

## **Questions for NRHS, c/o Richie Splitt**

*The questions included in this document were presented by City Council member, Alison Petrone. The responses from NRHS are colored in blue below.*

### **INSPIRE HEALTH BACKGROUND:**

The tornado of 2013, which destroyed our 44 bed inpatient hospital in Moore, forced Norman Regional Health System (NRHS) to rethink its system of healthcare delivery. That thinking led to the design and build of Norman Regional Moore as an outpatient facility with future expansion capabilities. This compelled us to further examine the entirety of our services and we began to recognize the challenges and inefficiencies of operating two inpatient hospital facilities so closely located to one another (5 miles).

During this entire time our team of healthcare experts conducted an internal assessment related to operational costs and efficiencies. We found great opportunity for improvement for strengthening our system and the care provided to our patients.

In 2016, we opened Norman Regional Moore, a FSED+ and began in earnest planning for the implementation of the original second phase of the HealthPlex expansion. That original plan, outlined in 2004, was delayed by the economic recession of 2008.

Inspire Health (formerly called the “Big Hairy Audacious Goal” from 2016) is derived from the original HealthPlex expansion plan and a deep understanding of the current healthcare environment.

### **NAVIGANT:**

1. When was Navigant hired?
  - a. In January 2018, NRHS submitted a Request for Proposal to national strategic consulting firms. After review and thorough interviews with four firms. In May 2018, Navigant was selected as the strategic consultant for NRHS’ transformational plan.
2. What was Navigant hired to achieve? Please explain what they were specifically tasked to study, what issues they were tasked to alleviate, and why NRHS felt that Navigant was best suited to tackle the challenges.
  - a. Navigant was tasked with providing an organizational and market assessment to formulate our BHAG transformation plan through strategy development, performance improvement and financial and feasibility analysis. The health System requested stakeholder input throughout the process as well.
3. Please list all recommendations provided by Navigant, even if those recommendations were not ultimately included in the Inspire Health plan.
  - a. Consolidate inpatient services (HealthPlex expansion), provide state-of-the-art ambulatory services on the eastside at a de novo site (FSED+),

- ambulatory/cancer pavilion and engage in a joint venture Behavioral Health Center.
  - b. Structure the reconfiguration as a two-phased process in which additional bed expansion is contingent upon future system performance.
  - c. All recommendations were included in the Inspire Health plan
4. Please provide the name and direct contact info for the Navigant representative most familiar with NRHS' Inspire Health.
    - a. Kevin Nolan, Managing Director - [knolan@navigant.com](mailto:knolan@navigant.com)
  5. Please provide a complete copy of any and all written recommendations and findings of Navigant received by NRHS and/or its representatives.
    - a. Please refer to the power point presentation title "Board Advance" dated Feb. 23, 2019 emailed by Richie Splitt on September 22, 2019.
  6. Please provide a list of community hospitals who have worked with this consultant. Are any of the health systems of similar size to NRHS located in cities comparable in size to Norman? Please provide contact info for past clients.
    - a. Hospital Campus Consolidation Examples
      1. Genesis Healthcare System, Zanesville, OH (Complete)
        - a. Good Samaritan Hospital – campus closed
        - b. Bethesda Care Campus – consolidation campus
      2. Greeneville Community Hospital West, Greeneville, TN (Proposed)
        - a. Laughlin Memorial Hospital – consolidation campus
        - b. Takoma Regional Hospital – repurposed campus
      3. Premier Health, Dayton, OH (Proposed)
        - a. Good Samaritan Hospital – closing campus
        - b. Miami Valley Hospital – consolidation campus
      4. McLaren Health, Lansing, MI (new campus 2021 opening)
        - a. McLaren Greater Lansing Hospital - closing
        - b. McLaren Orthopedic Hospital - closing
      5. Mayo Clinic Health System – Service Consolidation at two campuses (proposed)
        - a. Albert Lea – will handle primary and specialty care, emergency and behavioral health
        - b. Austin MN – will handle all inpatient services as well as outpatient care
      6. Indiana University Health, Indianapolis, IN (Proposed)
        - a. Methodist Hospital – consolidation campus
        - b. Riley Hospital for Children – consolidation campus
        - c. University Hospital – closing campus
      7. St. Peter's Health Partners, Albany, NY (Complete)
        - a. Samaritan Hospital, Troy, NY (Consolidation Campus)
        - b. St Mary's Hospital, Troy, NY (Now Outpatient Hub)
      8. Upper Chesapeake Health System, Bel Air, MD (In Process)
        - a. Upper Chesapeake Medical Center, Bel Air, MD (Consolidation Campus)
        - b. Harford Memorial Hospital (Planned Outpatient Hub)

