
MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Patricia Soule, Finance Director and Marjie Veeder, Assistant City Manager
Through: William Homka, City Manager
Date: March 26, 2024
Re: Proposal for IFHS Clinic Funding for FY25

SUMMARY: In response to Council's Directive to the City Manager of February 27, 2024, Staff presents this proposal to fund the request from IFHS Clinic for Fiscal Year 2025.

PREVIOUS COUNCIL ACTION: Council received a presentation from the clinic CEO, Noel Rea, on February 27, 2024, and issued a directive to the City Manager to bring to Council a proposal to fund IFHS financial request. There has been no other Council action related to the current request.

BACKGROUND: The IFHS Clinic has received funding from the City of Unalaska for a number of years through the Community Support Grant Program. The grant amounts for the last five years were:

- FY24 \$180,000, Resolution 2023-15
- FY23 \$180,000, Resolution 2022-14
- FY22 \$151,748, Resolution 2021-23
- FY21 \$161,260, Resolution 2020-21
- FY20 \$180,000, Resolution 2019-17

On March 26, 2019, through Resolution 2019-14, the City loaned the clinic \$500,000 for emergency assistance. Due solely to the influx of federal COVID funding, the clinic was able to repay this loan to the City of Unalaska.

On October 27, 2020, through Resolution 2020-67, the City provided CARES Act funding to the clinic in the amount of \$400,000; plus an additional amount up to \$10,000 to provide community flu vaccinations.

DISCUSSION & FINANCIAL IMPLICATIONS: The reasons for the clinic's shortfall were covered in the presentation on February 27, 2024 (documents attached to this memo).

Staff proposes using revenue from the city's Tobacco Excise Tax to fund the clinic's request. The revenue generated by the tobacco excise tax (adopted in 2021) was dedicated to the Community Support Grant Program for the benefit of public health programs or tobacco education and cessation programs in Unalaska.

The clinic is requesting gap funding of \$1,047,441.46 for FY25. There is presently \$1,139,266 available in the tobacco tax revenue fund, after budgeted expenditures for the current fiscal year are deducted. Council could choose to fund the clinic's request fully from tobacco excise tax

revenue. (Note: a portion of both FY23 and FY24 grants to APIA and the clinic were funded from tobacco excise tax revenue.)

If the clinic’s FY25 request is fully funded from tobacco excise tax, along with \$78,207 for APIA, there would be a remaining \$13,617.78 in the fund.

Adding FY25 budgeted revenue of \$750,000, there would potentially be \$763,617.78 available for FY26 grants, if actuals meet the budgeted revenue. Because the tobacco excise tax is relatively new, we don’t have many years of revenue history to budget with any certainty.

Deducting the same amount for APIA in FY26, and another \$650,000 in gap funding for the clinic (which is simply an estimate, as the clinic is not certain of their revenue stream with the addition of CT services), we would potentially still have a positive cash balance of tobacco excise tax revenue.

TOBACCO EXCISE TAX REVENUE

	Revenue	IFHS Grant Expense	APIA Grant Expense
2022	389,659.34	-	-
2023	633,020.67	44,000.00	44,000.00
2024 YTD	361,000.23	78,207.00	78,207.00
	<u>1,383,680.24</u>	<u>122,207.00</u>	<u>122,207.00</u>
Cash Balance	1,139,266.24		
APIA FY25	78,207.00		
IFHS FY25	1,047,441.46		
	<u>13,617.78</u>	Remainder	
2025 Budgeted Revenue	750,000.00		
	<u>763,617.78</u>	Potential Available	
2026 Potential APIA funding	78,207.00		
2026 Potential IFHS Request	650,000.00	<i>(Estimate)</i>	
	<u>35,410.78</u>	Potential Remainder	

ALTERNATIVES: It is Council’s decision whether or not to providing gap funding to the clinic, and at what level. It is also Council’s decision whether the funding is a grant or a loan. It is noted that Noel Rea indicated the only reason the clinic had available funds to repay the 2019 loan was due to the influx of federal funding related to the COVID-19 pandemic.

LEGAL: None required.

STAFF RECOMMENDATION: If Council chooses to fund the clinic as requested for FY25, Staff recommends the funding come from the tobacco excise tax revenue fund.

PROPOSED MOTION: A proposed motion is not provided as this is a work session discussion, but if Council is ready to make a decision, direction to staff would be appreciated as we work to prepare the FY25 budget.

