

JANUARY, 27TH 2025

Petersburg Medical Center & Borough Assembly Work Session



Petersburg Medical Center

103 Fram Street
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Petersburg, AK 99833

Phone: 907-772-4291
Fax: 907-772-3085

Agenda

Annual Work Session 2025

Petersburg Medical Center Hospital Board
and the
Petersburg Borough Assembly

- I. Operations FY25: Key Milestones
 - a. Strategic Plan FY24-28
 - b. Operational Performance
 - c. Financial Performance
- II. New Building Development
 - a. Updates since 2024 Assembly /PMC Joint Work Session.
 - b. Phases
 - i. WERC Building updates
 - 1. Budget & total project cost projection.
 - 2. Design & Construction timeline
 - 3. Construction Budget Timeline
 - c. Next Phase
 - i. Hospital funding
 - 1. Financial Planning Review
 - 2. Updated Capital Cost and funding strategy.
 - 3. Sustainability Recurring and Ongoing Costs for Maintenance and Improvements (M&I).

Agenda

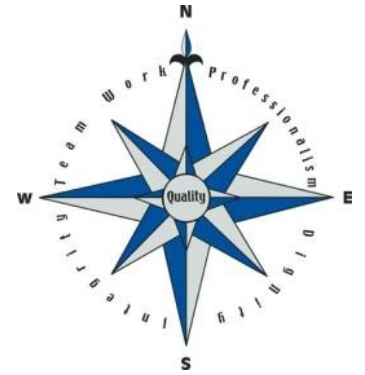
Petersburg Medical Center



Our mission: *Excellence in healthcare services and the promotion of wellness in our community.*

Our vision: *Petersburg Medical Center will remain committed to excellence in healthcare and responsive to community needs by being the best place for patients to receive care, employees to work, and physicians to practice medicine.*