## **PORTER CAMPUS PLANS:**

1. What is the reason for complete elimination of essential care services at Porter, as opposed to just scaling back?
  - a. The campus consolidation is being driven from the Navigant recommendation and supported by an aging plant, difficult navigation to the facility and within the facility, operational costs and efficiencies, and the shift of inpatient volume to the HealthPlex.
  - b. We estimate we have until December 2022 to determine the reuse, repurpose or redevelopment of the Porter campus. Furthermore, as referenced in our Letter of Intent, there will be an NRHS presence at the Porter campus. To date, we have actively engaged multiple potential community partners, including an NRHS presence, Variety Care, Griffin Memorial Hospital (GMH) and others.
2. NRHS has floated the idea of partnering with the state health department to bring mental health services to the Porter campus. Has NRHS had any meetings with the state to further the feasibility of that idea? Does NRHS have anything in writing from the state health department demonstrating the state's interest in the partnership?
  - a. There is considerable interest from the commissioner of mental health and substance abuse to relocate existing GMH services. We have explored this possibility with the commissioner and her leadership multiple times since 2017.
  - b. We are not in a position to formalize any agreement until we have bond funding to begin the HealthPlex expansion.
3. NRHS has floated the idea of a possible "land swap" with the state health department, trading the Porter Campus for the Griffin Hospital Campus. With the city owning a substantial percentage of the Porter Campus property, would the City of Norman also be swapping its Porter land for Griffin land? If NRHS swapped land at Griffin, what are NRHS' potential plans for the Griffin land?
  - a. During a June 2019 Inspire Health meeting with former council member Bill Hickman, he suggested a land swap between NRHS and GMH could be possible. No action was taken on that suggestion. GMH has expressed interest in the Porter campus as a viable solution for their inpatient behavioral health expansion needs.
  - b. The City of Norman owns 7.318 of 29 acres on the Porter campus. As indicated in our Letter of Intent, NRHS is very interested in purchasing 7.318 acres from the City at fair market value. These funds could be used at the City's discretion, but may be especially timely for the Norman Forward project, the Senior Wellness Center.
4. Who gets the proceeds if the Porter Campus is sold?
  - a. NRHS is committed to finding a solution for the Porter campus that meets the health and wellness needs of our community. At this time, we have no plan to

sell the Porter campus. If a sale were to occur, the proceeds would go to the land owner(s).

**FINANCING:**

1. Does NRHS have any debts outstanding? If so, 1) How much does NRHS currently owe, 2) What is maturity date(s) for current indebtedness, 3) Will proceeds from bonds or other revenue raised for Inspire Health be used to satisfy any current indebtedness?
  - a. As of June 30, 2019, NRHS had \$161.4 Million of long-term debt.
  - b. The maturity date is September 1, 2037.
  - c. No, 2019 bond proceeds would only be used for Inspire Health.
2. What kind of bonds, specifically, is NRHS hoping to secure via City Council passage?
  - a. Tax-exempt revenue bonds for which the City and taxpayers have zero liability. Not one cent will be required from neither City nor taxpayers.
3. What are the current interest rates associated with the desired bonds?
  - a. The current interest rate is 3.8% but can change daily.
4. NRHS has assured Council that it is seeking revenue bonds only, and further assured that the City of Norman has no financial risk associated with the bonded indebtedness. In the event of default, if NRHS is unable to find a buyer for the brick and mortar assets, how will such indebtedness be satisfied?
  - a. This assurance is provided within 60 O.S. Section 179. Additionally, the Oklahoma Supreme Court has held that only the public trust, and not the beneficiary, is liable for bond indebtedness of a public trust. Finally, this assurance is clearly states in the Bond Indenture, the actual bonds, and the Official Statement (including directly on the cover of the Official Statement).
  - b. These bonds are payable solely from hospital revenues. There is not a scenario where anything other than hospital revenues would be at risk to satisfy these bonds.
  - c. Past performance demonstrates we are fully capable of meeting all requirements for bond issuance and repayment. These bonds are being evaluated by rating agencies and our creditworthiness is re-evaluated every year by these same rating agencies.
5. Is there any scenario wherein taxpayers (city, county, etc) could be held responsible for debts incurred by NRHS?
  - a. No.
6. Who are the other 3<sup>rd</sup> party partners and financiers for Inspire Health?
  - a. Any potential partnerships will be determined after bonds are issued. NRHS has visited with possible interested parties for Behavioral Health and the construction of the ambulatory pavilion and cancer center.
7. How much cash did NRHS have on-hand as of June 1, 2019, system wide?
  - a. As of June 30, 2019, NRHS had \$50.7 Million cash, investments of \$213.3 Million for a total of \$264 Million unrestricted assets available for Inspire Health.

