



City and Borough of Juneau
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TO: Deputy Mayor and Assembly Committee of the Whole
DATE: July 11, 2024
FROM: Katie Koester, City Manager

RE: BRH Sustainability

Bartlett Regional Hospital (BRH) has been operating at a loss since 2019. To address this, the Board has engaged the community in tough conversations about fiscal sustainability, which is not as simple as implementing operational efficiencies. BRH is operating in a complex healthcare environment influenced by external factors. BRH needs these 3 things to happen to provide long term fiscal health.

1. Find a long-term solution to services that are a net drain on revenue
2. Improve Hospital services and revenue/expenditures to allow core services to continue
3. Positive conclusion with competition

Unsuccessful resolution of any one of these variables questions the existence of BRH. The Bartlett Board has communicated a sense of urgency in addressing these 3 items. Waiting not only drains limited resources; the continued uncertainty regarding the future of services that are a net drain on revenue is impacting morale and BRH is losing key staff in these program.

Specifics

1. Find a long-term solution for services that are a net drain on revenue

The Bartlett Board has had extensive public process on their fiscal sustainability plan. Support for hospice and Rainforest Recovery Center (RRC) dominated the sentiment from the public and medical providers. There are three services BRH is requesting CBJ subsidize. Keep in mind these costs will escalate with inflation and wage increases over time. The Board approved the five resolutions in your packet outlining their recommendations. To summarize:

- a. Behavioral Outpatient Psychiatric Services (BOPS) provides outpatient psychiatric services out of the new Aurora Behavior Health Center. BOPS needs to be right-sized and actively managed, but is ultimately a core service that Bartlett will continue to provide.
- b. Applied Behavior Analysis (ABA) Therapy provides care to children between the ages of 2-21 that have been diagnosed with autism. ABA therapy has been transferred to independent practice and BRH will support them in any way they can.
- c. The Bartlett Board has requested subsidy of home health (\$200,000) and hospice (\$186,000). Home health provides intermittent in-home care for individuals recovering from illness/surgery or in need of temporary medical assistance. Hospice provides care,

comfort and quality of life for people approaching end of life. The Board does not plan to eliminate these programs but requests a 5-year window of operational support for these services to give the community time to grow volume enough to be sustainable. In the meantime, the Board will continue to look for potential third-party operators to take over the services. **\$386,000/year**

- d. Crisis Care Services provides voluntary inpatient and outpatient behavioral health services to youth ages 12-17. This program is new and started services late last year. It was originally envisioned to provide voluntary and involuntary inpatient services to youth and adults. Currently, services are only provided to youth, voluntarily. Furthermore, it has not resulted in substantial decrease in Emergency Department visits from youth. The Board recommends closure of this facility, but not without caring for suicide prevention services in some manner. **\$3.5M/ year**
- e. Rainforest Recovery Center provides intensive inpatient residential substance use disorder treatment for the region. The Board will continue to look for potential third-party operators to take over the service. If none is secured by the end of October, the Board is requesting \$1.76M in operational support from CBJ in perpetuity. Opportunities for partnerships/third party providers may be available: 60% of the patients are from outside Juneau and 50% are Tribal citizens. Geographically, the closest comparable services are in Anchorage and Seattle. Lower levels of support (outpatient) are available locally. **\$1.76M/year**

1. Improve Hospital services and revenue/expenditures to allow core services to continue

Eliminating the above services that are a net drain on resources does not guarantee a self-sustaining, high-quality hospital that provides core services including emergency, surgery, acute inpatient, pharmacy, lab, diagnostic imaging, rehabilitation, labor and delivery, and mental health. BRH still needs to achieve operational efficiencies and grow revenue generating programs.

2. Positive conclusion with competition

Competition with BRH is outside of the Assembly and Bartlett Board's control and can take many forms. It may be worth exploring this topic at a later meeting so the Assembly understands the nature of the current health care universe in Juneau. For example, if a competitor builds a surgery center, it will be able to take a share of the profit generating surgeries while BRH will still have to remain available for emergencies, Medicare procedures, labor and delivery, and surgeries that are not profitable.

Mayor Weldon, the Manager's office and the Bartlett Board Chair recently met with SEARHC leadership. It was a productive meeting and SEARHC shared their own fiscal struggles in the past with trying to provide services like inpatient substance use treatment disorder. They could not find a way to make it pencil out and pivoted to an outpatient services model. It was clear that SEARHC will continue to grow to meet the needs of its patients and Tribal citizens to provide the best care possible. For example, they shared they will be opening a procedural center for minor outpatient procedures. SEARHC stated their need for a high-quality, reliable hospital to be able

to refer patients to and they expressed no interest in taking over Bartlett. Both parties committed to open communication - it was a good opportunity to meet everyone.

What Can the Assembly Do?