Our values: *Professionalism-Dignity-Integrity-Teamwork-Quality*



STRATEGIC PLAN

Patient Centered Care

Workforce Wellness

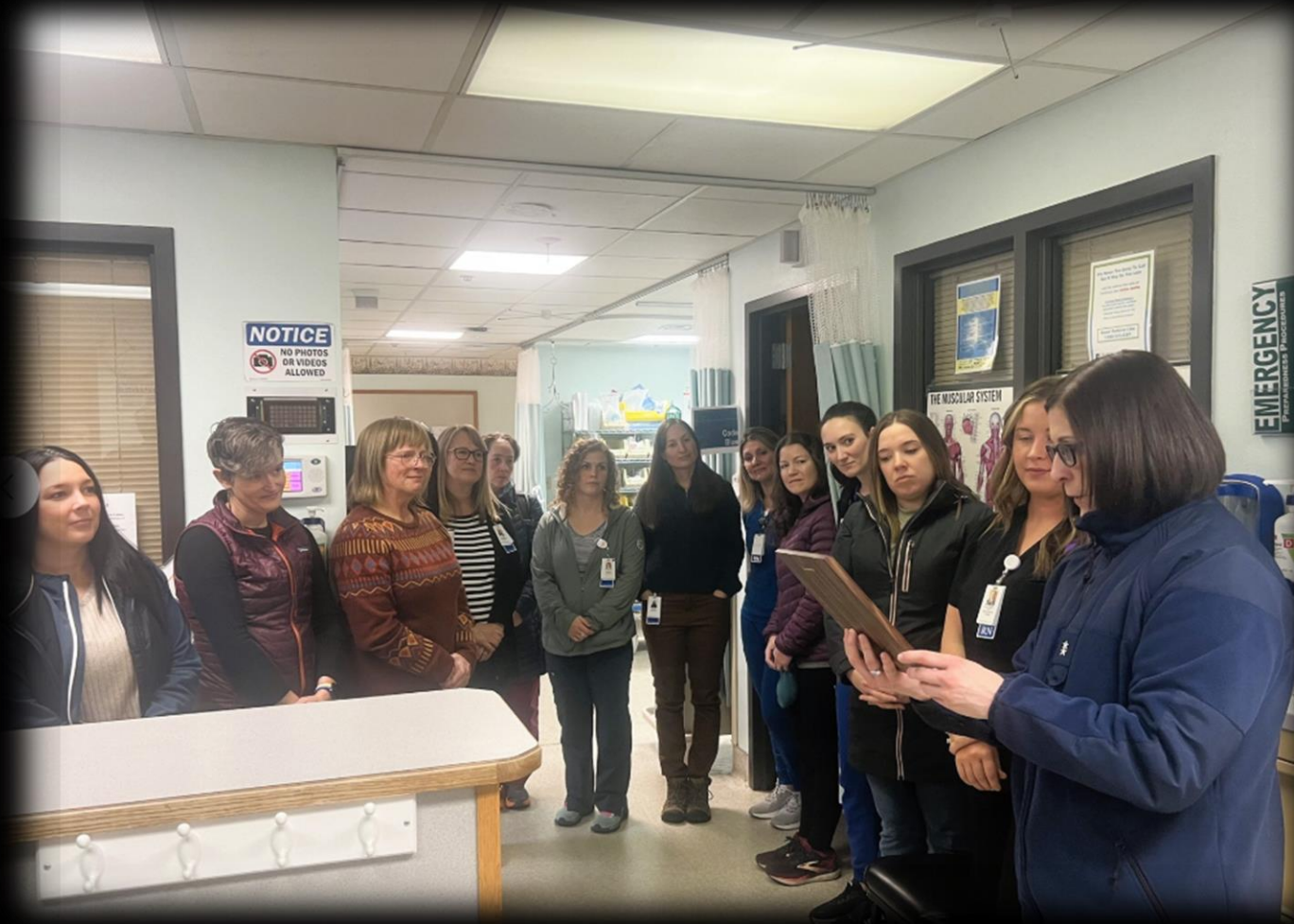
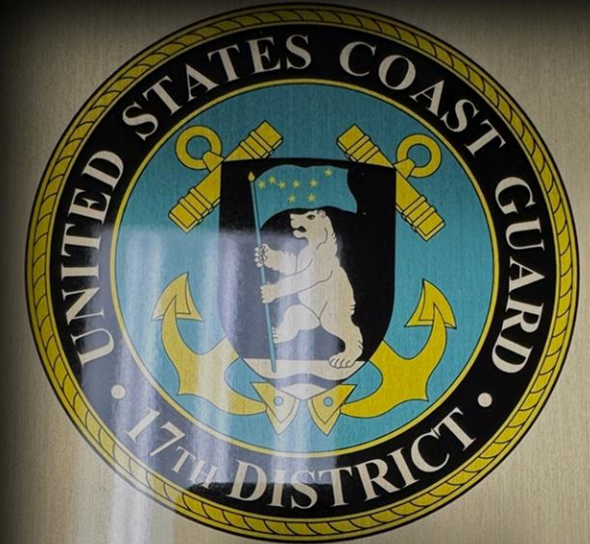
Community Engagement

Financial Wellness

Facility



Operational Performance



Presented To:

Petersburg Medical Center

In recognition of your medical teams monumental efforts, above and beyond the normal resources of the medical center, to receive, stabilize, treat, and transport the four injured crew members of U.S. Coast Guard Rescue Helicopter 6016 on the night of November 13 - 14, 2023. Thank you for your dedicated service!

Semper Paratus!

Workforce Wellness



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Healthcare: Industry & Economic Impacts

United States 2023

- * 2023 National Health Expenditures in the US accounted for 17.6% of of the GDP. Grew 7.5% in 2023.
- * 10.8% of employed individuals work in healthcare in the US.
- *Largest workforce sector is nursing.

2024 ALASKA HEALTHCARE WORKFORCE ANALYSIS



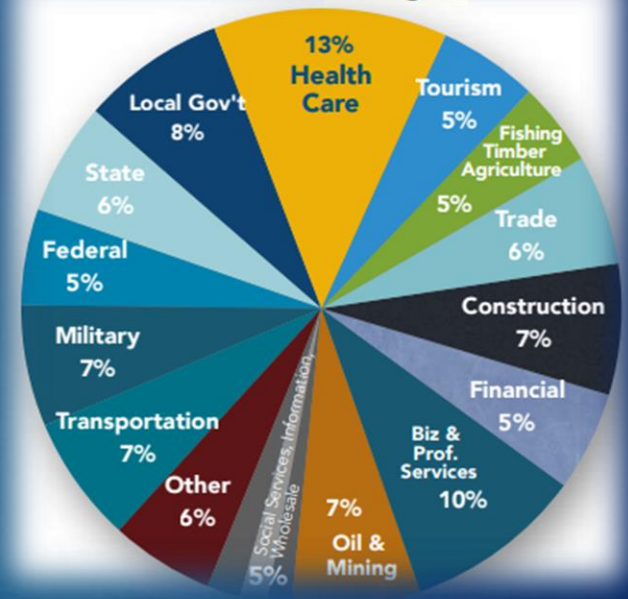
Photo by Petersburg Medical Center

* Healthcare is Alaska's largest economic sector, contributing \$5 billion in total impact (2023).

