

**Estes Park Health
Board & Senior Leadership
Views on
Possible Future Increased Affiliations**

**EPH Regular Board Meeting
January 18, 2023**

EPH and Future Affiliations

Estes Park Health (EPH) Board and Senior Leadership believe **increased affiliation with a larger healthcare organization will occur at some point in the future** driven by the intensifying influence of economic and market forces.

Possible Future Affiliations

EPH Board and Senior Leadership **have had conversations with other healthcare organizations about affiliation opportunities**, but at this time it is not appropriate to comment on specific conversations or potential enhanced affiliations.

Goals for Possible Future Affiliations

1. Ensure our **community's healthcare needs** will be addressed with **excellent healthcare services**.
2. Ensure that these **services will be sustained** into the future.
3. Ensure there will be **reliable, excellent quality referral networks** in place to provide excellent healthcare services EPH does not provide.
4. Ensure that, for any organization considered for establishing an affiliation, there will be a **culture and values that are aligned with EPH's culture and values**. For example, both organizations would have a shared primary goal of taking excellent care of patients.

Preparing EPH for Future Affiliations

1. Taking **near-term strategic actions**, described in a series of public meetings, to strengthen EPH's finances, operational effectiveness, and services.
2. Working with EPH Chiefs of Staff, Department Leaders, Senior Leadership, and Board, developing a **three- to five-year strategic plan** to further strengthen EPH finances, operational effectiveness, and services.
3. Working with Eide Bailly to **determine EPH's value to potential partners.**

Preparing EPH for Future Affiliations

4. Working with Hall, Render, Killian, Heath & Lyman, P.C. to understand legal **opportunities and constraints for EPH as a Special Taxing District.**
5. Working with Hall, Render, Killian, Heath & Lyman, P.C. to understand **different affiliation options' advantages and disadvantages**, specifically affiliations involving management agreements, joint ventures, lease agreements, and/or degrees of ownership transfer.
6. EPH has **engaged external experts** to ensure any affiliation agreements would accomplish leadership's goals described earlier.

Tracking CO Healthcare Affiliations

1. **Banner Health** and North Colorado Medical Center in Greeley in Oct 2019
2. **Centura Health** and Fort Morgan Community Hospital in Feb 2022
3. **Intermountain Healthcare** and Sisters of Charity of Leavenworth in Apr 2022
4. **UCHealth** and Parkview Health System in Pueblo Oct 2022
5. **UCHealth and Intermountain Healthcare** (clinically integrated network) in Jan 2023

Economic Necessity Affiliations

1. October 2022 Report: “Rural Hospitals at Risk of Closing” – Center for Healthcare Quality and Payment Reform
http://ruralhospitals.chqpr.org/downloads/Rural_Hospitals_at_Risk_of_Closing.pdf
2. More than **600 rural hospitals** – nearly 30% of all rural hospitals in the country – are **at risk of closing in the near future** based on persistent financial losses on patient services and low financial resources.

Economic Necessity Affiliations

3. **Over 200 of these rural hospitals are at immediate risk of closing** as a result of inadequate revenues to cover expenses and very low financial reserves.
4. **St. Vincent Health in Leadville example**
5. **EPH is not in this situation**
EPH had 133.5 days-cash-on-hand at end November 2022.
about 4.5 months days-cash-on-hand

Other Major Affiliation Drivers

1. The increasing influence of “**Narrow payor networks**” in which healthcare provider payment becomes increasingly dependent upon being a member of a specific payor network. There are significant reimbursement impacts of being In-Network versus Out-of-Network.
2. There are significant and **increasing capital requirements** required to stay current with evolving medical technology.

EPH Value to Affiliation Partner

- 1. Increased market share of referrals** from Estes Valley residents and visitors
- 2. Critical Access Hospital status.** Reimbursement is better than Prospective Payment System reimbursement, for example, swing beds.
- 3. Resource Optimization.** For example, free up beds in a larger system by sending certain patients to EPH where reimbursement is better.

EPH & Community Affiliation + Value

1. Increased **access to capital and personnel resources.**
2. Enhanced **access to technological resources and evolving best practices.**
3. Increased ability to **attract and retain excellent employees** because of more diverse career development opportunities and expanded access to professional networks.
4. Increased opportunities to **optimize resources** like larger system-wide flexible staffing to deal with seasonal personnel demands.

EPH & Community Affiliation + Value

5. Potential **cost savings** through, for example, volume pricing on supplies and the ability to distribute fixed administrative costs over higher service volumes.
6. Opportunity to be a **part of a “narrow payor network”** with higher reimbursement for services.
7. **Potential opportunities to add services** as a part of a larger system that would not be possible as a smaller organization.

EPH & Community Affiliation - Value

1. Possible reduction in local control
2. Possible job loss
3. Possible increase in the cost of services
4. Possible negative impact on other local healthcare providers:
Physical Therapy, Audiology, Optometry, Behavioral Health
providers, etc.

Steps to Affiliation

1. Initial assessment and review.
2. Negotiations exploring possible mutual interest and benefit.
3. Negotiation of a “Letter of Intent” with nondisclosure requirements.
4. Buyer and Seller due diligence to confirm expected benefits.
5. Negotiate final affiliation agreement.

Steps to Affiliation

6. Colorado Attorney General review.
7. Possible hospital district vote
8. Post-closure integration and implementation.

For Current Healthcare Affiliations

1. Becker's Hospital Review e-Newsletters
Free, General, CEO, CIO, CFO versions; daily updates
Beckershospitalreview.com
2. Kaufman Hall – free Hospital and Healthcare System Reports
Recommend National Hospital Flash Reports - monthly.
Kaufmanhall.com.

Comments & Questions