South Peninsula Hospital

October 29, 2007

Karleen K. Jackson, Ph.D.
Commissioner
Department of Health and Social Services
P.O. Box 110601
Juneau, Alaska 99603

Dear Commissioner Jackson,

Thank you for allowing me to provide additional information to clarify your understanding of our certificate of need application. Apparently, our application was not clear in its presentation of the project. That lack of clarity has caused confusion about our ability to carve out certain portions of the project. I must emphasize that the project described in the application was designed as a single project. The plan for the project was that once the new Emergency Department and Acute Care patient rooms were built those activities would move into the new space, which would then allow the renovation of the vacated space for use by other activities. The whole project was based on a leapfrog approach to using both new and renovated space to meet the identified needs.

Unfortunately, the dramatic and unexpected increase in construction costs during the time between design development and having the project ready for bidding far exceeded anyone's projections. As a result of the cost increase, the funds available from hospital revenues and the $10.5 million in general obligation bonds approved by the voters were inadequate and we were forced to split the project into two phases. Once the decision was made to split the project, we went back to the voters and received their approval for the additional estimated expenditure, including a tax increase to fund an additional $14.7 million in bonds.

You have requested that we provide detailed certified cost estimates to locate the following functions in existing space should the new southeast wing not be approved.

- Respiratory Therapy
- Relocation of the Mobile MRI
- Surgery Pre-operative and Post –Operative Space
- Heli-Pad

It is absolutely critical to emphasize that the new southeast wing is the key component of being able to meet the hospital's space needs and cannot be separated from the proposed

Ph 907-235-8101 • Fx 907-235-0253
4300 Bartlett Street, Homer, Alaska 99603
www.sphosp.com

project without a complete redesign. The new wing replaces the 22 patient beds in the existing double occupancy patient rooms with 18 single occupancy rooms. Those single occupancy rooms will provide more flexibility and improve the quality of care, patient safety, staff efficiency and allow the hospital to meet patient privacy requirements. We would like to comply with your request for cost estimates, but are unable to provide them without having a design for the cost estimator to use as the basis for the estimate. Redesigning the facility and obtaining new cost estimates would be a lengthy and expensive process that cannot be accomplished by the November 2, 2007 deadline. We estimate that it would take more than six months to develop a new design and obtain the associated cost estimates.

When the hospital prepared its Master Plan that served as the guide for our construction plans, we worked with a consultant to conduct a detailed assessment of our current and projected space needs. The Master Plan drove the design development for the current project. The space required for all the functions you have identified, except the MRI, is an integral, but as yet not built part of the total project.

Although it will be difficult to provide the certified cost estimates you requested, I can give you a good estimate of the operational impact of not completing this work. We will not be able to address any of these space needs except relocating the Mobile MRI without completing the proposed new construction. Neither the existing hospital nor the unoccupied, recently constructed area has any excess space available. Addressing the three identified space needs is totally dependent on creating new space by building the southeast wing.

A critical space need is a place for the Helipad. The project was designed to position the new Helipad on the southeast wing. The prior Helipad was eliminated when the civil engineering work was done for the initial portion of the construction project. A new driveway was constructed across the area where the Helipad had been located. The driveway was built to address the long-standing problem of mixing ambulance, patient, visitor and commercial delivery truck traffic at the one entrance to the hospital. With the new driveway and shifting the main entrance to the east end of the building, commercial truck traffic will be diverted to the loading dock before reaching the hospital entrance. This change enhances safety and reduces congestion at the entrance, but it eliminated the space for the helipad.

Our hospital is landlocked on property owned by the City of Homer and the Kenai Peninsula Borough. We are surrounded by a combination of residential and medical office property and none of the owners are interested in selling. As the hospital's volume of patients and staff and the associated demand for parking has increased, there is simply no space on the hospital campus left to use for a Helipad. The roof of the new wing was designed as the location for the Helipad and is the only viable location. Using the roof top Helipad provides the additional advantage of reducing the risk of patient and staff injury by minimizing the movement of critically ill or injured patients by providing access to the helicopter via an elevator. This approach eliminates the need for patients to

be transported by stretcher across a sloping driveway and parking lot in an area subject to frequent icing.

At the present time, when patients need to be transported to a tertiary care center in Anchorage, the medevac team must land at the Homer airport; be transported to the hospital by taxi to prepare the patient for transportation; and then the patient and medevac team are transported back to the airport by ambulance. This process adds a significant amount of time to the transportation of critically ill patients and adds the cost of ambulance transportation to their cost of care. Without the new wing, there is no place for the Helipad and the hospital will be forced to continue the risky, time consuming, inconvenient process of moving patients multiple times and which places an extra burden on the local volunteer ambulance service.