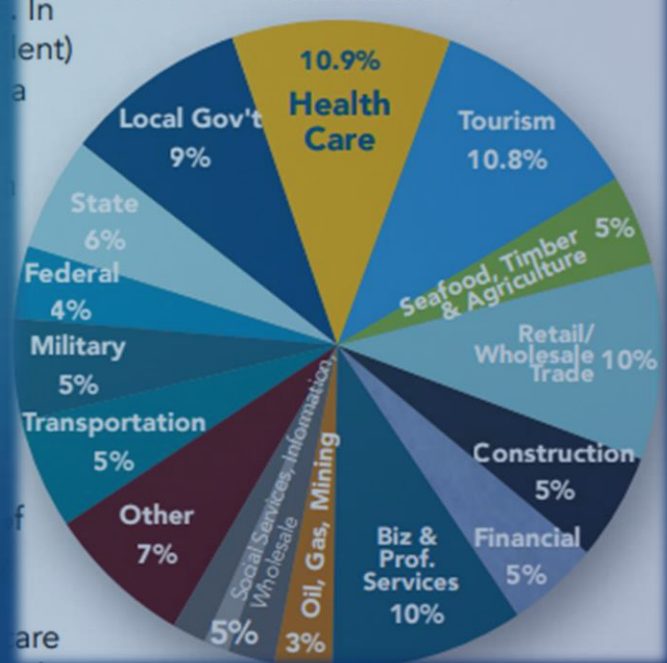
* Supports 75,400 total jobs, including indirect and direct employment. Accounts for 13% of state wages, with total wages of \$3.4 billion in 2023.

* Average annual healthcare wage: \$76,439, among the highest in the U.S.

Alaska Workforce Earnings 2023



Alaska Annualized Jobs 2023



Economic Impact Healthcare in Alaska

Economic Impact of Healthcare in Petersburg

Petersburg

120 FTE + 30PT/PRN = 150 total staff annually, over 90% live in Petersburg.

~\$13M wages flow into community annually.

1.51 multiplier effect in community (~\$7M)

