

From: Bill McMillan [mailto:bcmillan@curryhealth.org]
Sent: Thursday, October 22, 2009 3:06 PM
To: Gary Milliman
Subject: Curry Health District and Brookings

Dear Council Members and Mr. Milliman;

I am certain you have read the several letters in the paper, or heard from your constituents regarding our proposed clinic in Brookings. I want you to have the facts, so I have attached a letter I sent to Mike Murphy, Port Orford City Administrator this morning that discusses our project in accurate detail. I look forward to answering any and all of your questions this coming City Council meeting on Monday night.

Warmest Regards,

Bill McMillan,
Curry Health District



October 22, 2009

Mike Murphy, City Administrator
555 W 20th Street
Port Orford, OR 97465

Dear Mike,

Thanks for your call. I am pleased to share some baseline information about Curry Health District, its operations and plans for Brookings. Some of the issues are complex and linked with Federal health policies, please feel free to ask for any clarification needed.

Curry Health District was created in 26 years ago in 1983 to do operate Curry General Hospital, and provide services in Port Orford. Since its inception The District has always operated facilities in our three centers of population; Port Orford, Gold Beach and Brookings. Providing services and owning / operating facilities outside of the District boundaries is permitted by statute (ORS 440.320).

In fiscal year 2009 it had total revenues of \$20,658,061 and total expense of \$20,119,294 (unaudited). As of October 2009 the District employed 207 staff. Payroll and benefits for the 09 fiscal year was \$11,570,340. For the 09 fiscal year property tax revenue represented 2.61% of the District's total revenue. Accordingly the District relies almost exclusively on patient revenues to support operations.

Curry Family Medical Clinic in Port Orford has annual net revenues of approximately \$283,000 and expenses of \$511,752. The District uses about half of our property tax revenue to subsidize the clinic.

The District generates half its patient volume and patient revenue from the Brookings Medical Center. Without that revenue we could not operate the Hospital.

In March of 2008 in a public meeting the District adopted a strategic plan. One of the components of the plan was a Physician Supply and Demand Analysis. That study confirmed anecdotal evidence that the county was experiencing a physician shortage and that by 2011, without adding new physicians, we would be short 2 internal medicine doctors, 2 pediatricians, one General Surgeon, one Orthopedic Surgeon, two OB/GYN and one Cardiologist. The study also found that many of the existing doctors were either not accepting new patients, or not accepting new Medicare patients. Curry County has one of the highest rates of Medicare beneficiaries; 60% of the hospital's revenue is from

Medicare. Based on that study the District began recruiting to fill the need, and targeted Brookings as that is where the shortage of physicians is most acute.

We estimate, using the Medical Group Management Association 2008 Physician Compensation and Production study that if we filled all these physician vacancies the District would add an additional \$10 million revenue annually. To date we have added a Psychiatrist, an Orthopedic Surgeon, an Internal Medicine doctor, a Family Practice doctor who does Obstetrics, an OB/Gyn and a Pediatrician. A General Surgeon will join the system next September. The Orthopedic Surgeon and Pediatrician see patients in Port Orford.

We have out grown our clinic in Brookings. The building is old, and cannot support the complex technical demands of the primary care and specialist providers working there. Additionally we do not own the building. After assessing the requirements of Brookings we elected to build a clinic to meet the District's needs and those of the community. Please note that we are not building a hospital in Brookings.

To be sure, Brookings is of the size to support a small hospital; however the 2004 study commissioned by Brookings, Asante Health Systems and Curry Health District determined that only a Critical Access Hospital (which receives enhanced Medicare reimbursement) would be financially feasible in Brookings, and at that only marginally. The consultants projections showed negative cash balances for at least 12 years; the duration of their projections.

Notwithstanding the above, the Federal government's Centers for Medicare and Medicaid Services (CMS) published a final rule in November of 2008 (42CFR 485.610) that effectively eliminated the ability to either relocate an existing CAH, or to designate a new hospital as a CAH. Additionally CMS has a long standing rule that requires a CAH to be at least 35 miles from any other hospital. Brookings is 25 miles from Sutter Coast Hospital and 28 miles from Curry General Hospital. This distance rule also precludes a CAH in Brookings, and as stated above, a non CAH facility would not be financially feasible.

Accordingly the District intends to construct a new clinic that complies with all State requirements for physician office, diagnostic imaging, lab and emergency department construction and operation. This will trim the time to treatment in ambulance transports by 40 – 50 minutes, valuable time in life threatening incidents.

At this time the cost estimates for the construction of the clinic are around \$8 million, and the District has paid \$2 million for the land. The land was appraised at \$2,430,000 in September of 2008. Fixtures, furnishings and equipment are estimated to be another \$1,000,000.

The District is pursuing two financing options; a conventional 40 year commercial loan through Chetco Federal Credit Union (CFCU) with a United States Department of Agriculture (USDA) guarantee. This loan would have an interest rate of 5.5%. The other

alternative is a Special Districts Association of Oregon Flex-Lease financing for 30 years at an interest rate of 5.33%. Neither of these financing options are General Obligation bonds which would obligate District residents to satisfy the debt were the District unable to.

Financial projections indicate that the new Brookings clinic will generate positive cash flows. This cash flow, along with that produced by the Hospital and other clinical operations Gold Beach will be used to service the debt, and also used to begin the renovation of the Hospital in Gold Beach.

That facility is 50 years old and does not meet current facility codes, nor does it provide sufficient space for the Hospital operations. Our current plans are to begin rebuilding in 2012 or 2013 and proceed in several phases as resources allow. Ultimately we will have 24 private rooms, a larger Emergency Department, 2 Operating rooms, a consolidated imaging department and space for physical therapy, outpatient clinics and teaching.

A frequently asked question is why not bring the Brookings area into the Health District before building the clinic there? A fair question. Were Brookings to join the District, and the current tax rate of \$.7425 the new property taxes would generate an additional \$1.2 million for the District. However we believe that without a commitment from the District to build the clinic, Brookings area residents would not see value in joining the District and would not support the movement.

Now that we are committed to building the clinic, we believe it is a fair proposition to ask Brookings Harbor to join the District, and ask District residents to support that annexation because of the value it creates for everyone. Brookings gets a clinic and an emergency medical facility that can provide service 24/7 and the District is strengthened financially, making Hospital rebuilding more feasible.

Another concern is that by bringing Brookings (and its concentration of population) into the District the governance of same would ultimately be controlled by Brookings. This concern is usually followed by the comment that the hospital in Gold Beach would be closed and relocated to Brookings. I have already addressed the hospital in Brookings matter above; Federal regulations do not permit relocating a Critical Access Hospital, nor building a new one, and a non-Critical Access Hospital is not financially feasible.

To address the governance issue we would propose expanding the District board from 5 to 7, and rather than at-large elections as is currently, adopt sub-district representation such as with Coos Curry Electrical; 2 from Port Orford, 2 from Gold Beach, 2 from Brookings and 1 at-large.

We are currently evaluating the feasibility of placing the annexation on the ballot in 2010.

I hope this review of the facts is helpful. I am more than happy to meet with you, the City Council and Port Orford residents to review any aspect of our operations.

Sincerely,

CURRY HEALTH DISTRICT

/s/

William I. McMillan
CEO

Cc: CHD Board of Directors