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**Subject:** FW: 9/7/10 Assembly Meeting  
**Attachments:** Additional Information 090310.pdf

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**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]

**Sent:** Sunday, September 05, 2010 11:30 AM

**To:** akjfischer@hotmail.com; bsmith@xyz.net; cpierce@gci.net; gsuperman@gci.net; hvsmalley@yahoo.com; Blankenship, Johni; mako@xyz.net; pa12gary@hotmail.com; psprague@acsalaska.net; suemccl@gmail.com

**Cc:** Admin Council; Carey, Dave; Thompson, Colette; Chapman, Craig; 'Robert Molloy'; Richards, Bruce; Brennan, Peter; Alyson Stogsdill; Alyson Stogsdill Personal; Dr. Bramante; John Hoyt; John Togerson Work; John Torgerson; Judy Salo; Lore Weimer; Rick Ross; Russell Peterson; Sal Mattero; Trena Richardson; Dave Stein; duperrons@gci.net; jbgolden@acsalaska.net; mbgilman@gci.net; mmkn@ptialaska.net; TPeterson@KPBSD.k12.ak.us

**Subject:** 9/7/10 Assembly Meeting

KPB Assembly Members:

Thank you for providing the opportunity to meet this week to discuss Ordinance 2010-35. I continue to ask for your support in introducing this Ordinance. As requested by the Mayor and several Kenai Peninsula Borough (KPB) Assembly members, the CPGH, Inc. Board of Directors and Administration have brought forward a recommendation for consideration by the KPB Assembly for the future ownership/governance of Central Peninsula Hospital. In making this recommendation, CPGH, Inc. has faithfully endeavored to fulfill its fiduciary responsibilities and duties to the 501(c)3 non-profit corporation.

Throughout the intensive seven-month process leading up to this recommendation, CPGH, Inc. has made every effort to comply with requests made by Mayor Carey and Assembly members. An inordinate amount of documentation exists in the form of email and recorded meetings that demonstrates the owner of Central Peninsula Hospital has been engaged since the onset of this evaluation process. We feel it is important for the members of the KPB Assembly have access to information that will assuage any doubt that CPGH, Inc. has failed to act in a manner appropriate to their role. While additional records exist, the contents of the attachment to this e-mail are limited to communications that did not take place in Executive Session. I hope review of these documents will clarify the active role played by KPB Administration in this process and will support a choice to vote for introduction of Ordinance 2010-35.

We welcome the opportunity that will be afforded by introduction of the Ordinance on Tuesday. It sets the path for due attention to the extremely important subject of protecting the availability of excellent healthcare to the people of the Kenai Peninsula. We look forward to the prospect of sharing all of the details regarding the options, models and partners with the KPB Assembly and Administration, Service Area Board, CPH Employees, CPH Physicians, and all Service Area residents. CPGH, Inc. fully realizes that our recommendation regarding the option and partners will be fully vetted with the Assembly and the Assembly may make a different recommendation. CPGH, Inc. is willing to participate in as many work sessions as needed to allow the KPB Assembly to make the best decision between the introduction of the Ordinance and the date it is set for a final hearing, including education of newly elected Assembly members, as appropriate.

If I may provide any additional information, please do not hesitate to contact me.

Thanks, Ryan

Ryan K. Smith, CEO  
Central Peninsula Hospital  
250 Hospital Place  
Soldotna, AK 99669

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**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Sunday, April 04, 2010 6:58 PM  
**To:** Smith, Ryan K**Subject:** RE: Juniper Advisory, LLC Interviews

Sunday, 6:56 PM

Dear Ryan:

Your excellent summary is most appreciated by me. It means that I do not have to provide the Assembly with a write-up.

I have you, too, have had a nice Easter.

Mayor Carey

**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]  
**Sent:** Sunday, April 04, 2010 1:01 PM  
**Subject:** Juniper Advisory, LLC Interviews

Assembly Members & Mayor Carey:

As most of you are aware, the CPGH, Inc. Board of Directors (BOD) has started a dialogue regarding the most appropriate ownership and governance structure for Central Peninsula Hospital. This effort began with the presentation made in public session on March 2<sup>nd</sup>, 2010, to all constituents by Jamie Orlikoff, a governance consultant with Orlikoff & Associates. After Mr. Orlikoff's presentation, the CPGH, Inc. BOD tasked me to bring all ownership and governance options to them for consideration. As such, CPGH, Inc. has contracted with Juniper Advisory, LLC. Their website link is attached at the end of this e-mail and states that "Juniper is an independent, privately-held investment banking firm dedicated to providing its hospital industry clients with high-quality merger and acquisition (M&A) and other strategic financial advice. Our resources are focused exclusively on this business and industry."

David Gordon and Jamie Burgdorfer from Juniper Advisory, LLC made a presentation in executive session to the CPGH, Inc. BOD at their March 25<sup>th</sup> meeting regarding a proposed process that would culminate in the delivery of ownership/governance options in a presentation to the BOD at their April 29<sup>th</sup> meeting. The CPGH, Inc. BOD invited the Assembly President and SAB liaisons, KPB Mayor, SPH, Inc. BOD, SPH CEO and the CKPHSA Board Chair to attend the executive session of their meeting on March 25<sup>th</sup>. The executive session was attended by the CPGH, Inc. Board members, KPB Mayor, SPH CEO and one SPH, Inc. Board member. Due to some expressed concerns over CPGH, Inc. Board executive session attendance, the CPGH, Inc. BOD will offer the April 29<sup>th</sup> Juniper Advisory, LLC presentation of ownership/governance options to the public in open session at 6:00 p.m. on April 29<sup>th</sup>. We hope that you will be able to attend this very important presentation.

Prior to the April 29<sup>th</sup> presentation, representatives from Juniper Advisory, LLC will be in Soldotna on April 15<sup>th</sup> and 16<sup>th</sup> to conduct interviews with key decision makers that represent our Service Area residents. As such, they would like to schedule one hour individual interviews

on April 15<sup>th</sup> or 16<sup>th</sup> with Assembly members and the Mayor. If you are available for an interview with Juniper Advisory representatives on one of these days, please contact Terri Nettles, CPH Executive/Board Assistant, at 907-714-4718 to schedule an appointment.

Thank you for your attention to this very important dialogue on behalf of our Service Area residents.

Happy Easter!!

Ryan

<http://www.juniperadvisory.com/content.php?page=home.htm>

P.S. For those interested, I have attached a pdf file to this e-mail with 4 articles regarding this dialogue. The first two articles deal with public hospital ownership and the second two articles highlight a shared governance, whole hospital joint venture that was created in Bannock County, Idaho.

Ryan K. Smith, CEO  
Central Peninsula Hospital  
250 Hospital Place  
Soldotna, AK 99669  
[www.cpggh.org](http://www.cpggh.org)  
(o) 907-714-4718 (c) 907-394-2477 (fax) 907-714-4969



# **CPGH, Inc. Quarterly Report March 31, 2010**

Prepared for

**The Kenai Peninsula  
Borough Assembly  
and Administration**

April 20, 2010



# The “Why” Question is Extremely Important

## CPH in Offensive Position

- Good Financial Shape Now
- Positive Cash Flow Record
- New/Remodeled Physical Plant

## Health Care Reform Coming

- Decreased Medicare & Medicaid Reimbursement
- Bundled Payments
- Quality v. Volume
- Patient Centered Outcome
- Readmission Penalties for Hospitals