- b. NRHS had 233 days cash on hand as of June 30, 2019.
- 8. How much cash will NRHS allocate to Inspire Health?
  - a. While this number can vary, we estimate \$100 Million to \$165 Million cash investment depending upon the level of third party investment.
- 9. What is the value of all NRHS investment accounts, including all real estate holdings and any non-medical businesses, as of June 1, 2019?
  - a. As noted above, investments were valued as \$213.3 Million as of June 30, 2019.
- 10. What is the revenue or income breakdown of inpatient vs outpatient services presented in line item values?
  - a. Patient service revenue is approximately \$187 Million for inpatient services and \$258 Million for outpatient services. This totals to \$445 Million before expenses.
  - b. After expenses, NRHS has an operating margin of approximately 2% to 3%.
  - c. This means only two to three cents on every dollar collected is available to replace equipment and invest in our community and grow our healthcare system.

**EMPLOYEES:**

- 1. Are all current employees and physician contracts being guaranteed continued employment after consolidation?
  - a. Healthcare is an ever-changing industry. Current and future staffing levels are based on services provided regardless of location(s).
  - b. The focus of Inspire Health is to expand Centers of Excellence and service line offerings. Our healers will have more location options to provide lifesaving care via an expanded outpatient service network.
- 2. Total number of full-time, benefits eligible employees identified by employment type, location, and classification.
  - a. Norman Regional Health System is the City's second largest employer. We employ 3,329 healers across the health system.
  - b. There are 2,478 Full-Time Employees, 166 Part-Time Employees and 685 PRN or as needed.
  - c. The number of employees by locations are: Porter – 1,739; HealthPlex – 793; Moore – 93; Clinics and Other Offsite – 704.
  - d. NRHS paid a total of \$236.4 Million in employee salaries and benefits in fiscal year 2019 ending June 30, 2019.
- 3. "Redundancy" has been used many times by NRHS to describe having two campuses. What is the total number of staff reductions anticipated to alleviate redundancy in staffing, post-consolidation?
  - a. See answers 1 and 2 above.

## HW9 “ED+”:

1. Is an ED+ a hospital? What licensure does it hold?
  - a. Freestanding Emergency Departments (FSED+) have the potential to be classified as a hospital.
  - b. If the bond issue is approved, NRHS will immediately move into planning the FSED+. Until the plans are finalized, we don't know what licensure will be required.
  - c. The acquisition of property in east Norman will provide ample space for immediate and future healthcare needs. If the FSED+ does not include inpatient beds in phase one, they could be added at a later time – similar to the opportunity to expand Norman Regional Moore when and if needed.
2. How many beds will be at the ED+? What is the maximum patient capacity?
  - a. The number of beds is dependent on the plan and design of the facility.
3. Will the ED+ be equipped to handle emergency surgeries and blood transfusions?
  - a. Patients requiring emergency surgery, once stabilized, would be immediately transported by ambulance to the HealthPlex and not a free standing ED.
  - b. NRHS emergency departments have a standardized process and protocol for blood transfusions within the emergency room.
4. How many in-patient beds will be located at the ED+?
  - a. See 1b above.
5. How many ER Physicians will be working each shift at the ED+?
  - a. Physicians' schedules are tailored to the arrivals and acuity patterns of emergency patient volumes.
  - b. We are committed to staffing all three of our emergencies departments with board-certified physicians.
6. The HealthPlex recently sustained tornado damage, taking many months to completely repair. Being in the path of often tornadic weather, it is not unreasonable to predict that the HPX could sustain severe weather damage in the future. Can the ED+ handle being the only Emergency Room servicing the entire City of Norman? If not, where would the closest facility be located for Norman patients to be transferred?
  - a. The tornado that impacted Norman in the area around the HealthPlex hospital did not interrupt hospital patient care and did not require months of hospital repair.
  - b. NRHS is very experienced in emergency preparedness and incident command for wide-spread natural disasters. We assist our community and state as a member of the Medical Emergency Response Command to effectively triage patients/victims.
7. HW9 is ranked as one of the most dangerous highways in the US due to the number of severe traffic accidents. Further, Lake Thunderbird also sees its fair share of boating and lake-related serious injuries. Would these traumatic traffic accidents and serious lake-

