



July 19, 2008

The Honorable John J. Williams
144 N. Binkley St.
Soldotna, AK. 99669



Dear Mayor Williams:

During the 2008 Alaska Legislative Session, legislation was introduced in both the House of Representatives (HB 337 & 345) and Senate (SB 245) to repeal the Certificate of Need (CON) program that currently regulates health services planning in the State of Alaska. While this legislation passed in both the House and Senate HESS Committees, it was ultimately unsuccessful, as it was not introduced for a vote at the Finance Committees.

It is the opinion of the Alaska State Hospital and Nursing Home Association (ASHNHA) that the Governor will reintroduce CON repeal legislation during the 2009 legislative session with the full support of a newly appointed Commissioner of the Department of Health and Social Services. If this legislation is introduced and is successful at moving through the Committees, there is a high likelihood that it will be passed in both the Senate and House of Representatives.

The CPGH, Inc. Board of Directors has identified the repeal of the CON program as the single greatest threat to the long-term sustainability of our Hospital. We firmly believe that health care is not a conventional market; its economic forces are different. Health care has a finite need in each community. Introduction of additional medical providers redistributes finite revenue among more providers with 'winners and losers' in the community. Community hospitals such as CPH will be the 'losers' as profitable services are aggressively sought by new imaging, surgery and other health care providers. This will have a profoundly adverse impact on our ability to operate under our current ownership and governance structure to meet the community's needs.

The CPGH, Inc. Board of Directors believes that the repeal of the CON program in its current form is inevitable unless strong public support for its continuation is shown. We therefore request that the Assembly and Mayor make the continuation of the CON program for the Kenai Peninsula one of its highest legislative priorities for the 2009 legislative session.

Even if the CON program is continued on the Kenai, our Board believes current constraints force us to respond reactively, rather than proactively to protect the

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value of the community's investment in the hospital. Consequently, the CPGH, Inc. Board of Directors also requests that the Borough Assembly and Mayor consider an amendment to Ordinance 2008-17 that will further amend KPB 5.04.110 to exclude Hospital Plant Replacement and Expansion Funds (PREFs) from the \$1 million limitation for voter approval.

At its 2008 CPGH, Inc. Board of Directors retreat, Jaime Orlikoff, one of the most highly respected national healthcare experts in the country, gave presentations and led discussions on "Effective Governance in the New Era of Accountability" and "The Gathering Storm: Trends in Healthcare and Their Impact on Governance". The CPGH, Inc. Board is interested in inviting Mr. Orlikoff back to the Peninsula after the October elections to give a presentation to the BOD, Assembly, and Administration for a discussion of these important issues at a pivotal time in the evolution of healthcare on the Peninsula. We will work with the Mayor's staff on the details of coordinating this meeting this fall if there is interest.

We appreciate your introduction of Ordinance 2008-17 and the continued support that you have given to Central Peninsula Hospital.

Sincerely,



Loretta Flanders, President
CPGH, Inc. Board of Directors

Cc: Graces Merkes, Kenai Peninsula Borough Assembly President
CPGH, Inc. Board of Directors