## Financing

## Industry Extremely Regulated/Complex

## Reduce Risk to Taxpayer

## Monetize the Assets Prior to Potential Market Decline

## Need Agility to Respond to Market Changes

## Precipitous Events - CON

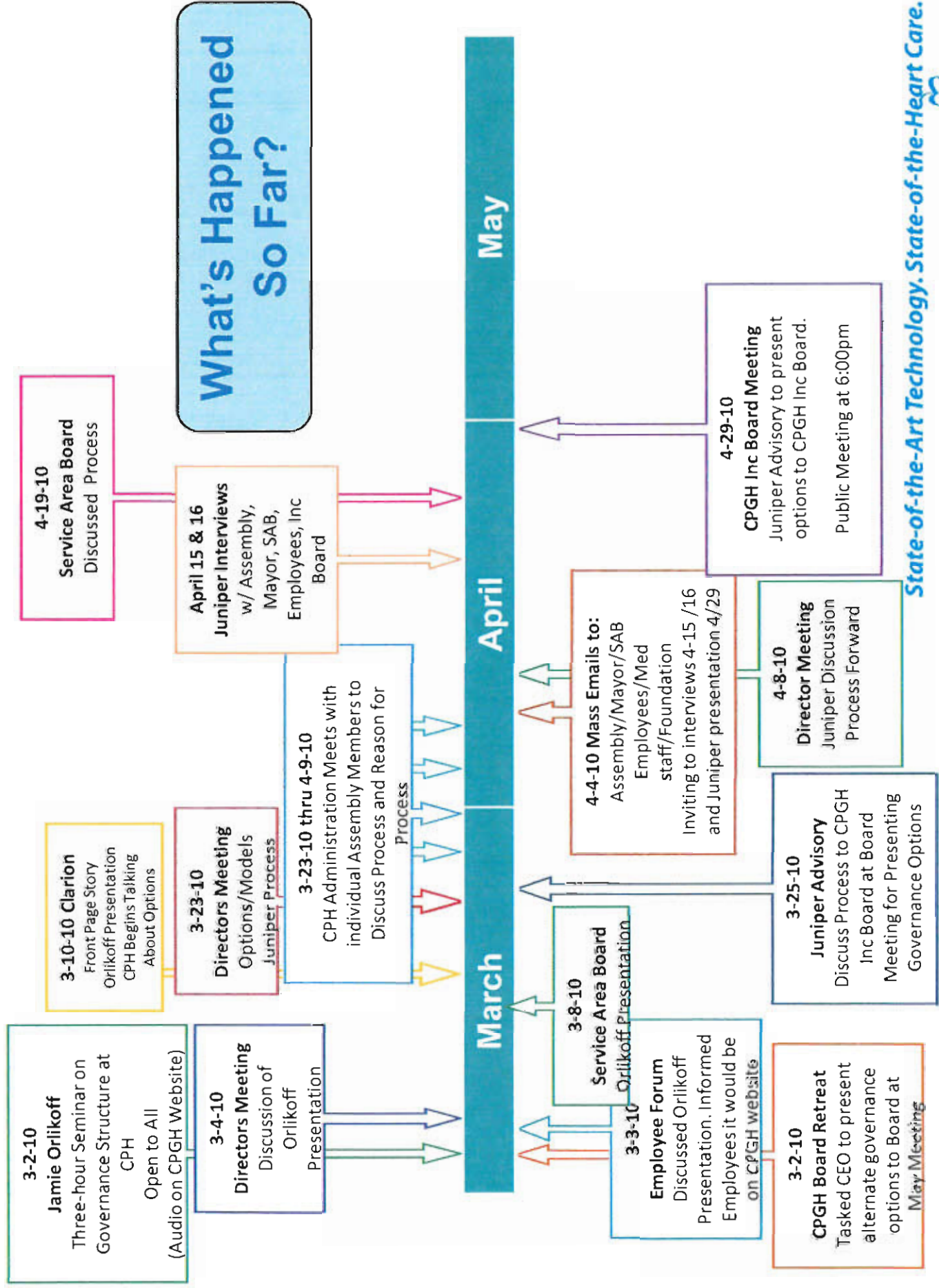




## What Are The Options?

- **Do Nothing** (remain borough owned / Lease & Operating Agreement)
- **Privatization** (example 50 year lease of hospital for nominal fee)
- **Sell Hospital to Not-For-Profit or For-Profit**
- **Capital Partner – Whole Hospital Joint Venture (Shared Governance)**





## What Will Happen From Here?

- Juniper Advisory, LLC Presents Options – 4/29/10
- Options Will be Considered by CPGH Inc., Board Members
- CPGH, Inc. will make decision on which options to obtain additional information, if any, and inform the Assembly







## **KENAI PENINSULA BOROUGH**

144 North Binkley Street • Soldotna, Alaska 99669-7520

Toll-free within the Borough: 1-800-478-4441

**PHONE:** (907) 262-4441 • **FAX:** (907) 262-1892

[www.borough.kenai.ak.us](http://www.borough.kenai.ak.us)

**DAVID R. CAREY**  
**BOROUGH MAYOR**

April 20, 2010

Attn: Mr. Thomas Boedeker, President  
CPGH, Inc.  
250 Hospital Place  
Soldotna, AK 99669

RE: Request for Information

Dear Mr. Boedeker,

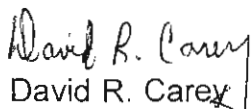
It has come to my attention that CPGH, Inc. has entered into a contract with a company named Juniper, who Craig Chapman and I met with on April 15, 2010, at 11:00 a.m., at Central Peninsula Hospital.

It was made very clear to me that CPGH, Inc. is investigating the sale of Central Peninsula Hospital. Since this is a Kenai Peninsula Borough owned facility, this facility belongs to the constituents of the Kenai Peninsula Borough. Any steps towards a sale should be appropriately requested through the Mayor's Office and then to the Assembly.

Please consider this my formal request for copies of any and all contracts entered into for investigation of the potential sale of Central Peninsula Hospital.

I look forward to hearing from you soon regarding this request.

Sincerely,

  
David R. Carey  
Mayor

cc: KPB Assembly Members  
Craig Chapman, Finance Director  
Ryan Smith, CEO, CPGH, Inc.



April 22, 2010

Mayor David R. Carey  
144 S. Binkley Street  
Soldotna, Alaska 99669

RE: Letter to Mr. Thomas Boedeker, President, CPGH, Inc. dated April 20, 2010

Dear Mayor Carey,

I am providing a copy of the engagement and agreement that CPGH, Inc. entered with Juniper Advisory, LLC (Juniper) on March 12, 2010. As the terms of the attached Agreement show, this agreement was entered to provide the CPGH, Inc. Board of Directors (BOD) "with an assessment of its strategic and financial position, and the range of strategic alternatives available to CPGH". There is no mention in this Agreement that CPGH, Inc. is investigating the sale of CPH, only strategic alternatives and options for ownership/governance. The end product for this engagement will be a presentation by Juniper of these options to the CPGH, Inc. BOD and the public at their regularly scheduled meeting on April 29, 2010 at 6:00 p.m. in the Denali Room at the Hospital.

After Jamie Orlikoff's presentation on March 2, 2010 to the public, several Assembly members commented that CPGH, Inc. should continue their efforts to investigate the options for ownership/governance of CPH. Furthermore, on several occasions you have indicated that you were extremely pleased with CPGH, Inc.'s actions to engage Juniper as consultants in this process. You have complimented CPGH, Inc. for their pro-activeness, requested accurate information be provided to the public, and expressed your interest in continuing to be involved in those discussions.

The CPGH, Inc. BOD considered your comments and has done exactly as you asked. In addition to the monthly meetings that you and I attend, we have continued to involve you in the discussions as evidenced by your attendance at the March 25, 2010 CPGH, Inc. BOD meeting, and interview with Juniper on April 15, 2010. Furthermore, this issue was discussed at the March 8, 2010 and April 18, 2010 Central Kenai Peninsula Hospital Service Area Board (CKPHSAB) meetings. This Service Area Board is advisory to the Borough Administration and Assembly; however, no one from your staff was in attendance at either meeting. Charlie Pierce, KPB Assembly Member, was at the March 8, 2010 meeting, and expressed his opinion that CPGH, Inc. and the CKPHSAB should bring forward ownership/governance options to the KPB Assembly and Administration. The CPGH, Inc. BOD has continued their pro-activeness and has made special attempts to include the public and provide them accurate information regarding this process.

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Juniper was in Soldotna on April 15 & 16, 2010 and spent time interacting with you, Craig Chapman, KPB Assembly members, CPGH, Inc. BOD members, CKPHSAB members, Central Peninsula Health Foundation Board members, CPH Medical Staff, and CPH Employees and Directors. Furthermore, during my quarterly presentation to the KPB Assembly and Administration on April 20, 2010, I notified the public of where CPGH, Inc. is in this process.

I apologize if you were told that CPGH, Inc. has entered a contract to investigate the sale of CPH. I am confident that it was not any member of the CPGH, Inc. BOD or myself who made this statement to you. In reality, CPGH, Inc., has entered into an agreement with Juniper to "investigate" the range of strategic alternatives available to CPGH, Inc.

In addition to our Agreement with Juniper, we have also contracted with McDermott, Will & Emery (MWE) to work with legal counsel, Bob Molloy, and advise the CPGH, Inc. BOD in connection with certain initial legal feasibility issues relating to the CPGH, Inc. BOD's consideration of strategic options, at its April 29, 2010 meeting. A copy of this Agreement is also being provided. To reiterate, neither of these agreements were entered into for "investigation of the potential sale of Central Peninsula Hospital". They were entered to provide the most accurate information regarding strategic alternatives to the CPGH, Inc. BOD and public at the April 29, 2010 meeting.

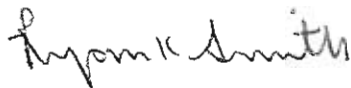
The CPGH, Inc. BOD has been advised that they have the following obligations as Hospital Board Members:

- Duty of Loyalty
- Duty of Care
- Duty of Obedience

With the Duty of Obedience, the CPGH, Inc. BOD is obligated to evaluate individual strategic alternatives from the perspective of whether they will further the charitable goals and objectives of the organization. This is what they are doing with this process.

The CPGH, Inc. BOD is fulfilling their fiduciary and stewardship responsibilities to the organization, Service Area residents and the constituents of the Kenai Peninsula Borough by fostering the dialogue of appropriate ownership/governance, and strategic alternatives for CPH. I hope that you will continue to support their efforts to bring this important dialogue forward to our constituents.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ryan K. Smith". The signature is fluid and cursive, with the first name "Ryan" being more prominent.