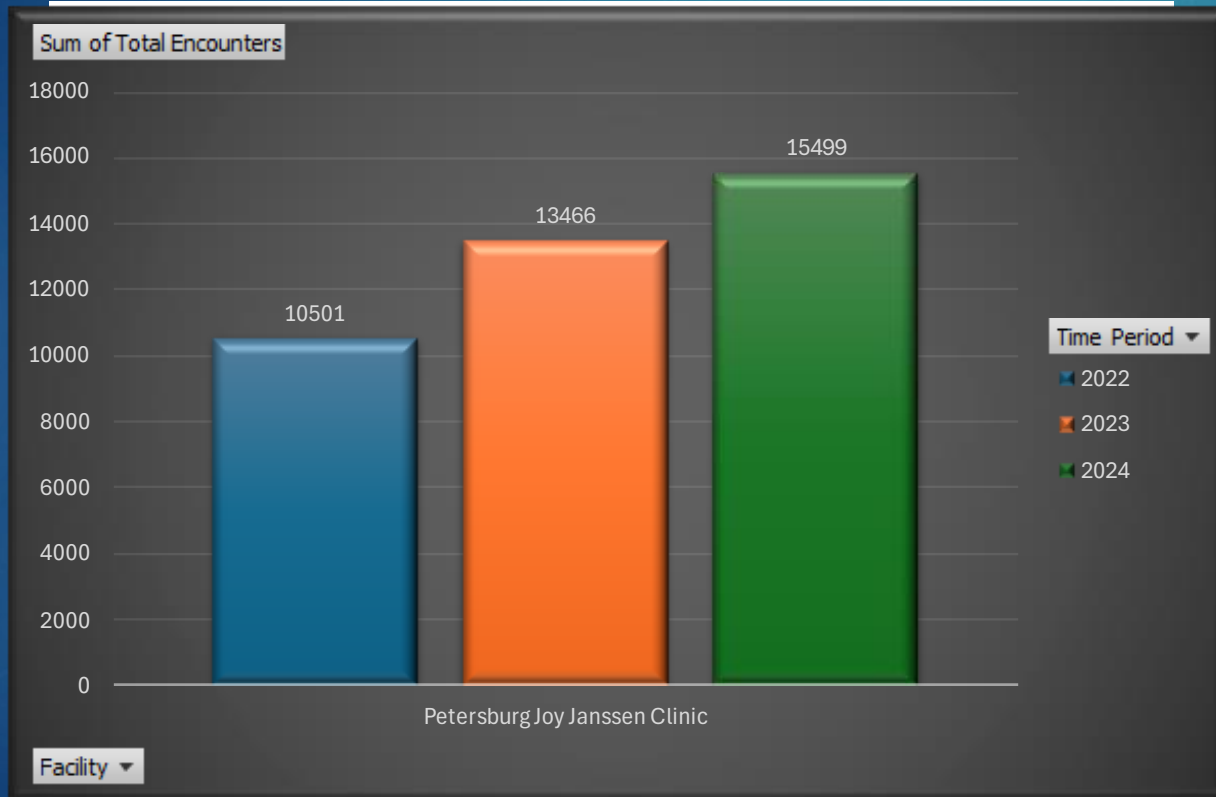
Local workforce development

- Scholarships for school
- Entry level positions
- Professional development

PMC Employee Stats

<u>YEAR</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Seasonal</u>	<u>Temp</u>	<u>Turnover</u>	<u>Termed</u>	<u>Avg Tenure</u>
2022	122	6	15	10	22%	20	5.6
2023	116	12	25	2	21%	20	5.4
2024	119	8	30	7	16%	14	5.4

Patient Centered Care



Beyond the facility

PMC Investing in the Community for Continuity of Care



NOW SCHEDULING DERMATOLOGY CLINIC

with Cameron French, PA-C

August 26th-30th

Skin Checks
Mole, lipoma, and skin cancer removals
Psoriasis, acne, atopic dermatitis, and skin abnormalities
Cosmetic Botox

Call 773-5792 for scheduling



Petersburg Medical Center
December 1, 2024

Last Frontier Eye Care will be here this week for all your eye-care needs! We are so grateful to continue our partnership with them and bring high-quality optometry services to Petersburg on a regular basis. Give them a call at 907-434-1554 to get on their schedule.

Dec. 2nd-6th
at the PMC Specialty Clinic
(next door to Public Health)

Last Frontier Optometry offers full scope optometry services for all ages.

- Routine vision exams
- Contact lens and glasses fittings
- Medical optometric services such as blurry vision, red eyes, glaucoma, macular degeneration

Contact Last Frontier Eye Care at 907-434-1554



LAST FRONTIER
EYE CARE



Asset Protection Planning & Long-Term Care Medicaid

Planning for long-term care is an understandably difficult subject to tackle, and many people don't know where to start. That's why PMC is providing information on protecting your assets and navigating the complexities of Long Term Care Medicaid.

FREE INFORMATIONAL SESSIONS at the Petersburg Public Library

- Tues. 10/29 at 6:00-7:30pm
- Sat. 11/2 at 3:00-4:30pm
- Thurs. 11/7 at 6:00-7:30pm
- Sat. 11/9 at 3:00-4:30pm



Hosted by Petersburg Medical Center
FOR MORE INFO:
907-531-5857 or bboggs@pmc-health.org

Community Engagement



OPEN HOUSE

NEW PETERSBURG MEDICAL CENTER

Join the architects from Bettisworth North to view building designs, hear project updates, and ask questions



WEDNESDAY, JANUARY 31, 2024



11:00 A.M. TO 7:00 P.M. (PRESENTATIONS @ 12:30/4:00/5:30)



Thanks to all that came out for the annual Turkey Trot!



NOT ALL CLASSROOMS HAVE FOUR WALLS

KINDER SKOG NATURE PROGRAM



Thanks to all that came out for the annual Turkey Trot!



PETERSBURG MEDICAL CENTER



RUNPOD

stronger together

CONGRATULATIONS RUNNERS!!!



POD made possible with support from WAVE



HEALTH FAIR BLOOD DRAWS

TO SCHEDULE YOUR BLOOD DRAW VISIT
WWW.PMCAK.ORG

Week 1: Feb 20-22



PETERSBURG MEDICAL CENTER'S

LIFESTYLE BALANCE PROGRAM

PREVENT DIABETES AND HEART DISEASE

With Healthy Eating & an Active Lifestyle

CLASSES:

- Tuesdays, starting Feb 4th (4:00-5:00pm)
- 12 weekly sessions
- 4 bi-weekly sessions
- 6 monthly maintenance sessions

Education, Encouragement, and Tools to help you meet your healthy lifestyle goals!