- related type injuries be routed to the closer ED+ to stabilize before being transferred to the HPX, or would they skip the ED+ entirely and be transported to the ER at HPX? Why?
- a. Our award-winning EMSStat ambulance service is a paramedic level service. These emergency medical professionals are trained to immediately assess and evaluate the appropriate destination based on patient condition.
  - b. The FSED+ will be staffed by board-certified physicians.
8. A local ER Physician explained that “Heart attacks, strokes, and infectious processes are now being monitored by the minute and it has been determined that every minute is critical.” Would it be appropriate to route these patients to the ED+?
- a. No, it would not be appropriate. Acute illnesses are best treated in acute care settings. Campus consolidation eliminates any confusion about which campus to route critically ill patients.
  - b. Currently, heart attack and stroke patients are transferred to the appropriate accredited receiving hospital.
  - c. The City’s 911 dispatch protocols for medical emergencies were developed by NRHS’s EMSStat Medical Director, Patrick Cody, DO in partnership with Norman Fire and Police departments.
  - d. Norman Regional subsidizes a portion of the operating costs of the City of Norman’s 911 dispatch service (~\$200,000 annually).
9. Replacing the Porter Campus with an ED+ will continue to create a demand for transportation of patients between facilities. What are NRHS’ plans concerning those continued transport needs?
- a. Inpatient to inpatient ambulance transfers and community confusion around appropriate hospital campus would both be eliminated.
  - b. Any patient transport from one of our facilities to another one of our facilities would be at no cost to the patients.
10. NRHS contends that consolidation of services at the HPX, along with a HW9 ED+ is not a reduction of service to east side residents. How is going from 2 full-service ER’s to 1, and replacing the other with an ER+, not a reduction of services?
- a. Inspire Health provides two full-service ED’s in Norman and one in Moore and the expansion of the HealthPlex campus will not result in a reduction of services. In fact, the HealthPlex ED will more than double in size so that the number of ED beds are expected to increase with this plan.
  - b. In addition, the expansion of the HealthPlex will provide new surgical suites, intensive care beds and other ancillary services.

**Miscellaneous Questions:**

1. Many physicians in the community have reached out to me deeply concerned about the future of quality healthcare in our community, especially with respect to emergency care, should this consolidation take place. Besides the crisis management over the past several days, what has been done to obtain feedback and recommendations from these

physicians? How did you attempt to engage them specifically, aside from the late stage community meetings?

- a. Starting in 2015, (see Norman Transcript article by reporter Joy Hampton from July 23, 2015 titled, "Norman Regional Looks at Campus Consolidation") the Inspire Health development process, all medical staff members, including retired physicians, have been invited to our strategic discussions around Inspire Health. It was not until the past week that we learned about any physician concerns. When we did learn of those concerns, we reached out to one retired medical staff physician and two former employees.
2. Many local businesses are located around the Porter Campus. The businesses, for the most part, are owned and operated by Norman residents, including two locally owned pharmacies, many locally restaurants, local Dr's offices, and small medical supply businesses. Many of these family owned companies have served our community for decades. How should council balance the interests of these many local families and their employees into our analysis?
  - a. NRHS is committed to bringing new and fresh health and wellness opportunities to central core Norman. As NRHS has demonstrated over the last 73+ years, we are deeply dedicated to our community partners on Porter Avenue and throughout Norman. NRHS has a vested interest in the success of central Norman.
  - b. NRHS has significant investments in the Porter avenue area and are not looking to divest and abandon this important part of our community.
3. There is a rumor that the CVS located next to the HPX has an agreement with NRHS to prevent other pharmacies from locating within the same close proximity to the HPX. Can NRHS speak to the veracity of this rumor?
  - a. Any pharmacy can locate within close proximity to the HealthPlex. It is our understanding the only limitation is the opening of a new retail pharmacy on the 98-acre property known as Medical Park West.
4. What percentage of patients seen at NRHS are covered by Medicaid? What is the breakdown of Medicaid patients at the Porter Campus vs HPX?
  - a. NRHS cares for patients regardless of insurance coverage. Medicaid comprises approximately 10% of patient volume and we do not track payor mix by campus.
5. What percentage of Medicaid patients are transferred out of NRHS to another hospital provider?
  - a. Payor source is never a consideration by NRHS for determining patient transfers.
  - b. Patients are transferred for medical necessity only for care we do not provide or by patient request.
6. Please explain why choosing in-network services for NRHS cause BCBS plan premiums to increase for Norman residents.
  - a. Insurers, such as BCBS, Aetna, UnitedHealthcare, Cigna and Humana price their products based on various factors. Some of these may be, but not limited to

underwriting risk, patient population demographics such as age and health status, benefit plan design, provider network composition and the insurer's profitability/earnings targets. NRHS cannot speak to specifics on how BCBS prices their plan premiums, but choosing in-network services at NRHS is not one of those factors. Premiums are either set at an employer group level or at the Oklahoma county level on the federal exchange.

