

December 17, 2024

Governor Mike Dunleavy
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-0001

RE: Priority Capital Projects to Modernize Community Health Infrastructure

Dear Governor Dunleavy,

For over seventy years, the Alaska Hospital & Healthcare Association (AHHA) has served as a non-profit trade association representing and supporting Alaska's hospitals, nursing homes, and a growing number of healthcare partners across the continuum of care. Our members play an invaluable role – both as community care providers and essential employers – in cities, towns, and villages across Alaska.

Healthcare is the state's largest economic sector, representing 13% of all Alaska's workforce earnings, and our contribution to state GDP has risen steadily for over 20 years. Particularly in rural and remote Alaskan communities, AHHA members navigate unique challenges and opportunities in their vital and rewarding work – but they do so with significant variance in their access to resources for necessary capital improvements.

Ensuring that all Alaskan communities have access to modern, compliant healthcare facilities is critical for the future health and economic strength of our state.

A healthcare system's functionality is intrinsically tied to the effective maintenance of healthcare facilities and operations. Investing in community healthcare facilities has an exponential impact, as the funds are used to employ Alaskans from construction to wiring and plumbing to the delivery of services within finished walls. These projects, once completed, continue to support the diversification of our regional economies. They provide access to quality healthcare that is vital both to recruiting qualified professionals and to ensuring Alaskans can raise families in the places they were born. They stem financial hardship for rural Alaskans who too often must travel to urban communities to access even preventative and diagnostic care.

In anticipation of the upcoming legislative budget development process, AHHA queried our membership about Alaska's shovel-ready healthcare infrastructure projects with strong community support. I wish to highlight three of these projects, all of which are located at independent, non-profit Critical Access Hospitals with no system affiliation or outside ownership, of which only three remain in Alaska.

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Critical Access Hospitals improve access to healthcare by keeping essential services in rural communities. With the rural communities they serve hit particularly hard by inflation and cost volatility over the past five years, Alaska's independent Critical Access Hospitals serving the Southern Kenai Peninsula, Petersburg Borough, and Cordova have faced uphill battles in their efforts to fully fund capital projects for urgently needed local healthcare improvements. Each entity has secured a portion of project costs through in-kind and grant dollars and can furnish a prospectus detailing these investments.

The three capital projects described in the attached summary will deliver access to comprehensive quality healthcare our rural communities deserve, in addition to fueling the vital economic and employment engine of local ownership. A one-time capital investment in otherwise self-sustaining entities with no need for further State operational funds, these projects have the power to exponentially impact employment – including long-term recruitment and retention – at the community level.

Thank you for your time and attention to these vital healthcare capital projects. Your championship of rural Alaskans' health and economic vitality is deeply appreciated by AHHA and our member providers. We look forward to working with you and your team in the next legislative session and in the coming years ahead.

Sincerely,

Jared C. Kosin, JD, MBA
President & CEO
Alaska Hospital & Healthcare Association

CC: Heidi Hedberg, Commissioner, Alaska Department of Health
Ryan Smith, CEO, South Peninsula Hospital
Phil Hofstetter, CEO, Petersburg Medical Center
Hannah Sanders, CEO, Cordova Community Medical Center

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Community-Owned Critical Access Hospital Capital Project Summaries

South Peninsula Hospital (SPH) is a 501(c)(3) non-profit Critical Access Hospital in Homer. Serving a population of about 15,000, which substantially swells during the summer, SPH is the only hospital on the southern Kenai Peninsula, a region with 16 disparate communities spread out over 100 miles. In addition to the hospital, SPH operates two primary care clinics, a home health program, a 28-bed nursing facility, and numerous specialty clinics. SPH is the area's largest employer, contributing more than \$50,000,000 annually into the local economy in payroll alone.