Ryan K. Smith  
Chief Executive officer

**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Friday, April 23, 2010 5:14 PM  
**To:** Smith, Ryan K.  
**Subject:** RE: Response to Requests

Thanks, Ryan.

Mayor Carey

**David R. Carey, Mayor**  
Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]  
**Sent:** Friday, April 23, 2010 11:33 AM  
**To:** Carey, Dave

**Subject:** Response to Requests

Mayor Carey,

You asked me the following question after my quarterly presentation to the KPB Administration and Assembly on April 20, 2010:

**April 20, 2010 CPGH Following Quarterly Report to Assembly (37:43)**

**Mayor Carey:** "Does it seem at all unusual to you that the operating board and the administration of the hospital would be talking about selling when they don't own it. I mean it is owned by the service areas and the borough, does it seem at all unique that when we bring someone in to run this very important asset that they would move ahead towards selling what they don't own."

In response to your question, the letter you sent to Tom Boedeker, President, CPGH, Inc., and the meeting we had on April 21<sup>st</sup> with Colette Thompson, Craig Chapman, Sue Wilcox, Bruce Richards and Bob Molloy, I am attaching the following documents:

- Your letter to Tom Boedeker dated April 20, 2010
- A response letter dated April 23, 2010
- The "Agreement" between Juniper Advisory, LLC and CPGH, Inc.
- The "Scope of Engagement" between McDermott, Will & Emery, LLP and CPGH, Inc.

In addition to these documents, Colette Thompson asked Bob Molloy to provide you with all agreements and invoices for the consulting services provided by Jamie Orlikoff and the written document that was handed out during his presentation on March 2, 2010. As such, I am attaching the following documents:

- Jamie Orlikoff's invoices for his consulting services provided in 2008, 2009 and 2010
- The document entitled "Central Peninsula Hospital, Governance Structure and Interface with the Kenai Peninsula Borough." This document was prepared by CPH and handed out for Jamie Orlikoff's presentation

Please let me know if you require any additional information.

Thanks, Ryan

Ryan K. Smith, CEO  
Central Peninsula Hospital  
250 Hospital Place  
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**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Friday, April 30, 2010 7:07 AM  
**To:** Smith, Ryan K.  
**Subject:** RE: 2003 KPB Service Area General Obligation Bonds

Friday, April 30, 2010 7:07 AM

Dear Ryan:

I greatly appreciated yesterday's meeting.

Mayor Carey

**David R. Carey, Mayor**  
Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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From: Carey, Dave [dcarey@borough.kenai.ak.us]  
Sent: Thursday, May 06, 2010 7:12 AM  
To: Smith, Ryan K.  
Subject: RE: Juniper Agreement

Thursday, 7:10 AM

Dear Ryan and Bruce:

I felt yesterday's meeting was very helpful and productive.  
We have a most important issue with which we are dealing on behalf of  
the local residents and visitors.  
I look forward to continuing the close mutual efforts as we proceed.

Dave Carey, KPB Mayor

David R. Carey, Mayor  
Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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-----Original Message-----

From: Smith, Ryan K. [mailto:rsmith@cpgh.org]  
Sent: Wednesday, May 05, 2010 5:35 PM  
To: Carey, Dave  
Subject: Juniper Agreement

Mayor Carey/Colette/Craig -

Thank you for taking the time to meet with Bruce and I this afternoon. Attached is a final draft of the contract between CPGH, Inc. and Juniper Advisory, LLC that was approved by the CPGH, Inc. Board Executive Committee this afternoon. There may be a few minor changes to this agreement, pending Juniper's final review. This agreement includes the terms we discussed this afternoon - \$25,000 monthly retainer, \$300,000 withdrawal fee paid by CPGH, Inc. if a Letter of Intent is signed and a transaction is not finalized, and a \$1,750,000 transaction fee to be paid by the buyer if a transaction is finalized. CPGH, Inc. has the

ability to terminate the agreement without penalty up to the signing of a Letter of Intent.

My understanding of our agreements from our meeting today are:

1. The Mayor and/or his designees will be invited to be involved in every step of this process (i.e. review of the information memorandum and instruction letter, review of initial offers, participation in site visits, review of refined offers, participation in reverse due diligence site visits, etc...).
2. CPGH, Inc. will not sign a Letter of Intent without Mayor/KPB Assembly approval.
3. CPGH, Inc. will not work directly with Assembly members to introduce any ordinance or resolution throughout this process, unless we are unsuccessful working directly with the Mayor and his staff. CPGH, Inc. will continue to meet individually with Assembly members to educate them regarding this process.

Please let me know if you have any issues/concerns with the attached agreement, or if you have a different understanding of the agreements from our meeting today.

Thanks, Ryan

Ryan K. Smith, CEO  
Central Peninsula Hospital  
250 Hospital Place  
Soldotna, AK 99669  
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## **KENAI PENINSULA BOROUGH**

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**DAVID R. CAREY**  
**BOROUGH MAYOR**

May 14, 2010

Ryan K. Smith, CEO  
Central Peninsula Hospital  
250 Hospital Place  
Soldotna, AK 99669

Dear Ryan:

Thank you for email message of May 5, 2010, and for meeting with my staff and me regarding the project CPGH, Inc. is undertaking involving a review of potential changes to, the governance and ownership of Central Peninsula Hospital.

Your understanding of our agreements from our meeting look accurate to me, except that my attendance at those portions of the CPGH, Inc. board executive sessions in which the project is not mentioned. I would like to clarify that you also agreed that I, or my designee, may attend such meetings, subject to the board's approval. Please verify that this is your understanding as well.

Finally, please let us know if the agreement with Juniper has been signed.

Your cooperation in this matter is appreciated.

Sincerely,

David R. Carey  
Borough Mayor

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

**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Tuesday, May 18, 2010 4:51 PM  
**To:** Smith, Ryan K.  
**Subject:** RE: Assembly Presentation

Thanks, Ryan.

Looks good.

Mayor Carey

**David R. Carey, Mayor**

Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]  
**Sent:** Tuesday, May 18, 2010 3:34 PM  
**To:** Carey, Dave  
**Subject:** Assembly Presentation

Mayor Carey/Craig/Colette:

Attached is the presentation I plan on giving under "items not appearing on the agenda" at tonight's meeting. I apologize for the late notice, but just finished putting the presentation in written form. Please let me know if you have any questions/concerns prior to the presentation.

Thanks, Ryan

Ryan K. Smith, CEO  
Central Peninsula Hospital  
250 Hospital Place  
Soldotna, AK 99669  
[www.cpgph.org](http://www.cpgph.org)  
(o) 907-714-4718 (c) 907-394-2477 (fax) 907-714-4969





## Assembly Presentation 5/18/10

Mr. President, Assembly Members and Mayor Carey:

Thank you for the opportunity to update you regarding the CPGH, Inc. process for evaluating and making a recommendation related to the ownership and governance of Central Peninsula Hospital.

Since my update to you on May 4<sup>th</sup> in Seward, we have had several meetings:

- First, Bruce Richards and I met with Mayor Carey, Craig Chapman and Colette Thompson on May 5<sup>th</sup>. We presented an Agreement between CPGH, Inc. and Juniper Advisory, LLC that was approved the same day by the CPGH, Inc. Executive Committee. This agreement outlined payment to Juniper for pursuing information from the market regarding three options: 1. Joint Operating Agreement 2. Whole Hospital Joint Venture and 3. Outright Sale. CPGH, Inc. will continue to pay Juniper a \$25,000 monthly retainer. In addition, if CPGH, Inc. recommends one of these three options by signing a letter of intent with a particular partner/suitor, CPGH, Inc. would be obligated to pay Juniper a \$300,000 withdrawal fee if a transaction is not ultimately completed. Finally, if one of these options is pursued and ends in a signed definitive agreement, Juniper would be paid a transaction fee by the partner/suitor.

After presenting this agreement to the Mayor, we had a discussion and agreed to a process for proceeding to gather information from the market that is necessary to make an informed recommendation. These agreements are that CPGH, Inc. work with the Mayor and his staff through every step of this process. That would include review of all documents prepared by Juniper, review of initial offers by partners/suitors, participation in partner/suitor site visits, review of refined offers, participation in reverse due diligence and inclusion in CPGH, Inc. Board executive session discussions where appropriate. In addition CPGH, Inc. will not sign a Letter of Intent with a partner/suitor without working with the Mayor to present a resolution for KPB Assembly approval.

- On May 14<sup>th</sup>, Bob Molloy, Bruce Richards and I again met with Mayor Carey, Craig Chapman and Colette Thompson and presented the following draft "privileged and confidential" documents prepared by Juniper for their review:
  - Signed agreement between CPGH, Inc. and Juniper; and the following documents to pursue additional information from the market:
  - Instruction Letter
  - Information Memorandum
  - List of Potential Partners/Suitors
  - Confidentiality Agreement
  - Proposed timeline

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Alliance.

