

## **Answering Questions about the Future of St. Andrews Hospital**

Over the past few months, the Boothbay Region and Lincoln County residents have engaged in a community discussion about the future of healthcare delivery on the Boothbay peninsula. This is a conversation about vitally important services for the residents of the area and the issues at the heart of this discussion deserve deep consideration as we develop a model for high-quality healthcare that will endure long into the future.

In 2012, after several years of declining patient volume and reimbursements, (and following extensive deliberations), the Board of Trustees at St. Andrews Hospital made the difficult decision to change the range of services offered at the hospital. The Trustees did not take this action lightly, and did so only after examining all of the facts and options available. This included analyzing and fully considering a comprehensive set of clinical, operational and financial data about the hospital's past performance and projecting what this meant for its future.

These actions have prompted many questions about the governance, management and operations at St. Andrews. The Trustees developed this brief document to help answer questions and address some of the misconceptions about how decisions are made and business is conducted at St. Andrews.

### **Ownership of St. Andrews Hospital**

Some in the community have wondered “who owns St. Andrews and can it be sold?” The answer is not a matter of “who owns,” but “who governs.” St. Andrews is a private, not-for-profit organization that is governed by a group of local community volunteer leaders who make up the St. Andrews Board of Trustees. These Trustees are also members of the Lincoln County Healthcare Board of Trustees. Our Trustees are volunteer leaders who are responsible for ensuring our organization meets its mission. No one is even remotely considering a sale of St. Andrews. There are no plans now – nor have there been in the past – to sell this valuable, not-for-profit organization. The current plan is to make the necessary changes to provide a sustainable, healthy, enduring future for St. Andrews.

### **No Conflicts of Interest**

Others have asked whether having physicians on the Board of Trustees creates a conflict of interest? The answer to this question is “certainly not.” Health care is a complex, scientific and ever-changing industry. Physician participation on the Board is an absolute necessity when so many important decisions revolve around patient/resident care issues and the quality of care we provide. All across the country, healthcare organizations have worked to include physicians in board membership. It's considered a “best practice” within the industry. Some of the best and most qualified individuals in our organization are physicians, and we encourage their independent contributions to the decision making process. The fact that the Board includes physicians from the St. Andrews Medical Staff raises no conflict of interest under Maine law. These Trustees serve the community, and their medical backgrounds are invaluable assets to the board.

### **A Volunteer Board of Trustees**

Some have questioned if the Board's composition and decision-making process is fair for everyone in Lincoln County. The St. Andrews Board is comprised of the exact same members of both the Miles and Lincoln County Healthcare Boards of Trustees. Lincoln County Healthcare was created as a system to increase the access, maximize quality and improve the affordability of healthcare for everyone in Lincoln County.

It is important to note that when the decision was made to change services at St. Andrews in July, 11 of the 19 voting members on the Board were residents of the Boothbay region.

### **Challenging Finances**

Claims about the finances of the hospital have gone so far as to imply that individuals have inappropriately benefited financially from the hospital, such as stockholders gaining dividends from a corporation, or that leadership has transferred assets to other institutions. Nothing could be further from the truth. When a not-for-profit hospital's patient volume is sufficient to produce a positive bottom line at the end of the year, it uses the extra funds to retain talented staff, invest in equipment and improve its facilities.

Since 2001, St. Andrews has had operating losses totaling \$7,144,029, an average of \$595,336 per year. Only two of those 12 years ended with positive financial results. Even after considering the Critical Access Hospital subsidy, charitable donations, community support and investment returns, the 12-year accumulated loss was \$1,935,855. And, while St. Andrews occasionally buys and sells assets as directed by the Board of Trustees, no assets from St. Andrews Hospital have ever been transferred away from the organization without a financial payment reflecting the value of the assets.

### **Joining MaineHealth**

Back in 1996, the Board of Trustees of St. Andrews decided that the organization needed to form a relationship with a larger health system to ensure the delivery of high quality care to the residents of the Boothbay Region. They chose MaineHealth. Why? Because like many small hospitals around the country and in Maine, the Trustees understood that in order to provide the type of care needed in the region, St. Andrews would need both the clinical and economic advantages that would come from a relationship with a larger organization. Without this relationship, St. Andrews could not be successful in providing sustainable healthcare services to patients in the Boothbay Region nor be able to respond to the rapid pace of change in healthcare delivery. These factors were recognized by the trustees in 1996 and drove their decision.

When the St. Andrews Hospital Board of Trustees made the decision to join the MaineHealth System, it did not transfer ownership of any hospital assets. These assets are still controlled today by the St. Andrews Board of Trustees. The very essence of MaineHealth is the belief that cooperation (instead of competition) is the best way to care for the people of Maine. The Trustees made this decision to ensure the highest levels of quality care for the region and the broadest possible range of healthcare services for the communities that St. Andrews serves.

### **The Value of MaineHealth Membership**

This relationship with MaineHealth brings numerous advantages to the residents of the region. In addition to the clinical support, trustee and staff education, quality initiatives and administrative support, the quantifiable benefits of such programs as group purchasing, group health coverage and employee benefits, legal support, and insurance company contracting provided more than \$568,000 to St. Andrews in 2012 alone.

MaineHealth is a top-ranked, nationally-recognized leader in healthcare services in the United States. As part of its commitment to the Boothbay Region, MaineHealth continues to honor all terms of its Definitive Agreement with St. Andrews. Any changes to hospital services or structure must be approved first by the Board of Trustees of St. Andrews Hospital before any action is taken. The Trustees approved the current changes in services in July 2012.

### **Honoring Charitable Donations**

There are some who believe that consideration of prior charitable donations to St. Andrews bars any changes in services. With the exception of donor-restricted gifts, Maine law is very clear that nonprofit boards, meeting the duties of good faith, prudence and best interests, maintain the power to manage operations and charitable property as appropriate. Indeed, the Trustees have a fiduciary duty to ensure that St. Andrews is financially and operationally sound, and are empowered to take the actions deemed necessary to meet those obligations.

### **Critical Access Hospital (CAH)**

A great deal of discussion has surrounded the fact that other CAHs in Maine have kept their Emergency Rooms open. Why can't St. Andrews do the same? The CAH subsidy is a way that Medicare helps support rural hospitals by reimbursing them at their cost for services rendered to Medicare patients. While there are CAHs continuing to provide Emergency Care in Maine, in every case these hospitals are a significant distance away from the next nearest hospital. Because St. Andrews and Miles Memorial are only separated by 18 miles, our physician leaders strongly believe that working in partnership with the Boothbay Region Ambulance Service to develop the best emergency medical system in Maine will offer the quickest transportation for emergency care. Such a system will provide the best and safest option for patients.

### **Local Control**

For some, the current discussion comes down to the issue of control. Who controls St. Andrews? And the answer is clear. Decisions about St. Andrews, its property and affairs are made by the St. Andrews Board of Trustees. These people are local community leaders who volunteer their time and talents to ensure the delivery of high quality, affordable care to their community and county. Our governance starts at the local level.

MaineHealth relies on the active deliberations and careful decisions made by the local boards of trustees. And this includes local board membership. Local board members are chosen locally. The MaineHealth Board of Trustees puts a great deal of trust and respect in local decisions and ultimately affirms them. Since its founding seventeen years ago, the MaineHealth Board has never rejected a trustee nomination from any of its local boards of trustees.

Over the weeks and months to come, the St. Andrews Board of Trustees looks forward to continued, constructive discussions about the delivery of healthcare services in our community and how St. Andrews can best serve the Boothbay region.

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