- b. NRHS participates in most of the insurer networks offered within our market.
7. How will Inspire Health reduce costs to Norman patients? How soon can Norman patients reasonably expect to see a reduction in their healthcare costs from Inspire Health?
  - a. Inspire Health will improve inpatient, acute care efficiency and eliminate duplicative expenses which can reduce costs for patients.
  - b. The expansion of NRHS's ambulatory services provides quality care at lower cost and more convenient locations.
  - c. The cost of healthcare is not solely in NRHS's control. The Henry J. Kaiser Family Foundation reports the average premium for employer-sponsored health plan family coverage, has increased 20% since 2013 and 55% since 2008.
  - d. There are a multitude of factors that influence the cost or out-of-pocket financial liability amounts a patient incurs.
  - e. As a local not-for-profit, public trust, NRHS doesn't have shareholders or an out-of-state corporate office making decisions. Inspire Health improves our ability to successfully remain local and independent in a highly competitive and quickly changing industry.
  - f. NRHS is focused on providing high quality, affordable services and is sensitive to how impactful healthcare expenses can be to patients.
8. Many members of council have publicly stated their discomfort with the accelerated timetable of the Inspire Health bond approval. They have asked for more time to perform thorough due diligence, as well as rebuild public trust within our community. Nevertheless, NRHS chose to keep the 9/24/19 agenda date for the proposal to be heard by City Council. What is the rush? Why was NRHS unwilling to give City Council more time?
  - a. NRHS does not view this as a rush. The bond issuance request and timeline is consistent with 12 NRHS bond requests since 1996.
  - b. NRHS met with every willing city council member and member-elect in June. We were unable to meet with two council members due to their busy schedules. We addressed questions related to the Inspire Health plan and discussed the bond issuance which was a known step in the process.
  - c. NRHS presented Inspire Health in a public study session to city council on September 10<sup>th</sup>.
  - d. Bond issuance is time-sensitive because of significant cost implications. If the city council delays, NRHS will incur additional audit and legal expense and likely

increased interest cost. Interest rates fluctuate and appear to be on the rise. An increase of 0.5% would cost an additional \$15.4 Million to NRHS. That would be \$15.4 Million that would not be reinvested into healthcare in Norman.

- e. Projects cannot move forward and NRHS's ability to compete in the long term will be jeopardized.
9. If City Council ultimately decides to not approve the requested bonds, does NRHS have a "Plan B" to solve the issues for which Inspire Health was deemed the answer?
- a. There is no Plan B as described above. For more than three years, NRHS has developed a strategic care delivery plan that will both sustain and transform our health system. NRHS is requesting the city council to approve the recommendation set forth by the NRHA Board of Trustees to issue bonds related to Inspire Health. The plan will:
    - i. Improve our ability to remain a local and independent Health System for the next 73+ years
    - ii. Enhance patient access and convenience throughout the community
    - iii. Modernize inpatient care while maintaining the highest standard of care
10. After the full build out of Inspire Health, does NRHS intend to continue operations as a public trust from the HPX and ED+?
- a. Norman Municipal Hospital was established in 1946 as an entity of the local government. NRHS was restructured as a public trust in 1969 in order to relieve the City of Norman from the burden and liability of operating a hospital. Since inception NRHS has provided high-quality care to the residents of Norman and intends to remain a public trust that provides lifesaving care to the patients and communities we serve.
11. How many NRHS facilities located outside of Norman city limits operate under the City of Norman public trust? Does NRHS anticipate adding future non-Norman facilities to it?
- a. The Health System is truly a regional draw most especially for our rural neighbors to the south who otherwise would have to drive a much longer distance to receive care. NRHS served patients from 66 of the 77 Oklahoma counties and 35 of our 50 states. The health system truly is a regional draw, most especially for our rural neighbors in the south who otherwise would have to drive a much longer distance to receive care.
  - b. NRHS has no acute care hospital facilities outside of Norman.
  - c. NRHS continually reviews our strategic plan and conducts an assessment of potential locations for network expansion. Inspire Health enhances our commitment to expand our network to the places where our patients live, work and play.