- These draft documents were also presented to the CPGH, Inc. Board at a Special Meeting on May 12<sup>th</sup>. The CPGH, Inc. Board confirmed their April 29<sup>th</sup> decision to review these draft documents at their regularly scheduled May 27<sup>th</sup> Board meeting.
- Finally, I updated the Central Kenai Peninsula Hospital Service Area Board at their regularly scheduled meeting last night. I let them know where we are in the process as well as what options will be considered and will continue to update the SAB regarding this process at their regularly scheduled meetings.

I want to reiterate that all documents prepared by Juniper to obtain additional information from the Market are in "draft" form and will be reviewed by the CPGH, Inc. Board at their May 27<sup>th</sup> meeting in Executive Session. After receiving input from the Borough Contract Administrator and CPGH, Inc. Board, Juniper will release these confidential documents to the proposed partners/suitors.

I also want to reiterate that Juniper is only pursuing the three options that require additional information from the market as evidenced in the handout I have provided. These options are:

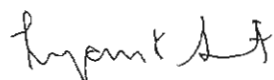
- Joint Operating Agreement
- Whole Hospital Joint Venture
- Outright Sale

While Juniper collects additional information from the market, the CPGH, inc. Board will simultaneously be reviewing the remaining three options of:

- Amendments to the Lease and Operating Agreement
- Merger
- Privatization

In summary, three options need additional information that can only be obtained from the market, the remaining three options require in-house review. All six will be considered before the CPGH, Inc. Board makes a recommendation to the Mayor and Assembly. I will continue to provide updates to the KPB Assembly and public at your regularly scheduled meetings.

Thank you,



Ryan Smith, CEO  
Central Peninsula Hospital

*Options for Consideration by CPGH, Inc.  
for Recommendation to the Kenai Peninsula Borough*



**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Monday, June 07, 2010 11:00 PM  
**To:** Smith, Ryan K.  
**Subject:** RE: marketing update  
Monday, 10:59 PM

Thanks, Ryan.

Mayor Carey

**David R. Carey, Mayor**

Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]  
**Sent:** Monday, June 07, 2010 2:24 PM  
**Cc:** Carey, Dave  
**Subject:** FW: marketing update

**Board Members and KPB Borough Administration:**

Today was the proposed date for the "Market Launch" to interested proposers. As such, Juniper Advisory, LLC has sent the marketing materials to the six proposers who have signed the confidentiality agreement and fee agreement. There are three more interested proposers who may execute agreements today or tomorrow. If they do, we will end up with 7 for profit and 2 not for profit proposers.

The conversations with proposers are detailed on the attached spreadsheet.

Thanks, Ryan

**From:** Rex Burgdorfer [mailto:rburgdorfer@JUNIPERADVISORY.COM]  
**Sent:** Monday, June 07, 2010 12:07 PM  
**To:** Smith, Ryan K.  
**Subject:** marketing update

Ryan,

We sent the marketing materials (instruction letter, information memo, and data room) to the following proposers today:

CHS  
LHP  
Capella



lasis  
RegionalCare  
Providence

We will continue to work with HCA, LifePoint, and Peace Health to try and include them in the process as well.

Please feel free to call if you have any questions.

Regards,  
Rex

Rex Burgdorfer  
Juniper Advisory  
191 North Wacker Dr. Ste. 900  
Chicago, IL 60606  
T: 312.506.3006  
M: 773.474.0851  
F: 312.506.3045  
[rburgdorfer@juniperadvisory.com](mailto:rburgdorfer@juniperadvisory.com)



## Mayor's Report to the Assembly for May 2010

Dave Carey, Mayor, June 7, 2010

"There is a great deal more time being spent regarding the Central Kenai Peninsula Hospital. The Administration, working with the Service Area Board, is transitioning to take over the study and recommendations to be brought to the Assembly regarding management and ownership. The INC Board of the Hospital has shown strong leadership in promoting and working on this issue."

---

**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Tuesday, June 08, 2010 12:59 PM  
**To:** Smith, Ryan K.  
**Subject:** RE: Presentation tonight

Thanks, Ryan.

Mayor Carey

**David R. Carey, Mayor**

Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]  
**Sent:** Tuesday, June 08, 2010 11:24 AM  
**To:** Carey, Dave  
**Subject:** Presentation tonight

Mayor Carey/Craig/Colette – attached is the presentation I plan on giving tonight under “items not appearing on the agenda”.

Please let me know if you have any questions/concerns.

Thanks, Ryan

Ryan K. Smith, CEO  
Central Peninsula Hospital  
250 Hospital Place  
Soldotna, AK 99669  
[www.cpggh.org](http://www.cpggh.org)  
(o) 907-714-4718 (c) 907-394-2477 (fax) 907-714-4969



## June 8<sup>th</sup> Assembly Meeting

Mr. President, Assembly Members and Mayor Carey:

Thank you for the opportunity to update you regarding the CPGH, Inc. Board of Directors process for evaluating and making a recommendation related to the ownership and governance of Central Peninsula Hospital.

First, I want to reiterate and briefly explain the process that CPGH, Inc. is undertaking. The current process involves analyzing ownership/governance options with regard to operating CPH in the future. There are six options being considered by the CPGH Inc, Board for recommendation to the KPB Assembly.

Three of the ownership/governance options would require negotiations between the CPGH Inc, Board and the Kenai Peninsula Borough. These are identified as "non-market" options as no input from potential market proposers is required. These "non-market" options include:

- o Potential Amendments to the current Lease and Operating Agreement
- o Merger with South Peninsula Hospital
- o Privatization

The remaining three ownership/governance options require input from potential proposers from the health care market. These include:

- o Joint Operating Agreement
- o Whole Hospital Joint Venture
- o Outright Sale

Since my update to you on May 18<sup>th</sup>, we have had several meetings:

- First, Bruce Richards and I met with Mayor Carey, Craig Chapman and Colette Thompson on May 25<sup>th</sup> to review the "market launch" documents. These documents included the instruction letter, information memorandum, proposed timeline and list of potential market proposers. We received the Borough Administration's recommended changes to these documents and incorporated most of them into the final documents.
- On May 27<sup>th</sup>, the CPGH Inc. Board of Directors held their regularly scheduled monthly meeting. The CPGH, Inc. Board held an executive session to discuss the documents prepared by Juniper for final input. Mayor Carey, Craig Chapman, and Colette Thompson were invited and participated in the executive session. Following discussion and finalization of the documents for the market options, the CPGH, Inc. Board continued with discussion of the non-market options. The non-market options would require action exclusively between CPGH Inc, and the KPB. In order to accommodate the time necessary to consider all options,


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the CPGH Inc, Board has approved bi-monthly meetings through the summer. The first of these bi-monthly meetings will take place on Thursday, June 10<sup>th</sup>. At this meeting, the CPGH, Inc. Board will review a timeline for the "non-market" options and perform a criteria assessment for all of the options. The second bi-monthly meeting will take place on July 8<sup>th</sup> to review the initial proposals submitted by interested market proposers.

- In regards to the "market" options, on May 28<sup>th</sup>, Juniper Advisory, LLC began contacting the 24 potential proposers to gauge interest and request signatures of the confidentiality agreement and fee arrangement. This was the first step of the controlled competitive bidding process. The second step of the process began yesterday as Juniper began providing proposers who signed the confidentiality agreement and fee arrangement with the following documents and information:
  - Final Instruction Letter
  - Final Information Memorandum
  - Final proposed timeline
  - Access to the CPH Electronic "Data Room" - Also provided to Craig Chapman and Colette Thompson
- As of this presentation, seven proposers have indicated interest and have signed the confidentiality agreement and fee arrangement – 6 for profit and 1 not for profit. In addition, three others have indicated they may be signing the confidentiality agreement soon, and 14 potential proposers have declined to participate in the process.

In summary, three options need additional information that can only be obtained from the market and three options require in-house review. All six will be evaluated before the CPGH, Inc. Board makes a recommendation to the Mayor and Assembly. We anticipate this recommendation will be provided to the Assembly in early September. I will continue to provide updates to the KPB Assembly and public at your regularly scheduled meetings.

Thank you,



Ryan Smith, CEO

Central Peninsula Hospital



June 22, 2010

Mr. President, Assembly Members and Mayor Carey:

Thank you for the opportunity to update you regarding the CPGH, Inc. Board of Directors process for evaluating and making a recommendation related to the ownership and governance of Central Peninsula Hospital.

As I have presented at your prior meetings, CPGH, Inc., is considering 6 possible options for changes to the ownership and governance structure of CPH. According to the current timeline (attached), the CPGH, Inc. Board will forward their recommendation to the Mayor for Assembly consideration in September.

Of the six options, three require input and information from the health care market. The remaining three options are non-market options and would require negotiations between the KPB and the CPGH, Inc., Board or a newly formed entity.

