

Mackinac Straits Hospital Reorganization Will Help Island Medical Center

By Ryan Schlehuber

Mackinac Straits Hospital Authority has agreed to transfer all of its assets, including leases, obligations, and county agreements, to a private, not-for-profit corporation which will build and operate a new hospital in St. Ignace. The transfer will require approval from residents of the Authority's four controlling units, the City St. Ignace, St. Ignace Township, Moran Township, and Brevort Township, in an election scheduled for Tuesday, May 6.

The Hospital Authority agreed to the transfer at its meeting Monday, February 4.

The new entity will be Mackinac Straits Health Systems, and transfer is expected to be completed by early June, if voters approve it.

The new corporation will be eligible to receive more federal and state funding than the existing facility controlled by the Mackinac Straits Hospital Authority. The new rural, critical access hospital it will build in St. Ignace, which will be called Straits Area Healthcare Village, is expected to be opened in fall 2009 at a cost of \$26 million.

Mackinac Straits Health Systems, which was formed in October 2005 in anticipation of a new hospital, has received \$26.8 million in federal loan guarantees which allow USDA lenders to offer lower interest rates, and \$10.4 million in direct federal loans, which have even lower interest rates.

Besides the benefit of being able to fund a new, modern, and

expanded hospital nearby, the advantage of having a private hospital will be that taxpayers will no longer be liable for any debts incurred by the facility down the road, said hospital administrator Rod Nelson.

The downside will be that the public will no longer be able to attend hospital board meetings, because as a private corporation, Mackinac Straits Health Systems is not regulated by the Michigan Open Meetings Act.

The transfer from the old Mackinac Straits Hospital Authority to the new Mackinac Straits Health Systems would include all assets, debts, operations, and liabilities under the ownership of the Hospital Authority, including long term care, the hospital's portion of Moses Dialysis unit, which the hospital shares with Sault Ste. Marie Tribe of Chippewa Indians, and the satellite clinic on Mackinac Island. The building housing the Naubinway satellite clinic is leased and a transfer is being negotiated.

Roselyn Parmenter, legal counsel for Mackinac Straits Health Systems, joined the board by telephone and reported that the preliminary determination from the Municipal Employees Retirement System (MERS) will allow current employees to continue their MERS pension plans or cash them out after the transfer. Details for inclusion of newly hired employees with MERS, after the transfer of authority, still need to be worked out, said Mrs. Parmenter.

The transfer will mean that

the Mackinac Straits Hospital Authority will become inactive and will no longer own any assets, said Mrs. Parmenter.

"It was thought initially that the hospital authority would still exist to keep employees' pension plans intact and lease the employees to the new organization," said Mrs. Parmenter, "however, the Authority cannot do that under Michigan Act 47."

The hospital authority will be inactive but not disbanded, as it would need to approve any transfer or sale of the new hospital by Mackinac Straits Health Systems in the future.

"If the hospital is ever sold in the future, all of the assets would go back to the Hospital Authority," said Mr. Nelson. "It still has a long-term role in ensuring health care is provided for this community."

The current hospital campus on Burdette Street and its buildings are owned by Mackinac County under a deed transfer from the Authority in 1991. The county also holds a bond obligation worth \$1.3 million used to expand the hospital's long term care facility, and the Authority has an agreement to make the payments on that until 2014.

Mackinac Straits Hospital Authority's agreement with the county to collect a county-wide millage is also transferable to the new Health Systems, so the hospital will continue to collect 1.2 mills annually, which generates \$900,000 for the hospital. The millage will be up for reelection in 2009.

"As long as we have long

term care, we will ask for the millage to be renewed," said Mr. Nelson, who noted that the hospital uses the millage to cover the debt incurred in that operation.

Serving on the board of the new private corporation are Hospital Authority Chairman Ron Mitchell and board members Margaret Doud of Mackinac Island, Fred Paquin representing the Sault Ste. Marie Tribe of Chippewa Indians, Richard Smith of Epoufette, and former Senator Walter North of St. Ignace. Others on the new board include Steve Autore of Cedarville and Patrick Shannon of Sault Ste. Marie, who owns a home on Mackinac Island.

Other Hospital Authority members will not serve on the new board, but, Mr. Nelson said, they may be tapped for committee assignments. They include Kathy Lawnichak, Pat Serwach, Al Feliksa, Donald McArthur, Jim Farero, and George Ford.

The Sault Ste. Marie Tribe of Chippewa Indians will lease space in the new facility for its new tribal health center, and the tribe shares some resources, such as the dialysis unit. It has also donated 16.5 acres of land near the Mackinac County Airport, worth \$1.2 million, on which the new hospital will be built.

The land transfer must be approved by the U.S. Congress under an 1834 stipulation requiring federal oversight of tribal land transfers or sales, the hospital has learned.

Mr. Nelson said the construction plans for the new facility are 80% finished and should be presented to the board by April.

The hospital lost \$80,173 in November 2007, reported Jason Anderson, chief financial officer,

adding that November and December are the hospital's slowest months financially each year. In gross revenue, Mackinac Straits Hospital is up almost \$1.6 million from last year, he said, owing to an increase in acute care, emergency room service, use of hospital beds, and outpatient services.

While Mackinac Island residents won't be voting on the transfer of ownership, they will see benefits of a new, expanded hospital facility in St. Ignace and, possibly, less effort to maintain the Medical Center on Mackinac Island. That is because Mackinac Straits Health Systems will absorb the remaining \$2.4 million debt for the Mackinac Island Medical Center and refinance it with the low-interest USDA loan for the new facility in St. Ignace.

"It will help us with our cash flow on the Island," Mr. Nelson said.

The Island facility was built in 2002 for \$5.5 million.

Winter operations are subsidized by fundraisers, including the annual Friends of the Medical Center appeal and the end-of-summer auction at Grand Hotel. Last year, \$306,000 was needed to cover the winter operations deficit, Mr. Nelson said, and subsidies range between \$200,000 and \$325,000, depending on tourist traffic and visitor use of the facility the summer before.

But with lower debt service through refinancing, savings could reduce the winter subsidy.

"If there will be any effect at all," Mr. Nelson said, "the refinancing will have a positive affect on the fundraising for winter operations."

Bridal Show Planned for May 11

Mission Point Resort will hold its 10th annual bridal show from 10 a.m. to 2 p.m. Sunday, May 11. Brides will be able to meet with local vendors, and learn about their products and services.

The show will feature about 30 vendors specializing in wedding planning, including those specializing in wedding cakes, flowers, and music.

Other booths will showcase everything from hair and make-up to photographers. Wedding coordinators and clergy will also be represented at the event. In addition, the resort will provide a sampling of its banquet entrees and hors d'oeuvres and wines, and conduct site tours in the afternoon. The show is held every year on Mother's Day.

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