.

• “Loose” in allowing management the flexibility needed to implement long-term strategy in a dynamic market. The board should not micromanage how management moves forward; rather it should focus on monitoring the outcomes that are being achieved.

• “Tight” in increasing the frequency and rigor of monitoring performance toward strategic ends using the longer-term metrics on the governance dashboard. The board must focus itself on strategic outcomes—not recitations of the initiatives or processes underway to move forward or, worse, the reasons why an outcome was not achieved. If the outcome/metric is no longer meaningful, the board should delete or modify it. If it is still meaningful, the board should expect management to formulate a plan to get back on track.

**Closing Thoughts**

While the transformation of the U.S. healthcare system demands a more rigorous approach to strategic planning, most of the tenets of traditional strategic planning still apply, albeit with renewed senses of urgency and internal coordination. To be successful in tomorrow’s environment, the board must go beyond “rubber-stamping” the organization’s plan and drive a more vital, transformational, and iterative strategic planning process. With a firm foundation in “how to move beyond the basics” of healthcare strategic planning, boards can reclaim the meaning of “strategy” for their organizations and enable their organizations’ long-term success.

The Governance Institute thanks Marian C. Jennings, President of M. Jennings Consulting, for contributing this article. She can be reached at mjennings@mjenningsconsulting.com.
<table>
<thead>
<tr>
<th>Project</th>
<th>Priority</th>
<th>Sequence</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. First floor renovation reconfiguration</td>
<td>1</td>
<td>3</td>
<td>Significant dominos</td>
</tr>
<tr>
<td>2. Emergency addition</td>
<td>3</td>
<td>6</td>
<td>Also consider downtown urgent care in summer</td>
</tr>
<tr>
<td>3. North addition</td>
<td>4</td>
<td>4</td>
<td>Requires med office attend among others in dominos</td>
</tr>
<tr>
<td>4. Surgical Services renovation/replacement</td>
<td>7</td>
<td>7</td>
<td>No immediate needs, lots of dominos</td>
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<tr>
<td>5. South addition</td>
<td>5</td>
<td>5</td>
<td>Easiest</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>No Dominos other than South entrance</td>
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<td>6. Medical Arts replacement</td>
<td>8</td>
<td>8</td>
<td>Value?</td>
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<tr>
<td>7. North parking garage</td>
<td>4</td>
<td>2</td>
<td>2 story with medical office on top</td>
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<td>8. South parking garage</td>
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<tr>
<td>9. South campus entry</td>
<td>2</td>
<td>1</td>
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<tr>
<td>10. North parking lot access reconfiguration</td>
<td>9</td>
<td>9</td>
<td>Probably addressed in #7</td>
</tr>
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