Since my update to you on June 8<sup>th</sup>, meetings continue regarding the Ownership/Governance of CPH :

- On June 10<sup>th</sup>, the CPGH, Inc Board of Directors held its first bi-monthly meeting. Mayor Carey, Craig Chapman, and Colette Thompson were invited and participated in a portion of the meeting to review criteria development and the non market options.
- Yesterday, Bruce Richards and I met with Mayor Carey, Craig Chapman and Colette Thompson on June 21<sup>st</sup>, to update them on the two parallel processes that are taking place for the market and non market options. We discussed the timeline for this process, the \$100,000 appropriation made at the June 8<sup>th</sup>, Assembly meeting, and the proposed SAB resolution regarding this process.
- Last night, the Central Kenai Peninsula Hospital Service Area Board met. I provided them with the most current update on CPGH, Inc.'s process for evaluating the options. I will continue to provide the SAB with updates at their regularly scheduled meetings. If they will be issuing an advisory opinion to the Mayor and Assembly regarding the CPGH, Inc. recommendation, I will provide them with more detailed information at the direction of the Mayor.

In regards to the three market options (Whole Hospital Joint Venture, Joint Operating Agreement and Sale), the second step of the controlled competitive bidding process has begun. As of this presentation, nine proposers have indicated interest and have signed the confidentiality agreement and fee arrangement – 6 for profit and 3 not for profit.

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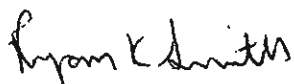


Their proposals are due next Monday, June 28<sup>th</sup>, and representatives from Juniper Advisory, LLC will present the proposals to the CPGH, Inc., Board at their July 8<sup>th</sup> meeting.

In regards to the three non market options (Amend the Lease & Operating Agreement, Merger and Privatization), the CPGH, Inc., Board will review a final criteria and Strengths, Weaknesses, Opportunities, Threats analysis of each of these options at their meeting on Thursday, June 24<sup>th</sup>. In addition, the CPGH, Inc. Board will hear from Rulon Stacy, CEO of Poudre Valley hospital in Fort Collins, Colorado. As you may recall, this very successful hospital system was discussed by Jamie Orlikoff on March 2<sup>nd</sup>, and was held up as a success story for a district owned hospital that was privatized and has since flourished.

In summary, all six options are receiving a thorough review by the CPGH, Inc. Board prior to the recommendation they will make to the Mayor and Assembly in September. I will continue to provide updates to the KPB Assembly and public at your regularly scheduled meetings and am willing to answer any questions you may have.

Thank you,

A handwritten signature in black ink, appearing to read "Ryan K. Smith".

Ryan Smith, CEO

Central Peninsula Hospital

6/22/2010 4:59 PM

Term sheet to  
Borough

May	May	June	June	June	July	July	July	August	August	September
6	27	3	10	24	8	19	30	12	17	7
13	3	10	17	24	1	12	23	30	6	13
20	10	17	24	1	8	19	30	6	13	20
27	17	24	1	8	15	26	6	13	20	27
3	24	1	8	15	22	3	10	17	24	31
10	31	7	14	21	28	4	11	18	25	1
17	8	15	22	29	5	12	19	26	3	10
24	15	22	29	6	13	20	27	4	11	18
31	22	29	6	13	20	27	4	11	18	25

**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Thursday, July 01, 2010 1:00 PM  
**To:** Smith, Ryan K.  
**Subject:** RE: SAB Leadership attending CPGH, INC meetings  
Ryan,

Thank-you for the information.

Mayor Carey

**David R. Carey, Mayor**

Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]  
**Sent:** Thursday, July 01, 2010 11:14 AM  
**To:** Carey, Dave  
**Subject:** RE: SAB Leadership attending CPGH, INC meetings

Mayor Carey:

I spoke with Tom Boedeker and we will make the invitation to Tim Peterson and Margaret Gilman to attend the Executive Session of the CPGH, Inc. Board of Directors on Thursday, July 8, at 2:30 p.m. per your request. I will continue to refer inquiries from other SAB members to Tim and/or you.

We have received 7 proposals and expect 1 more today (6 for profit and 2 not for profit); thus, 8 of the 10 companies that signed the confidentiality and fee agreements will have submitted proposals. I will ask Bob Molloy to speak with Colette Thompson and if the proposals do not have to be subject to FOIA requests, we will provide access to them for you, Colette and Craig as soon as possible. We will continue to do our best to assure the confidentiality of these proposals during this stage of the "controlled competitive bidding process" per Juniper's request.

Thanks, Ryan

**From:** Carey, Dave [mailto:dcarey@borough.kenai.ak.us]  
**Sent:** Thursday, July 01, 2010 8:24 AM  
**To:** Smith, Ryan K.  
**Subject:** SAB Leadership attending CPGH, INC meetings

Thursday, July 01, 2010 8:21 AM

Dear Ryan:

I was by to see you on Tuesday at 1PM but your office door was locked.

Yesterday, Tim Peterson was by to request that the 2 officers of the SAB be allowed to attend the INC Board's Executive Sessions regarding the work with Juniper regarding Ownership and Management of the CPH.

I would like to make the request of the INC Board.

Also, knowing that Monday was the last day to get Proposals, I was wondering how many came in?

Hope all is going well at the Hospital.

Mayor Carey

**David R. Carey, Mayor**

Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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July 6, 2010

Mr. President, Assembly Members and Mayor Carey:

Thank you for the opportunity to update you regarding the CPGH, Inc. Board of Directors process for evaluating and making a recommendation related to the ownership and governance of Central Peninsula Hospital.

Since my update to you on June 22<sup>nd</sup>, meetings have continued regarding the Ownership/Governance of CPH and we are maintaining the timeline as proposed :

- On June 24<sup>th</sup>, the CPGH, Inc., Board reviewed final criteria and a Strength, Weakness, Opportunity, and Threat analysis of each of the non-market options. In addition, the CPGH, Inc. Board heard from Rulon Stacy, CEO of Poudre Valley hospital health system in Fort Collins, Colorado. Mayor Carey, Craig Chapman, and Colette Thompson were present to hear from Mr. Stacey and to review the criteria.
- June 28<sup>th</sup> was the deadline for submission of initial market proposals. As you recall from my last update, 24 initial proposers were contacted. 10 signed a confidentiality agreement in order to have access to our electronic data room. Of the 10 who signed a confidentiality agreement, 8 submitted initial proposals. Six are for profit health care companies, and 2 are nonprofits.
- On July 2<sup>nd</sup>, I was invited to participate on Sound Off with Mr. Superman. I provided an explanation to listeners about the process and answered questions.
- On July 8<sup>th</sup>, the CPGH Inc., Board will be reviewing the 8 initial proposals. A Juniper Advisory representative along with a legal advisor from McDermott, Will & Emery will assist the board in reviewing the proposals and answering questions. I expect the CPGH, Inc. Board to select finalists and notify those proposers of an opportunity to conduct due diligence. This would allow the proposers the chance to visit the hospital, conduct further review, and ask questions of the CPGH, Inc. Board and Administration, and other attendees before submitting refined proposals on July 30<sup>th</sup>. In addition to Mayor Carey and his team, the President and Vice President of the Service Area Board have been invited to the CPGH Inc., Board meeting on Thursday, July 8<sup>th</sup>.

In summary, all six options are receiving a thorough review by the CPGH, Inc. Board. This week the board will focus on review of the 8 initial proposals. After conducting their review of all options and final proposals, the CPGH Inc., Board will make a recommendation for potential borough action at your September 7<sup>th</sup> meeting. I will continue to provide updates to the KPBA Assembly and public at your regularly scheduled meetings and am willing to answer any questions you may have.

Thank you,

Ryan Smith, CEO  
Central Peninsula Hospital

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**Mayor's Report to Assembly  
July 6<sup>th</sup> Meeting for June, 2010  
Dave Carey, Mayor**

**During the process over the last 3 months, I have requested from Legal an opinion regarding the spending of Hospital funds for the purpose of selling or substantially modifying the Contract dealing with Ownership and Management. The Operating Board has a fiduciary responsibility to make plans and decisions based on their understanding of trends and changes regarding health care services and conditions in the greater community. However, there is a limit to spending funds for the purpose of selling or significantly altering the Contract.**

**It is my decision, presented to the Assembly in a previous Mayor's Report, that the Hospital Operating Board may not sign a Letter of Intent (LOI). That is the responsibility of the Assembly and Borough Administration as it formalizes an important commitment to seriously consider proposals regarding changing governance of the hospital. As you may recall, if the selected proposal is not completed a \$300,000 fee is obligated to the consultant for withdrawal.**

**On Thursday, July 8<sup>th</sup>, Juniper, LLC is expected to present to the Operating Board, in Executive Session, the proposals received. At that Executive Session, at my request, the leadership of the Central Kenai Peninsula Hospital Service Area Board has been invited.**

**Once the Operating Board makes a suggestion(s) regarding a Proposal that would substantially alter the current Contract, I believe the process must be handed over to the Assembly, Borough Administration, Service Area Board and residents within the Service Area. The timeline present by CPH CEO Ryan Smith to the Borough Administration, Assembly and the public, includes an August 17<sup>th</sup> date for presentation to the Assembly with a possible date for Assembly decision of September 7<sup>th</sup>.**

**I have met with Assembly President Sprague and requested what information or due diligence the Assembly might desire if asked to make a decision. He responded that until there is a Proposal(s) before the Assembly, it is most difficult to project what due diligence might be necessary. I stand ready to assist the Assembly as needed.**

---

**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Sunday, July 11, 2010 1:49 PM  
**To:** Smith, Ryan K.; All Employees  
**Subject:** RE: CPH Ownership/Governance Update

Sunday, July 11, 2010 1:47 PM

Ryan:

Thanks for the update from Thursday Executive Session of the Operating Board.