Despite being a dynamic healthcare leader in the region, much of the hospital's infrastructure is aging—with the main part of the facility coming in at nearly 50 years old. A 2024 facility assessment by Architects Alaska highlighted key areas of critical capital infrastructure repairs and replacements needed to address failing mechanical systems, code requirements, energy inefficiencies, and patient and staff health and safety concerns. These include replacement of existing air handlers, HVAC equipment, power systems, and plumbing and hydronic systems; major roof upgrades; elevator and electrical systems upgrades and replacements; generator and boiler plant upgrades and relocation; and improvements to parking and patient access.

SPH has secured \$5 million in federal funding to help defray the cost of key building systems upgrades according to a renovation plan developed by Architects Alaska.

SPH is working to secure \$25 million from private and federal sources, supporting immediate work on key infrastructure improvements that will enable the organization to continue offering high quality care to our regional population, now and into the future.

Petersburg Medical Center (PMC) is an independent non-profit Critical Access Hospital and Long Term Care facility serving Petersburg Borough and other remote communities in Southeast Alaska since 1917. The region is a HRSA-designated Health Professional Shortage Area and home to one of the nation's fastest growing senior populations. In 2015, the existing hospital was assessed by an architecture/engineering team and found to be well beyond useful life. Building systems do not meet current codes, are no longer manufactured or supported, and require costly constant maintenance, made difficult when parts and expertise are no longer available for aging components. The building cannot support the increased technology demands essential for modern healthcare. Functional improvements are needed to comply with current guidelines on infection control, patient safety, patient privacy, food service, and sanitation.

A 2020 Master Plan completed by NAC Architecture recommended that PMC construct a replacement hospital and the community has dedicated itself to achieving that goal, which has continuously been listed as the Borough's first priority. The New Petersburg Medical Center and Long Term Care Facility will comprise separate buildings built in phases. Pending a secured final funding stack, PMC stands ready to construct a 59,000-square foot main hospital building and Long Term Care center with Emergency Room, Primary Care Clinic, Physical Therapy, Lab, Imaging, and Pharmacy, among other ancillary services. The updated health care campus will significantly increase PMC's energy efficiency, reducing operating costs into the future and ensuring access to critical services in the safest, most cost-effective environment available to rural Alaskans: their own home community.

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PMC has secured \$28 million in federal funding toward the health campus to date, in addition to \$1.3 million in property donated by the Borough. The Wellness, Education & Resource Center, on track to open to the community in 2025, will cycle an estimated 63% of the capital project funds invested in its design, construction, and furnishing into Alaska's economy: over \$14.3 million to Alaskan businesses and Alaskans' jobs. The project's next and final phase, construction of the new hospital and Long Term Care facility, is anticipated to triple these hiring numbers.

PMC is working to secure the remaining \$67 million needed to complete the final phase of hospital / Long Term Care construction, through market, governmental, and philanthropic sources. With the first building on track to open in 2025, PMC's goal is to move directly into the next construction phase, thereby reducing costs and inefficiencies common for rural / remote infrastructure projects.

Cordova Community Medical Center (CCMC) is an independent 13-bed Critical Access Hospital with a 10 bed Long Term Care facility, owned by the City of Cordova. Originally founded in 1937, CCMC provides a range of essential services including emergency care, primary care, specialty clinics, and more, tailored to meet the needs of the remote community it serves.

In December 2019, an engineering condition report was completed for repair of CCMC facilities. The study revealed that the facility has exceeded its useful life and requires extensive upgrades to meet modern healthcare standards. Critical deficiencies were identified in structural integrity, plumbing, electrical, and HVAC systems, many of which are no longer serviceable. Since the time of the initial assessment, inflation and other cost increases have significantly changed the projected cost, emphasizing an urgent need for timely action to address these essential facility improvements and ensure continued delivery of quality healthcare services to our community.

CCMH is working to secure \$25 million in order to move forward with the needed design and comprehensive renovation work, including \$9.5 million which will be used to immediately address critical deficiencies in the facility during continued planning and construction phases. The city of Cordova is appropriating \$200-300k per year in support of the needed capital improvements.

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