QUESTIONS & REGISTRATION:
 Julie Walker
 907.772.5552
 jwalker@pmc-health.org



In-Person & Virtual

- Tai Ji Quan - Moving for Better Balance**
- All Levels Welcome
 - Reduce Risk of Falling
 - Slow Controlled Movements
 - Tech Support & Resources



Scan QR code for information & schedules.
www.pmcak.org/community-classes

A **FREE** 24-week evidence based falls prevention program that improves strength, balance and mobility.

907-772-5580 or bturland@pmc-health.org

This program is supported by the Administration for Community Living (ACL), U.S. Department of Health and Human Services (HHS) as part of a financial assistance award totally \$549,327 with 100 percent funding by ACL/HHS. The contents are those of the author(s).



NEXT TOUR
JANUARY 10TH
12:00 PM

NEW PMC FACILITY SITE TOURS

Community members are invited to come see the new hospital site and WERC Building. Sign-up required.

Sign up for tour at pmcak.org
or call 907-772-5703





walk WITH a DOC

Seasonal Affective Disorder
Led by Dr. Alice Hulebak



SUNDAY, JANUARY 5TH
1:00-2:00 PM
SANDY BEACH TRAILHEAD

JOIN US FOR OUR JANUARY
WALK WITH A DOC EVENT!

Take a few minutes to learn about Seasonal Affective Disorder, then spend the rest of the hour enjoying a healthy walk at your own pace and distance. It's a great way to be active, learn about health, visit with a medical provider and meet new friends. The events are free and open to everyone!



 walkwithadoc.org
 jwalker@pmc-health.org



“Walk with a Doc”



PETERSBURG MEDICAL CENTER

	Audited 2019	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
Operating Revenues		-1%	4%	8%	21%	9%
Net Patient Revenue	15,113,713	14,944,770	15,476,648	16,703,912	20,190,193	21,993,528
Total Op Revenue	16,404,686	18,162,778	24,346,834	20,210,104	23,065,077	24,312,917
		11%	34%	-17%	14%	5%
Operating Expenses						
Salaries & Wages	7,964,981	9,459,886	10,885,264	11,272,272	11,769,317	11,236,353
Total cost of people	13,369,438	13,438,467	17,362,040	18,057,877	16,288,994	16,144,487
Non People Expense	3,441,524	3,805,390	4,358,101	5,282,511	5,860,342	5,936,725
Total Operating Exp	16,810,962	17,243,857	21,720,141	23,340,388	22,149,336	22,081,212
Operating Income	(406,276)	918,921	2,626,693	(3,130,284)	915,741	2,231,705
Non-Operating						
Investment income	173,979	55,563	868,594	(493,406)	345,731	451,480
Interest Expense	(10,126)	(5,089)	(11,705)	(110,665)	(228,921)	(146,099)
Foundation Rev (Restricted)	107,899	74,698	39,055	35,566	86,044	107,722
Foundation Exp (Restricted)	(116,298)	(78,281)	(35,067)	(31,411)	(22,143)	(70,092)
Other	950	12,589	13,562	1,005	1,109,197	8,437,900
Net Non Operating	156,404	59,480	874,439	(598,911)	1,289,908	8,780,911
Change in Net Position	(249,872)	978,401	3,501,132	(3,729,195)	2,205,649	11,012,616
Net position beginning of yr						3,256,158
Net Position End of Yr						14,268,774