Dave Carey, Mayor

**David R. Carey, Mayor**

Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]  
**Sent:** Sunday, July 11, 2010 1:31 PM  
**To:** All Employees  
**Subject:** CPH Ownership/Governance Update

All Employees, et al.,

At their bi-monthly meeting on Thursday July 8<sup>th</sup>, the CPGH Inc. Board of Directors (BOD) and members of the Kenai Peninsula Borough (KPB) Assembly and Administration were presented with the initial market proposals that were received regarding the three "market" options. These eight proposals (2 non profit, 6 for profit) were presented by representatives from Juniper Advisory, LLC and McDermott, Will & Emery and included proposals that would allow for a Joint Operating Agreement, Whole Hospital Joint Venture or an Outright Sale.

After several hours of education and deliberation, the CPGH, Inc. BOD decided to invite five (1 non profit, 4 for profit) of the eight proposers for site visits. As such, per the attached timeline, the following proposers will be coming to CPH the week of July 19<sup>th</sup> to make presentations regarding their company and their proposals, and allow them to interview CPH management.

- Monday, July 19<sup>th</sup> – Capella Healthcare - <http://www.capellahealth.com/>
- Tuesday, July 20<sup>th</sup> – LHP Hospital Group, Inc. - <http://www.lhphospitalgroup.com/>
- Wednesday, July 21<sup>st</sup> – LifePoint Hospitals - <http://www.lifepointhospitals.com/>
- Thursday, July 22<sup>nd</sup> – Providence Health & Services - <http://www2.providence.org/phs/Pages/default.aspx>
- Friday, July 23<sup>rd</sup> – RegionalCare Hospital Partners - <http://www.regionalcare.net/>

The attached document details all of the proposers who were originally contacted (24), showed initial interest (16), signed confidentiality agreements (10) and submitted proposals (8). The details of the proposals will be confidential until the CPGH, Inc. BOD makes their recommendation to the KPB Assembly. This confidentiality will protect the “controlled competitive bidding” process and honor the confidentiality statements that were agreed upon with the proposers.

In addition to the decision to invite these five proposers to come to our service area, the CPGH, Inc. BOD passed a motion to eliminate the Joint Operating Agreement “market” option and the Merger “non-market” option as less desirable options. As such, the CPGH, Inc. BOD will continue to consider the following options:

**Non-Market options still being considered by CPGH, Inc.:**

1. Amend the current Lease & Operating Agreement with the KPB
2. Privatization

**Market Options still being considered by CPGH, Inc.:**

1. Whole Hospital Joint Venture (Shared Governance)
2. Outright Sale

All four of these options continue to be considered by CPGH, Inc. as they proceed according to the attached timeline for “market” and “non market” options. To reiterate, the CPGH, Inc. BOD will be making a recommendation to the KPB Administration and Assembly regarding one of these options. The KPB Assembly will make their own decision regarding any potential changes to the future ownership/governance structure of Central Peninsula Hospital and related entities.

I will continue to provide updates as we continue with this very important process. Please e-mail me with any questions you have regarding this process.

Thanks, Ryan

Ryan K. Smith, CEO  
Central Peninsula Hospital  
250 Hospital Place  
Soldotna, AK 99669  
[www.cpgh.org](http://www.cpgh.org)  
(o) 907-714-4718 (c) 907-394-2477 (fax) 907-714-4969

**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Tuesday, July 13, 2010 7:09 AM  
**To:** Smith, Ryan K.  
**Subject:** RE: CPH Ownership/Governance Update

Tuesday, 7:06 AM

Ryan:

I spoke with Tim P yesterday. Either/or Tim or Mrs. Gilman wish to be included in next weeks' presentations.

Borough Administration wishes to be included, all 3, each day.

I have not heard back from the Assembly regarding their level of participation.

Dave C

**David R. Carey, Mayor**

Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]  
**Sent:** Monday, July 12, 2010 3:55 PM  
**To:** Carey, Dave; 'psprague@acsalaska.net'  
**Subject:** FW: CPH Ownership/Governance Update

Mayor Carey/Assembly President Sprague:

The companies listed below will be making presentations to the CPGH, Inc. Board of Directors in Executive Session at noon each day during the week of July 19<sup>th</sup>. Please let me know the level of participation requested by the KPB Administration, KPB Assembly and Central Kenai Peninsula Hospital Service Area Board for these presentations. We anticipate they will last between 1-2 hours each day.

Thanks, Ryan



**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Monday, July 26, 2010 3:58 PM  
**To:** Smith, Ryan K.  
**Subject:** RE: Reverse Due Diligence Site Visits

Monday, 3:57 PM

Thanks, Ryan.

I will be in Japan the week of August 2. Craig will be the Administrative Officer of the Borough.

Mayor Carey

**David R. Carey, Mayor**

Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]  
**Sent:** Monday, July 26, 2010 2:10 PM  
**To:** Carey, Dave; 'psprague@acsalaska.net'  
**Subject:** Reverse Due Diligence Site Visits

Mayor Carey/President Sprague – The CPGH, Inc. Board of Directors will meet tonight in Executive Session to discuss the presentations that were made by the proposers last week. The Board will make the selection of which proposers they will perform “reverse due diligence” site visits to next week. I will let you know the exact schedule for these visits tomorrow; however, I wanted you to have the opportunity to think about which Borough Administration Employees, Assembly Members or Service Area Board Members you may want to attend these site visits the week of August 2<sup>nd</sup>.

Thanks, Ryan

Ryan K. Smith, CEO  
Central Peninsula Hospital  
250 Hospital Place  
Soldotna, AK 99669  
[www.cpgh.org](http://www.cpgh.org)  
(o) 907-714-4718 (c) 907-394-2477 (fax) 907-714-4969



**Mayor Carey - Sound Off**

Smith, Ryan K.

**Sent:** Friday, July 30, 2010 11:34 AM

**To:** Alyson Stogsdill [alyson\_stogsdill@legis.state.ak.us]; Alyson Stogsdill Personal [fishhappens@gci.net]; Dr. Bramante [jbandkt@alaska.net]; John Hoyt [john.c.hoyt@wellsfargo.com]; John Torgerson Work [jtorgerson@kpedd.org]; John Torgerson [torgy@alaska.net]; Judy Salo [salo@gci.net]; Lore Weimer [loren.weimer@gci.net]; Rick Ross [rossrck@hotmail.com]; Russell Peterson [russell.peterson@acsalaska.net]; Sal Mattero [smattero@acsalaska.net]; Trena Richardson [tsr@alaska.net]

**Cc:** Paret, Jason; Brennan, Peter; Dammeyer, Matthew

Apparently there will not be a joint recommendation from the CPGH, Inc. Board of Directors and the Borough Administration. On Sound Off today, the Mayor made the following statements to the public:

- He will present a written statement with his position for the Assembly's 8/17 Executive Session
- Any major changes to the L&OA needs to go to the voters; changes to the L&OA could be made anytime; however, the CPGH, Inc. BOD has never suggested any changes to date.
- There needs to be a year long discussion with the people with an anticipated vote for any change in October 2011
- No profits should leave this community; thus, no joint venture
- If CPGH, Inc. Board thinks the L&OA is too cumbersome, they are one of two parties to the contract and have opportunities to get out.
- We are a 5 year profit plum to the proposers.

Thanks, Ryan

Ryan K. Smith, CEO  
Central Peninsula Hospital  
250 Hospital Place  
Soldotna, AK 99669  
[www.cpgh.org](http://www.cpgh.org)  
(o) 907-714-4718 (c) 907-394-2477 (fax) 907-714-4969



August 3, 2010

Mr. President, Assembly Members and Administration:

I appreciate the opportunity to update you regarding the CPGH, Inc. Board of Directors (BOD) examination of ownership and governance options for CPH.