Today's meeting is to discuss if CBJ should subsidize BRH non-core services. However, numbers 2 and 3 on the list, improving BRH operations to be revenue positive and a positive outcome with competition, provide important context. There may come a time when core services at BRH need CBJ taxpayer support, either because righting the ship is difficult and/or because competition will impact revenue generating services that are used to subsidize services that lose money.

Recurring costs need to be paid for with recurring revenues. Health care programs, similar to our other enterprise functions, are intended to be designed to cover their expenses and not rely on the public at large.

As your City Manager, I am charged with the fiduciary responsibility of the Borough. I cannot recommend taking on the additional operating cost of Rainforest Recovery Center and Crisis Care that serve a very small sector of the population (average of 66 CBJ residents a year) and will only need increased subsidy over time; it is not sustainable.ⁱ Inpatient substance abuse and mental health services can be self-sustaining under a different cost structure and are often located in large communities where there is federal and state support.

While hospice and home health need a lesser amount of annual subsidy (\$386,000) this would still have an impact on the CBJ budget. BRH Resolution 03-2024 commits BRH to providing these valuable services and provides a limited time frame (5 years) to achieve fiscal sustainability. My recommendation is to provide one-time funding and re-visit the need after the Board and BRH has worked on the business model.

Taxpayer dollars are limited; if you start with the FY25 budget, CBJ has about \$12.25M of head room left in the mill rate until you reach the charter cap of 12 mills. The \$5.6M BRH needs to keep these services would eat up half of that. Using the FY25 budget, this would put the mill rate at 10.94. That is without adding back a higher debt service mill rate or one-time funding into the FY25 budget, decisions the body will wrestle with for FY26.

Service	One-year subsidy \$	Mill Rate equivalent (using FY25 value)
Hospice/Home Health	\$386K	.06
Rainforest Recovery	\$1.76M	.28
Crisis Care Services	\$3.5M	.56
Total	\$5.6M	.9

Nevertheless, this is clearly an Assembly decision. The simplest tools the Assembly has are fund balance (\$6.3M for FY25) and an increase to property taxes (not available till FY26). Other tools are a sales tax increase, which would require a vote of the public, and cuts to current CBJ services.

BRH is requesting funding for FY25 and beyond, which would require an appropriation of fund balance this year. If the Assembly wants to put an advisory vote on the ballot, you need to do so by resolution at the July 29th Regular Assembly meeting. Possible ballot language is outlined below.

Advisory Vote to Increase Property Taxes

Possible Language:

Advisory Proposition on Subsidizing Bartlett Services

Bartlett Regional Hospital (BRH) is operating at a net loss and can no longer afford to support non-core services without subsidy from CBJ taxpayers. The cost to continue providing **hospice, home health, voluntary crisis stabilization services for teens, and inpatient substance use disorder** services would require **\$5.6M** in support from CBJ general fund in FY25, or an increase in the mill rate of **0.9 mills**. 0.9 mills is equivalent to \$90 per \$100,000 of assessed valuation, or about an extra \$364 in property taxes per year on a home valued at \$404,600ⁱⁱ. Without this support, BRH will stop providing those services locally and patients will have to travel to receive care. Before the Assembly considers an increase in the mill rate in FY2026, it would like to know if you believe these services should be subsidized by CBJ taxpayers.

Proposition

Do you believe the assembly should increase the mill rate to allow Bartlett Regional Hospital to continue to provide hospice, home health, voluntary crisis stabilization services for teens, and inpatient substance use disorder services? YES/ NO

Requested Action:

Discuss whether or not to subsidize some or all of BRH non-core services. If the Assembly wants to put an advisory vote before the voters in October 2024, move a resolution specifying which services to subsidize for action at the next Regular Assembly meeting.

Manager's Recommendation:

Hospice Home Health: one-time subsidy

Introduce an ordinance to support hospice and home health for FY25 with an appropriation of \$386,000. Request a program update and re-evaluate funding need in advance of the FY26 budget.

Rainforest Recovery Center: no subsidy

Request the Board continue to consider potential third-party operators of the program as outlined in BRH Resolution 05-2024, understanding that if not resolved by November 2024, Rainforest Recovery will close. Request additional research from staff and BRH on existing treatment services as well as the cost and feasibility of delivering a lower level of substance use disorder treatment.

Crisis Care Services: no subsidy

Collaborate with key stakeholders on alternative models that meet the community's needs as outlined in BRH Resolution 04-2024. Direct staff to investigate if there is a way to care for services through the Mental Health Unit (MHU) and CCFR with partner agencies.

ⁱ -Over the last 3 years Rainforest Recovery has cared for 316 unique patients, 40% of them residents. That equates to an average of 42 Juneau residents served annually $((316/3)*.4)$

-Crisis Care has had 24 encounters of adolescents since opening in December of 2023.
(source: 5-29-24 Assembly/ Bartlett Joint Meeting)

ⁱⁱ Median value of owner-occupied housing in CBJ in 2022 is \$404,000 according to US Census data.