The Respiratory Therapy office is currently located in an office on the first floor that was previously occupied by the Director of Human Resources. The respiratory therapists have no space for pulmonary function testing except the hallway outside the office. Their patients have little privacy during the testing procedures and the therapists are seriously hampered in the space available for them to provide high quality, patient focused care. The new wing will provide appropriate space for respiratory therapy. Unfortunately, there is no other location available in the existing facility to use for respiratory therapy, so the therapists are stuck in a less than satisfactory working environment until the new wing is built. If the new wing is not built, the respiratory therapists could be moved into the existing emergency room once it is vacated, but the area is not designed for this function and would require remodeling.

The Surgery Pre-Operative and Post-Operative space need will be addressed by remodeling some of our current Acute Care patient rooms, plus the existing nursing station and the intensive care unit. The surgical services space was originally constructed in 1975, a time when the vast majority of surgical procedures were performed on an inpatient basis. Pre-operative preparation of the patients was done in the patient's room. Post-operative patients were returned to their rooms to complete their recovery and be prepared for discharge. Almost 70% of our surgeries are now done on an outpatient basis. With the shift of surgical services to a predominately outpatient basis, the hospital had to provide space for these functions. Two small office spaces were converted to use as the pre-operative space, by using one for shared office space with the preoperative nurse and the other by moving the Surgical Services manager's office into a large closet that had been used previously as an equipment storage room (now the equipment is in the hallway outside the operating rooms). There is no waiting room for surgery patients or their families and they are encouraged to share the waiting room with obstetrical patients. Post-operative patients who have recovered from anesthesia, but who are not yet ready to be released must either be held in the recovery room, which negatively affects the efficiency of the surgery department, or be sent to a hospital room which can cause crowding and potentially exposes these relatively well patients to those who may be much sicker.

Moving the Mobile MRI is a relatively simple process of hiring a tractor and driver and using the hospital's maintenance engineers to relocate the unit from one end of

the building to the other and make the necessary electrical, computer and communications connections. The new location for the MRI has already been prepared. However the move was put on hold in response to the recent cease and desist order. The total cost of moving the MRI, including staff time, is estimated to be less than $10,000. The MRI could be left in its current location, but the hospital would lose the operating efficiency and patient convenience of having all the imaging modalities co-located.

Although your letter did not ask about other impacts of not completing the construction of the southeast wing, there are significant functional problems that will not be addressed if the wing is not built. The Pharmacy, Laboratory and Information Systems staff will all be required to continue operating in substandard space.

The pharmacy serves the hospital inpatients, nursing home residents, and our employees. Storage space for optimal organization of medications in the existing pharmacy is inadequate and significantly increases the potential for a medication error. There is no private space for the pharmacist to counsel patients about their medications. In addition, the pharmacy's current space for preparation of intravenous solutions and chemotherapy medications is inadequate and is not compliant with the U.S. Pharmacopoeia Chapter 797 standards for air handling and physical separation of these activities. The current pharmacy is located on the first floor, away from the patient care areas of the hospital and nursing home. The location requires frequent trips between floors for the pharmacy staff to respond to patient care needs. The new pharmacy space to address the privacy, regulatory and functional shortcomings will be provided on the second floor in the space vacated by the existing Emergency Room as well as some of the patient rooms vacated when the new wing is built.

The existing laboratory space provides marginal patient privacy for specimen collection; is barely adequate for the current work load; and needs additional space to support continued growth. The blood banking function of the laboratory is currently performed on a portion of the counter space in the main section of the laboratory. This is not consistent with recommendations for best practices for this high-risk component of the laboratory's services. The laboratory, like the pharmacy, will be relocated to space vacated by the existing Emergency Room and some of the patient care rooms. If the new wing is not built, there will be no space to address the needs of the laboratory.

The Information Systems space is woefully inadequate and has not kept pace with the tremendous increase in the demand for information systems support. The hospital has increased the number of computers; implemented electronic patient record keeping; and installed a picture archiving and communication system for managing digital images. The space needed to support the complex information systems necessary for providing care must be addressed. When the new wing is built and the pharmacy moves to its new location, the information systems office will expand into space vacated by the pharmacy.

In summary, we believe that this single project, which was divided only by financial considerations, is the logical and best solution for the provision of quality healthcare on the Southern Kenai Peninsula. The project coordinates and centralizes the

provision of patient care services in an efficient manner and provides support staff functions the space required to continue to provide quality care; meet privacy requirements; and meet the increasing customer service expectations of our patients. This integrated project is a solution that has the support of the hospital staff; our two boards; the medical staff; and the Kenai Peninsula Borough Administration. In addition, the people of the service area have demonstrated their support for the project by their positive vote on two separate occasions.

We hope that we have properly conveyed our message to you so that you may join us in supporting our request for approval of this project. Please let me know if you have questions about this response or need any additional information.

Sincerely,

Charles C. Franz, FACHE
Chief Executive Officer

Cc: Honorable John Williams, Mayor
Kenai Peninsula Borough

Dr. Jay Butler, Chief Medical Officer
Department of Health and Social Services

David Pierce, Certificate of Need Coordinator
Department of Health and Social Services