A considerable amount of activity has occurred since your last meeting on July 6. The CPGH, Inc. BOD has narrowed the potential recommendation to two possible options. These include:

1. Amending the current Lease & Operating Agreement (LOA) with the KPB; or
2. A Whole Hospital Joint Venture

The decision to narrow the recommendation to one of these two options came through the following process:

- On July 8, the CPGH, Inc. BOD and members of the Kenai Peninsula Borough Assembly and Administration were presented with the initial market proposals regarding the three "market" options. These eight proposals (2 non-profit and 6 for-profit) were presented by representatives from Juniper Advisory, LLC and McDermott, Will, & Emery and included proposals that would allow for a Joint Operating Agreement, Whole Hospital Joint Venture, or an Outright Sale.

After considerable education and deliberation, the CPGH, Inc. BOD decided to invite five proposers (1 non-profit and 4 for-profit) for site visits. Each of these healthcare companies came and made presentations during the week of July 19.

In addition, on July 8<sup>th</sup>, the CPGH, Inc. BOD passed a motion to eliminate the Joint Operating Agreement market option. They also examined the three non-market options (merger, privatization, and amending the current LOA) and moved to eliminate the merger option as a less desirable option.

- On July 22, the CPGH, Inc. BOD met to discuss the remaining two non-market options (privatization and amend the lease and operating agreement). After evaluating these two options, the BOD eliminated privatization as an option. This left evaluating potential changes to the LOA as the only remaining non-market option.
- On July 26, the BOD met to discuss the five proposals made by healthcare companies during the week of July 19 to evaluate the remaining two market options. These options included a Whole Hospital Joint Venture and an Outright Sale. The BOD then decided to perform reverse due diligence on the remaining

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five proposers by visiting four hospitals this week. The reverse due diligence team consists of four CPGH, Inc. Board members, the Chief of the Medical Staff, a KPB Assembly Member, and the CEO at CPH. This group is currently visiting two hospitals in Oregon (one owned by Providence and the other owned by Capella Healthcare), a hospital in Idaho owned by LHP, and a hospital in Arizona owned by LifePoint.

In addition to conducting reverse due diligence, the BOD eliminated an Outright Sale as an option. They have limited their efforts to examining a potential partner willing to enter into a Whole Hospital Joint Venture that will allow for:

- a. meaningful shared governance (50/50) for the local community;
- b. local ownership of the hospital between 10 and 49 percent; and
- c. a "call option" that allows for the community to repurchase the hospital or choose a new partner in the future if the partner organization is sold or changes ownership

The CPGH, Inc. Board remains on course to make a recommendation to the Mayor and Assembly in September. Our CEO, Ryan Smith, will continue to provide updates to the KPB Assembly and public at your regularly scheduled meetings and I am willing to answer any questions you may have.

Thank you,



Matt Dammeyer, Ph.D.  
Assistant Administrator  
Central Peninsula Hospital



# CPGH, Inc. Quarterly Report June 30, 2010

Prepared for

**The Kenai Peninsula  
Borough Assembly  
and Administration**

August 12, 2010

# Ownership/Governance Process

- CPGH, Inc. vetting remaining two options 8/19/10
  - Amend Lease and Operating Agreement
  - Whole Hospital Joint Venture
    - LHP Hospital Group selected as partner if CPGH, Inc. proceeds with this option



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**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Sunday, August 22, 2010 8:16 AM  
**To:** Smith, Ryan K.  
**Subject:** RE: CPGH, Inc. Recommendation Press Release

Sunday, 8:15 AM

Dear Ryan:

I made it back safely from Kodiak. ☺

I will not be sponsoring an Ordinance for a "for profit" venture.

Mayor Carey

**David R. Carey, Mayor**

Kenai Peninsula Borough  
144 N. Binkley Street  
Soldotna, AK 99669

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**From:** Smith, Ryan K. [mailto:rsmith@cpgh.org]  
**Sent:** Friday, August 20, 2010 4:39 PM  
**To:** All Employees

**Subject:** CPGH, Inc. Recommendation Press Release

All Employees et al.,

Please read the attached press release regarding the recommendation made by the Central Peninsula General Hospital, Inc. Board of Directors at their meeting last night. I would like to thank the CPGH, Inc. Board of Directors for their tireless efforts in this emotional and lengthy decision making process. As stated in the press release, I am confident their recommendation is the best solution to meet the health care needs of service area residents in the future. We look forward to sharing the details of the recommendation to all constituent groups in the near future.

Enjoy the sunny weekend and I look forward to seeing you on Saturday night.

Thanks, Ryan

**From:** Carey, Dave [dcarey@borough.kenai.ak.us]  
**Sent:** Friday, August 27, 2010 2:49 PM  
**To:** Smith, Ryan K.; Richards, Bruce  
**Subject:** FW: Ordinance 2010-35 (Pierce, Sprague)

Friday, August 27, 2010 2:40 Pm

Dear Ryan and Bruce:

I am forwarding a copy of Ord.2010-35 as requested in this morning's discussions.

I found this morning's meeting most helpful and informative.

As we continue meeting regarding;

1.)monthly financial conditions and relevant issues at CPGH

2.) possible changes in the Lease and  
Operating Agreement, and,

3.)development of a LOI with LHP Hospital  
Group;

I look forward to more cordial and beneficial meetings.

Dave Carey

**David R. Carey, Mayor**

Kenai Peninsula Borough

144 N. Binkley Street

Soldotna, AK 99669

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**From:** Turner , Michele  
**Sent:** Friday, August 27, 2010 2:34 PM  
**To:** Carey, Dave  
**Subject:** Ordinance 2010-35 (Pierce, Sprague)

Hi Mayor,

As requested, please find attached a copy of Ordinance 2010-35 sponsored by Mr. Pierce & Mr. Sprague.

<<O2010-35.pdf>>

Thanks,

**Michele Turner**

Borough Clerk Assistant

Kenai Peninsula Borough

144 N. Binkley Street

Soldotna, Alaska 99669

(907) 714-2165 Direct

(907) 714-2388 Fax



<<Michele Turner.vcf>>

## Ownership/Governance Public Timeline

July 19, 2008	Letter to Mayor & Assembly Regarding Jamie Orlikoff and Governance/Future Meeting	
January 7, 2010	Ryan Smith & Tom Boedeker pre-meeting with Pete Sprague and Hal Smalley re: Orlikoff	
January 19, 2010	Quarterly Report to Assembly Announcing Orlikoff Presentation for March 2, 2010	
February 11, 2010	South Peninsula Hospital Service Area Board - Announcing Orlikoff meeting & encouraging attendance	
February 15, 2010	Borough Public Notice of Work session with Jamie Orlikoff	
March 2, 2010	Jamie Orlikoff Presentation in Public Work session	
March 2, 2010	March 2, 2010 Assembly Meeting	

<p><b>Mayor Carey:</b> This morning's work session I felt was excellent. In truth, I want to say I left there very concerned. I sort of felt, boy I would rather not have come here to find out these issues but I absolutely am aware that there are things that we need to deal with. I mentioned to Pres Sprague and I hope the other members of the assembly would agree I hope that we could see further discussion and work sessions on the items that were presented there. <b>Certainly what I heard most clearly was that we cannot wait until the crisis becomes knowledgeable to everyone that those of us in leadership positions we have some responsibilities to try and deal with things at the beginning of what would be a negative rather than waiting until it is so obvious. ...anyway, I hope the assembly and certainly as the administration, we are very hopeful to work with all the hospital boards, all the health care providers to truly address these issues. It will not be easy and I think it is our job to do these things.</b></p>	<p><b>Charlie Pierce:</b> I would like to comment about the meeting that the mayor made mention of this morning. We attended, some of us assembly members here attended a meeting with the hospital over at the CPH and I think that there is some health care issues obviously out there, health care reform that is a very interesting subject matter and a concerning subject matter for many of us. And I think I left there with a number of messages and concerns with regards to how we are currently structured, how our hospitals are operated and there were a number of items of concern that were brought up, not belaboring the issue, but I think that I would just like to encourage the public to pay close attention to this and <b>I hope that the administration and the board of the hospital will bring back some recommendations and what actions they will take to hopefully alleviate some of the pain.</b> They mentioned that we are going to go through some pain over there at the hospital and my thought was that I didn't know if it was ibuprofen pain or morphine pain, but hopefully we will be able to do the right thing and make the right decisions to protect the residents of this borough and the asset we hold over there.</p>	<p><b>Gary Knopp:</b> I did think the presentation that we had by the health consultant this morning was very informative and I think it is probably something that a lot of us knew. Unfortunately it seems like it takes somebody like a professional in the field to really get it kick started. <b>I agree with Mr. Pierce that there is going to be a lot of debate and discussion probably some changes, hopefully they will be good, may not be popular, but I'm hoping they will be good.</b></p>
<p><b>March 3, 2010</b></p>	<p><b>Employee Forum</b></p> <p>Discussed Orlikoff presentation. Informed employees that the entire presentation would be available on the website.</p>	
<p><b>March 4, 2010</b></p>	<p><b>Hospital Directors Meeting</b></p> <p>Discussed the Orlikoff presentation and answered questions.</p>	
<p><b>March 8, 2010</b></p>	<p><b>CKPH Service Area Board Meeting</b></p> <p>Discussed the Orlikoff presentation and answered questions. Provided audio to those who do not have a computer.</p>	
<p><b>March 10, 2010</b></p>	<p><b>Peninsula Clarion Article</b></p> <p><b>Mayor Carey:</b> If indeed a real discussion of whether or not the borough should own the hospital is to take place, this is the time because they (CPH) have first-class additions and modern technology, Carey said. <b>"This would be the time from an investment standpoint. If you are going to sell, you sell high."</b></p>	<p><b>Pete Sprague:</b> Assembly President Pete Sprague said the hospital governance structure is an important issue. "We need to have some initial discussions to see what options are out there," Sprague said.</p>
<p><b>March 23, 2010</b></p>	<p><b>Directors Meeting</b></p>	