CITY MANAGER COMMENTS: The Assistant City Manager and Finance Director worked with IFHS to gain a good understanding about the clinic's financial situation. The organization is working to increase the billable rates for services provided after hours which will greatly improve financial stability.

ATTACHMENTS: Letter and Clinic Presentation from February 27, 2024




February 21, 2024

Honorable Mayor Tutiakoff and City Council,

IFHS has provided primary, urgent, and emergency care to the region for over 50 years. Our physicians, nurses, paramedics, and laboratory and imaging staff provide the full continuum of care, from planned and preventative primary care to lab work and imaging, to urgent and emergency care, which is provided both during and after hours.

IFHS is now requesting the city to support a portion of the cost of emergency services provided to the community of Unalaska. IFHS has historically subsidized these costs for the community but can no longer afford to donate this care to the community.

IFHS is requesting \$1,047,441.46 for FY25 from the City of Unalaska, which will address our urgent need to fill the funding gap between our total revenue and our expenses, a gap which occurs due to the high cost of providing Emergency Room services and our inability to collect enough to cover those costs, as shown in the summary below:

	• Total annual costs	\$1,224,576.00
	• Total annual revenue	<u>\$ 177,134.54</u>
	• Deficit	(\$1,047,441.46)
	• Requested City Support	\$1,047,441.46
	• Revised Deficit	\$0.00

Although IFHS provides crucial urgent and emergency care for anyone who requires such care in Unalaska, we are not currently a licensed Emergency Room which limits our ability to generate much needed revenue. The urgent/emergency care provided by IFHS is considered “out-patient” care; one of the biggest implications of this is that IFHS is prohibited from billing and collecting at the much higher Emergency Room rates. Instead, we are limited to billing clinic visit rates rather than rates appropriate to a critical access hospital or similar facility. Clinic visit rates are much lower and do not nearly cover the costs of our staffing, equipment, supplies, medications among other costs. Insurance companies simply do not pay appropriately for the level of service IFHS provides.

Our annual funding from Health Resources and Services Administration (HRSA) as a Federally Qualified Community Health Center **supports primary care services only – it does not include funding for emergency services.** We have had an annual shortfall since we began providing urgent/emergent care. Our emergency services budget for the current year has a loss of over a million dollars, which is currently being covered by reserves. Our reserve funds, as is true for most non-profit health-care providers, are necessary to withstand periods of financial distress and still maintain services to the community. Our reserves are used for unexpected expenses, including unanticipated facility maintenance, equipment repair, or staff turnover (necessitating the hire of more travelers than anticipated), among other scenarios; they must be kept intact to maintain financial stability and support continued services to our community.

Those reserves are now dwindling, and we will be unable to cover the annual gap for much longer without additional funding or discontinuing after-hours emergency care, which would be a huge loss for the entire community.

Without an influx of operating funds, IFHS will be discontinuing after-hours emergency care within the next 10 months.

As noted above, we provide after-hours urgent/emergent care as needed, using on-call staff, and we are limited in how much we can charge for providing this essential service to our community’s residents, visitors, and temporary workers. These services cost well over \$1M annually, and IFHS has provided them with minimal financial support. Though after-hours access to emergency care saves lives and meets a significant need for our entire community, the only funding supporting the service is the minimal patient revenue collected for individual visits and community grant funding received by the City of Unalaska. The program is very expensive to have available, regardless of the number of patients served, as detailed below:

IFHS FY23 ER Summary

ER Visits	Total Charges	Total Paid	Total Not Paid
264	\$ 410,852.17	\$ 177,134.63	\$ 233,717.54

The city of Unalaska and the entire island clearly need urgent/emergency services. Over the last 50 years, IFHS has served thousands of patients under this care category, including many who required medivac services to Anchorage, overnight stays at IFHS for one or more nights, and other services as appropriate.

For example, for the last fiscal year (July 2022 -June 2023), IFHS provided 264 after-hours and emergency visits. We also coordinated 56 medivacs in Calendar Year (CY) 23. We care for any medical condition, at any time, stabilizing them for transport as needed. Visits in FY 2023 included strokes, cardiac events, amputations and other orthopedic injuries, an unplanned preterm birth, chronic disease exacerbation, infectious disease management, and more.