Financial Performance

Medicare CAH Data Analysis		AK	PMC	US	
From the Flex Monitoring Program.		Median	FY2024	Median	
Profitability					
Total Margin	5.96	5.27	3.88	Does not include Construction Grant	
Operating Margin	3.63	4.03	3.15		
Cash Flow	5.19	10	7.26		
Return on Equity	4.98	7.5	6.4	This is high because we have an old building	
Liquidity					
Current Ratio	2.15	1.48	3.04	The amount of money we have on hand to pay current debts.	
Days Cash on Hand	136.3	72.5	125.8	This has improved over the summer and fall of 2024.	
Days in AR Gross	58.9	90.0	67.5	We are insourcing the business office from HRG.	
Capital Structure					
Equity Financing	76.68	51	64.93	This is low because we have old building and little debt.	
Debt service Coverage (Times)	2.52	3.23	4.1		
Long term Debt to Capital	0.25	12.7	18.26		
Inpatient					
Medicare Inpatient Payer Mix	57.42	43	59.06	Last year we did not have strong Swing Bed census.	
Medicare Acute Inpatient Cost per day	\$ 6,407	\$ 3,068	\$ 3,374		
Average Daily Census Acute	2.58	1	2.6		
Average Daily Swing	0.76	1.4	1.43		
Outpatient					
Outpatient Revenue to total Revenue	67.84	53	82.31		
Hospital Outpatient MCR payer Mix	22.91	55	30.68		
Outpatient Cost to Charge Ratio	66.92	1.04	42.45		
Labor					
FTEs per Adjusted Occupied Bed	22.7	14.2	5.08		
Average Salary per FTE	\$ 80,351	\$ 72,028	\$ 71,506		
Salaries to net patient Revenue	43.56	50	43.81		
Other					
Average age of Plant	5.07	19.46	12.36		
Patient Deductions	32.08	16.4	47.21		
Uncompensated Care	2.32	1.2	2.91	Bad Debt and charity care to operating expenses.	
Number of Entities	13	1	1337		

How does MCR Cost Base Hospital reimbursement work, simple example

- ▶ Let's say that it costs \$22,000,000 to operate the hospital
- ▶ Let's say that 50% of patient volumes or charges were for Medicare Beneficiaries
- ▶ Medicare will pay 101% (minus 3% for sequestration or 99%) of approved costs
- ▶ Basically \$10,780,000, Final Settlement two years latter.
- ▶ The Cost report is a very complex document. There are choices.
- ▶ Difference from Interim Payments, Interim Settlements and Final Settlement.
- ▶ Final settlement by department not as a whole.

Medicaid Alaska cost report

- ▶ Every 4 years Medicaid AK looks at Cost report and establishes a new rate for three areas.
 - ▶ Inpatient (A per day payment)
 - ▶ Outpatient (Percentage of Billed Charges)
 - ▶ Nursing Home (A per day payment)

There is a catch, They will set the rate at the lower of cost or charges.

Normally this is not a problem, but during covid volumes went down, cost went up and the cost exceeded what we charge. So we were capped at our charges for nursing home.



NEW FACILITY *construction*

- ▶ Healthcare as Petersburg's Economic Engine
- ▶ Addressing Workforce Challenges Locally
- ▶ Keeping Services Local Saves Money & Lives
- ▶ Preparing for Future Growth
- ▶ Reducing Long-Term Costs
- ▶ Building Community Ownership



Foundation for Success

- ▶ Successfully secured one-third of the funding and achieved key milestones:
 - ▶ Establish a team together that can build on-time and on-budget in Petersburg
 - ▶ Put funding back into the community & the state: Architects, Contractors and local subcontractor.
 - ▶ Built out the site for the facility campus.
 - ▶ Built the first structure, demonstrating our capability to deliver on this vision.
 - ▶ Progress underscores our commitment and ability to turn plans into reality.

Project Progress

- ▶ Developed Site for the WERC Building & Future Hospital
- ▶ Collaboration & Expansion of Borough Pit for Project Savings
- ▶ Utility Extensions for WERC Building & Future Hospital Ties
- ▶ Replaced & Upgraded Existing Utilities in Gjoa Street
- ▶ Constructed the WERC Building to 65% complete using Treasury Grant
- ▶ Projecting an Early Substantial Completion in Spring/Summer 2025
- ▶ Grand Opening Fall 2025



