



KENAI PENINSULA BOROUGH

144 North Binkley Street • Soldotna, Alaska 99669-7520

Toll-free within the Borough: 1-800-478-4441, Ext. 2150

PHONE: (907) 714-2150 • **FAX:** (907) 714-2377

**JOHN J. WILLIAMS
BOROUGH MAYOR**

MEMORANDUM

TO: Grace Merkes, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: John J. Williams, Borough Mayor

FROM: Craig Chapman, Finance Director
Colette Thompson, Borough Attorney

CC: Neal DuPerron, CKPHSAB Chair

DATE: June 26, 2008

SUBJECT: Ordinance 2008-22, Authorizing Termination of the C.P.G.H. Hospital Liability Trust and Distribution of the Funds.

In 1990 the C.P.G.H. Hospital Liability Trust (“Trust”) fund was created to help fund potential claims against the hospital for hospital liability, malpractice of emergency room doctors, and professional negligence, among other similar purposes. The Trust was funded with contributions from both the Hospital and the Central Kenai Peninsula Hospital Service Area.

Since then the statute of limitations has run on claims that could have been filed against the former emergency room doctors and the hospital has maintained its own liability insurance for many years. Given the financial position of the hospital, the availability of insurance to cover losses covered by the Trust, and the expiration of the statute of limitations the administration recommends that the Trust be dissolved.

A recent actuarial study of the Hospital liabilities covered by the Trust concluded that CPGH, Inc. should maintain a reserve against such claims in the amount of \$1,399,569. As the current balance of the Trust is \$2,911,579, the funds could be put to better use by dissolving the Trust, funding the needed reserve of \$1,399,569, and distributing the balance to the service area and CPGH, Inc. in the same proportion as the funds were contributed to the Trust by the former operator and the service area. CPGH, Inc. has preliminarily indicated that it would like any funds distributed to it to be placed in the Plant Expansion and Replacement Fund.

This ordinance would authorize the mayor to terminate the Trust. Once the Trust is terminated, the ordinance authorizes the Hospital to retain the \$1,399,569 to cover the needed reserve, transfers \$662,136 to the Plant Replacement and Expansion Fund, and the balance of \$849,874 to the Service Area fund balance.