There is no other urgent/emergency care provider on the island. Without gap funding through this program, IFHS will need to stop providing emergency services until such time as it can afford to resume subsidizing this care for the community. If these services go away, it would be a huge loss for our residents, visitors, and temporary workers. It would mean a lower quality of life on the island, which could have dire effects not only on individuals and families, but on businesses and our schools, who would likely have a much more difficult time recruiting employees.

IFHS receives no regular annual allotment from the City to help support any ongoing operations. IFHS cannot cut its way to prosperity; instead, it needs to continue to grow and add services to continue to meet the community's needs. IFHS emergency care is truly an essential service akin to fire and police protection.

After-hours and emergency medical coverage has negatively impacted IFHS' finances for many years. The urgent/emergency care services we provide are typically very high acuity and low volume, meaning that the cost to provide these services far exceeds the amount of reimbursement. With nursing and provider shortages across the nation, costs for providing emergency medical coverage have increased significantly in FY22 - FY24 and are expected to escalate further in FY25. In addition to staffing, there is an increase in the cost of equipment and supplies stocked and maintained by IFHS, which are necessary to offer emergency care.

IFHS will use the funding to ensure the staff, equipment, supplies, and facilities are available for those in need of emergency care. IFHS receives Community Health Center funding for primary care services. This funding does **not** include funds for after-hours or emergency level care. IFHS has received recent grants through the state of Alaska, including from the Alaska Housing Finance Corporation and the Coronavirus Capital Project Fund, neither of which can be used to directly support provision of care to patients.

Given the serious nature of a medical emergency and the level of medical training, equipment, and facilities the response entails, it is not feasible to expect volunteer or in-kind support from community organizations to the extent Unalaska has received in perpetuity.

Ongoing Progress

As noted previously that IFHS is not going to be able to cut any costs to make ER services sustainable but we can grow the services we provide in order to make the organization better able to donate ER services to Unalaska.

To date IFHS has secured \$20M in funding for a new/remodeled healthcare facility. The city has generously leased the land needed for this construction to IFHS so this project can move forward. We will soon be securing architectural services to design the next facility which will support care for the community for the next 30-50 years.

IFHS has secured funding and purchased a CT scanner which will arrive on Island at the end of this month. The construction began weeks ago on building a connection between the CT trailer and the building. We anticipate this to be completed in early March and operating the CT by mid-march. This critical service will improve the care delivered by IFHS staff and prevent costly medevacs currently costing over \$100K per flight. The revenue associated from CT will also reduce some of the deficit associated with ER services.

Other ancillary services are being developed to begin over the next 12-18 months which will allow care to be received on island and reduce travel costs for our community. Similarly the additional services should provide revenue to reduce the deficit of operating an ER 24/7.

Lastly IFHS will be pursuing licensure changes associated with the new facility which will allow for appropriate billing for ER services into the future. We will be able to bill as an ER which will require insurance companies to pay appropriately for services rendered after hours. This too will decrease the deficit from operating the ER at a loss as IFHS has for the last four decades.

While all of these enhancements will occur at IFHS they will indeed take some time. Most will require the new building to be built which is likely to take the next two years to be completed.

Going forward IFHS will continue to share all of the financial information needed for the city to review the investment. As with last year we are happy to share detail on each of the after-hours visits and what IFHS is reimbursed. The balance of what we are unable to collect and the cost of providing the service is the basis of our funding request. The IFHS board have all reviewed this request and stand ready to answer any questions you may have.

**TOTAL EMERGENCY & AFTER HOURS BUDGET ESTIMATE FOR FY25:
\$1,224,576.00**

**FY25 CITY COMMUNITY SUPPORT PROGRAM REQUEST FOR FY2025:
\$1,047,441.46**

Personnel – Salaries for Emergency Care Medical Providers and Staff

- On Call Providers and Staff (includes Medical Providers, Nursing/Paramedic Providers, Medical Assistant, Laboratory/Imaging Staff, and the Clinical Manager): Our estimated cost for these salaries to provide the 24/7 emergency care is \$1,005,800.

Personnel – Benefits for Emergency Care Medical Providers and Staff

- On Call Providers and Staff as above. Our estimated cost for benefits (@ 22%) to provide the 24/7 emergency care is \$182,776.

Equipment

- Emergency Equipment: Our estimated direct cost for emergency equipment needed to provide 24/7 emergency care is \$36,000.

Total FY25 IFHS ER Estimated Budget = \$1,224,576.00

Total FY25 Community Support Grant Funding Requested = \$1,047,441.46

Revenues: List and briefly describe each source of revenue. Clearly explain any requests for an increase or decrease in funding from the City.