WERC Building



Enhancing the Health Care Capacity of Petersburg with an MRI Addition



Relieving Capacity of the Existing Facility



Wellness, Training, Education, and Resource Center



Job Opportunities Enhancement



Multipurpose Conference and Training Space



Relocation of the State of Alaska Public Health Nursing

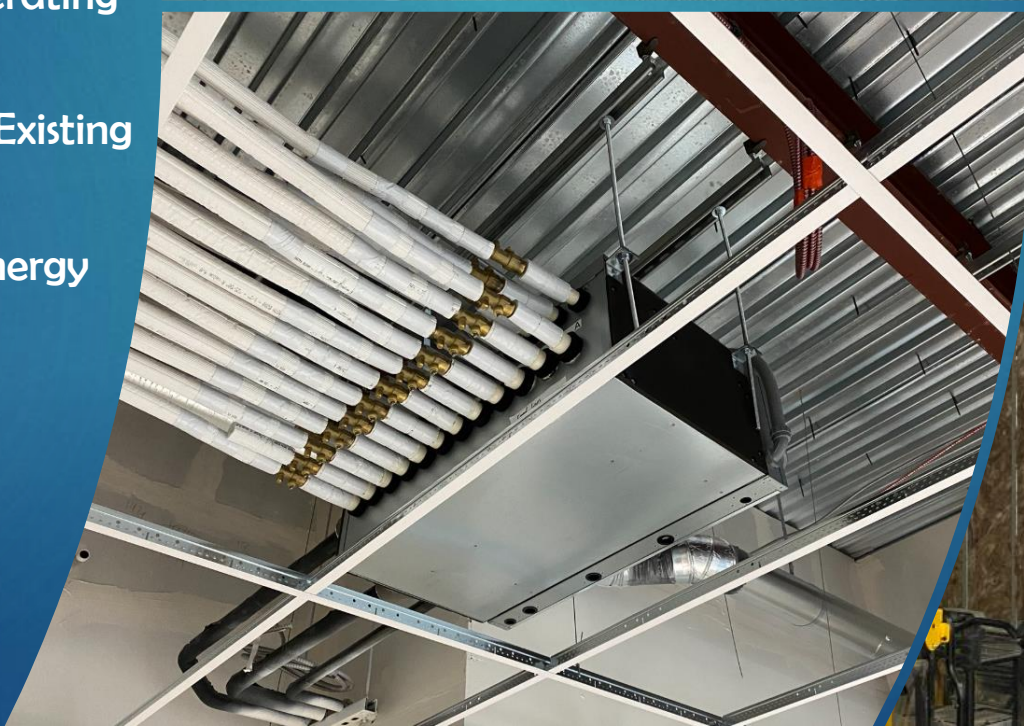


Expanding Community Collaboration



Energy Efficient Construction

- ▶ Interior and Exterior Insulation increasing R-Value and Building Heat Retention
- ▶ Heat Pump and Energy Efficient Equipment for Reduced Operating Cost
- ▶ 20-30% More Efficient than Existing Facility
- ▶ LED Lighting for Reduced Energy Consumption and Low Maintenance Cost



Budget

- ▶ Construction GMP \$17M with a total project cost of \$22.7M
- ▶ Project cost savings through collaboration, efficiencies, and project delivery methods allowed many previously deferred items such as FF&E, Artwork, and Transition to be incorporated back into the project within the current budget amount.
- ▶ To date, there have been **ZERO** change orders, and project changes and costs have been controlled through the CM/GC delivery method.
- ▶ Projected completion one year sooner than traditional fixed fee bid, due to creating a teamwork environment with Owner, Contractor, Architect, and Project Management.
- ▶ Flexibility in project execution, design, and construction all happening in parallel reduced project timeline delivery and put money back into the project budget.



Next Phases: Building a Healthier Future

- *Secure funding in the range of \$67M (+3% increase/ yr) to fully fund New Hospital

- *Alternatively secure phased funding:

 - \$35M for the core and shell building

 - \$32M for the interior build-out

- * Funding dependent; complete 100% design drawings Spring 2026

- * Depending on delivery method; start construction in Spring 2026/2027

- * Depending on delivery method; complete construction in Summer 2028/2029

- * Occupancy fall of 2028/2029 depending on Phasing and Delivery method selected



Existing Old Facility



Closing the gap



Remaining Funding Required: \$67 million

- Call to Action: State and federal legislators to partner.
- Through advocacy, we have successfully secured one-third of the funding.
- *Goal: Avoid incurring debt through a phased approach.*

Building the Funding Stack

- Secured Funds: Federal Earmark Appropriations: \$8 million allocated; \$3 million pending. Infrastructure Capital Program (Dept. of Treasury): \$20 million secured.

Sources to Close the Gap

- Federal Earmarks- continued advocacy
- State Capital Requests: Community priority, AHHA Letter with (3) community critical access hospitals for Capital, Capital Hospital Fund
- New Market Tax Credit Program
- USDA Direct Loan Program
- Direct Grants- HRSA, Rasmuson foundation, Murdock Foundation



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 function is to ensure that all Alaskan communities have access to modern, compliant healthcare facilities and operations. 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 diversification of our region. These hospitals are essential 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