	Discussed options and models and the Juniper Process		
March 25, 2010	CPGH Inc Board Meeting		
	Juniper Initial Presentation		
April 19, 2010	CKPH Service Area Board Regular Meeting		
April 20, 2010	Discussion Following CPGH Quarterly Report at Assembly Meeting		
	<p><b>Mayor Carey to Ryan Smith:</b> Does it seem at all unusual to you that the operating board and the administration of the hospital would be talking about selling when they don't own it. I mean it is owned by the service areas and the borough, <b>does it seem at all unique that when we bring someone in to run this very important asset that they would move ahead towards selling what they don't own.</b></p>	<p><b>Ryan Smith:</b> Certainly Mayor Carey one of the important things to consider here is that nobody is making any kind of recommendation about selling the hospital. As the fiduciary stewards for the hospital through the L&amp;OA with the KPB Assembly, we feel like the CPGH Inc board, has the fiduciary responsibility to talk about what are legitimate options for ownership and governance of the hospital. Certainly we have recognized and we have made it well known to everyone that we have talked that the KPB and the service area residents are the ones who own the hospital. <b>All we have attempted to do is start a dialogue about what the most appropriate ownership and governance structure would be and so as we have talked with you and assembly members through this process we have said all along that any point in time that this doesn't make sense to have this dialogue and for us to continue this process, we are certainly willing to accept that feedback and do whatever is appropriate with that.</b> And so again, were not telling anybody what to do or how to do it, we are just exploring those options and bringing that information forward for KPB Assembly consideration.</p>	<p><b>Gary Knopp:</b> I realize there is some issues that Mayor Carey brought up about your active pursuit. <b>I gotta tell I am glad to see you're doing it. I think it is very proactive. You guys being in the business probably know the business better than us but all of us do know that there is changing times in health care and we'd really be remiss at not looking at it. Although I know there is some rough spots along the way I do appreciate what you're doing, and I think it's good... where we will go with it I have no idea but I think it is well worth asking the question.</b></p>
	<p><b>Paul Fischer:</b> Just a simple question. We are going to be asked how much are we paying this consultant group. What is the cost of the Juniper group to do what they are doing.</p>	<p><b>Ryan Smith:</b> We have consulted with the Juniper group to this point just on a monthly retainer fee. If we were to proceed forward with any kind of pursuing any of those options of them bringing back options there would be a new contract that was entered. But we have been paying them about \$25,000 a month to provide the consulting services and really for a two-month period of time.</p>	<p><b>Gary Superman:</b> I guess I am wondering about the last page of your hand out that states that the Inc board members will make the decision as to which options will be considered. There are 4 options here that were presented to any of us who met with the Juniper folks here last week. So let me get this straight. There's a possibility that one or two or three options could come back to the assembly for consideration at this point, minus one of these options?</p>



	<p><b>Ryan Smith:</b> Again, I don't know what they are going to decide at that meeting on the 29<sup>th</sup> or after that meeting on the 29<sup>th</sup>. And what that decision would be. I would have to answer your question as yes I guess that's a possibility that that could happen. But at this point in time I don't know what is going to happen. I do know this, one thing we have committed to is informing the Assembly right after any decision is made of what the decision was, again in its interest of transparency and getting feedback about the process and how they are handling the process and so if they did make a decision to exclude one of those options then there would be opportunity for feedback to potentially include that option. So I can't sit here today and say exactly what decision they are going to make on the 29<sup>th</sup> because I don't know.</p>	<p><b>Gary Superman:</b> Okay. I would hope that all 4 of the options would come back to us because I would like to see a lot more information on each option. And ultimately it appears that any decision about any change that could happen lies with this body. One other thing I want to get straight and maybe for the public, some folks are jumping the gun out there and this is all out in the street now, there is a misconception about if theoretically the hospital was sold that the money would come to the borough that we could utilize the money for whatever purpose we saw fit. Maybe you could set that straight as to what actuality is there?</p>	<p><b>Ryan Smith:</b> I don't know exactly that I am the right person to set that straight. Maybe Miss Thompson is or somebody else. What we have been saying about that issue as we have been talking about it is that we will let the legal folks sort that out as to what the disposition of those funds could potentially be and what they could be used for and how they could potentially be used. It is not really my job to do that. And in context, I wanted to just again reemphasize that we clearly understand who the decision makers are relative to this process and so, all we are trying to do is provide as much information as we can relative to that process but there are several people looking at that exact issue right now from a what would happen with any funds that would be generated, any of the proceeds that would come from a transaction like that.</p>
<p><b>April 29, 2010</b></p>	<p><b>Public Meeting - Juniper Advisory</b> Juniper Advisory Presents Options/Value Assessment. Five Assembly members present: Sprague, Superman, Smalley, Knopp, Pierce. Borough Administration present: Mayor Carey, Borough Attorney - Colette Thompson, Finance Director - Craig Chapman, Special Assistant - Susan Wilcox present.</p>	<p><b>Colette Thompson:</b> The funds are generated through the service area and could not be used for other different service areas like roads or other functions like that; they would normally be restricted to the purpose for which the service area was formed. <b>Superman:</b> Health care?</p>	<p><b>Thompson:</b> Health Care, I haven't done in depth research on it, this is fairly new information to me too, but it can't be put over to roads for example which is one example I have heard. Does that answer your question? <b>Superman:</b> Pretty much. <b>The money can't be put into the general fund? Thompson:</b> No.</p>
<p><b>May 3, 2010</b></p>	<p><b>Peninsula Clarion Article</b></p>		

	<p><b>Mayor Carey</b> - Carey's primary concern, he said, is most effectively meeting the peninsula's health care needs. "We want to maintain as high a quality of health care to all of our residents. There is no estimate of value you can place on saving people's lives and making people feel safe to live here." On Friday, the mayor was noncommittal toward the specifics of Burgdorfer's financial models. "I'm going to reserve judgment on that," Carey said. "There were strengths and weaknesses with every one of them."</p>	<p><b>Ryan Smith</b> - Said the hospital's role in the governance decision is to help "facilitate the process." "The question becomes which of those options, if any, do we get additional information on," Smith said. "The Board decided to get information on all of them."</p>
<b>May 4, 2010</b>	<p><b>KPB Assembly Meeting (Seward)</b></p> <p>Ryan Smith provided an update under items not appearing on the agenda.</p>	
<b>May 14, 2010</b>	<p><b>Letter from Mayor Carey</b></p> <p>Mayor Carey sent Ryan a letter clarifying that he wished to attend CPGH Inc Board meetings subject to the Board's approval when discussing hospital project.</p>	
<b>May 17, 2010</b>	<p><b>CKPH Service Area Board Meeting</b></p> <p>Ryan Smith updated the SAB and answered questions. Craig Chapman and Colette Thompson were also present from the Borough Administration. Assembly member Hal Smalley was also in attendance.</p>	
<b>May 18, 2010</b>	<p><b>KPB Assembly Meeting</b></p> <p>Ryan Smith provided an update under items not appearing on the agenda.</p>	
<b>May 27, 2010</b>	<p><b>CPGH Inc Board Meeting</b></p> <p>The approval of Juniper Marketing documents was discussed.</p>	
<b>June 8, 2010</b>	<p><b>KPB Assembly Meeting</b></p> <p>Ryan Smith provided an update under items not appearing on the agenda.</p>	
<b>June 10, 2010</b>	<p><b>CPGH Inc Board Meeting</b></p> <p>Discussed the criteria to be used for option review, the timeline, and the private options.</p>	
<b>June 21, 2010</b>	<p><b>Mayor Carey, Craig Chapman, Colette Thompson</b></p> <p>Timeline, Due Diligence appropriation, Update on market option, and draft criteria.</p>	
<b>June 21, 2010</b>	<p><b>CKPH Service Area Board Meeting</b></p>	

June 22, 2010	<p>Ryan Smith updated the SAB and answered questions. Mayor Carey, Craig Chapman and Colette Thompson were also present from the Borough Administration. Assembly member Hal Smalley was also in attendance.</p> <p><b>KPB Assembly Meeting</b></p>
June 24, 2010	<p>Ryan Smith provided an update under items not appearing on the agenda.</p> <p><b>CPGH Inc Board Meeting</b></p> <p>Criteria, SWOT</p>