- IFHS Fees for Services: Revenue from ER visits is \$177,134.54.
- Community Support Grant: Budget request to help cover Salary and Benefits for on-call services from providers and staff and Equipment: Total grant request is \$1,047,441.46.

The FY25 amount requested of \$1,047,441.46 is an increase of \$867,441.46 over the FY24 request of \$180,000. The reason for the increase is that IFHS can no longer depend on its dwindling reserves to cover the annual gap in funding to continue providing emergency services, as detailed in previous sections of this application.



Iliuliuk Family and Health
Services
City of Unalaska
2025 Community Support Grant



Annual Costs vs ER Revenue

(264 Afterhours visits)

Additional Staffing/Equipment

- Staff \$1,188,576.00
- ER equipment \$36,300.00
- *Total \$1,224,576.00

FY 23 Revenue

- Insurance \$173,138.20
- Patient \$3,996.43
- Total \$177,134.63

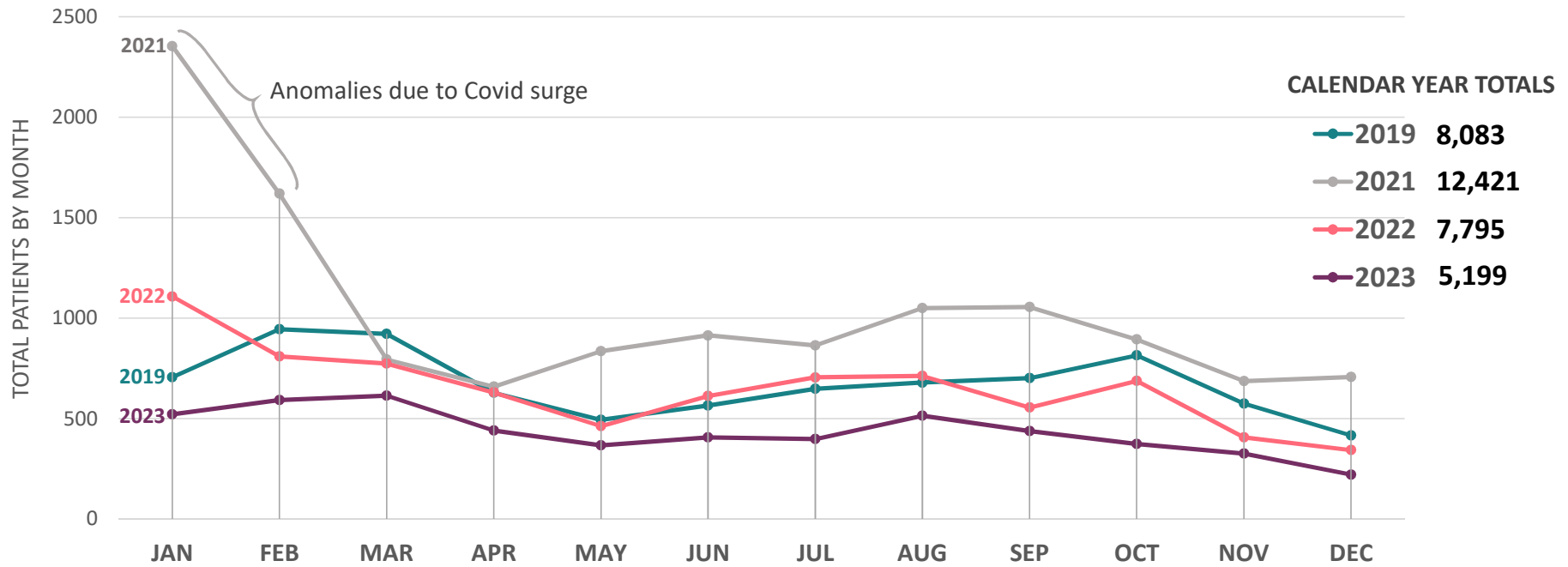
*Costs not included: Pharmacy, Administration, Utilities, Major Equipment, Training among others.



IFHS PATIENT VISIT COUNT

(Volume by year)

Patient Visits by Month/Calendar Year





In Summary

- Total annual costs \$1,224,576
- Total annual revenue \$177,134.63
- Deficit (\$1,047,441.37)

- *Potential City Support* \$1,047,441.37
- Revised Deficit (\$0.00)