

CITY COUNCIL SPECIAL SESSION MINUTES

October 29, 2019

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in Special Session at 5:30 p.m. in the Municipal Building Conference Room on the 29th day of October, 2019, and notice and agenda of the meeting were posted in the Municipal Building at 201 West Gray and the Norman Public Library at 225 North Webster 48 hours prior to the beginning of the meeting.

PRESENT: Councilmembers Bierman, Carter (arrived 5:55 p.m.), Hall, Holman, Petrone, Scanlon, Scott, Wilson, Mayor Clark

ABSENT: None

Item 1, being:

CONTINUED DISCUSSION REGARDING THE NORMAN REGIONAL HEALTH SYSTEM INSPIRE HEALTH PROGRAM.

Mr. Richie Splitt, Chief Executive Officer (CEO) of Norman Regional Health Systems (NRHS), said since May 2019, Norman Regional Health System has had 110 Inspire Health meetings, community sessions, one-on-one meetings, etc., and continued its efforts to share Inspire Health across the community. Since the Council meeting on September 24th, 34 Inspire Health meetings have been held that included five community forums hosted by NRHS, ward meetings in each ward, and meetings with business owners around Porter Campus. He said he also met with State legislators to educate and inform them about Inspire Health.

Mr. Splitt said a Letter of Intent (LI) was sent to the City of Norman outlining the core elements and recommendations from Inspire Health as well as the potential purchase of City owned land at the Porter Campus. He said NRHS received a LI from Variety Care about their interest in being part of the dialogue for the master planning of the Porter Campus. The Oklahoma Department of Mental Health and Substance Abuse (ODMHSA) is working on a LI regarding the Porter Campus as well.

Since the September 24th meeting, NRHS engaged ADG, Inc., for the preliminary design of what the Porter Campus Health Village could look like. Mr. Splitt said NRHS also engaged a behavioral health consultant to help NRHS find the right partner for the Porter Campus. He said NRHS is working on a process to improve American with Disabilities Act (ADA) issues so the Home Run Van and EMSTAT will be connecting with wheelchair bound patients that need transportation to the hospital or other NRHS facilities.

Ms. Meegan Carter, NRHS Vice-President of Population Health and Wellness, said NRHS has been in renegotiations with Blue Cross for almost three years regarding existing networks in which NRHS participates. She said part of that renegotiation was a contract for Blue Advantage, which is the plan that Blue Cross offers on the federal exchange. She said last Friday, NRHS finalized those renegotiations and the contracts will be effective on November 1st and will show NRHS as a participant on their website.

Mr. Splitt said the eastside free-standing emergency facility location has been identified, which is on the southwest corner of Highway 9 and 24th Avenue S.E. He said NRHS is excited to obtain this property so they can begin preliminary design on an eastside facility.

Mr. Jason Cotton with ADG, Inc., said the Porter Campus is proposed to be a community driven Health Village and is being preliminarily reimagined to include an Urgent Care Center; Education Center; Behavioral Health Center; Variety Care Facility; Senior Wellness Center; a park or greenspace in the middle of the complex; and possible apartments and retail.

Councilmember Wilson said she is not familiar with Variety Care and asked for more information. Mr. Splitt said Variety Care is a federally qualified health clinic that provides important services to uninsured or under insured. Variety Care currently has two locations in Norman, one on Himes Street and one on Alameda Street, but those locations do not provide the full complement of services Variety Care is capable of providing. He said Variety Care would be able provide services in one location and close the two current locations under this proposal.

Councilmember Holman said he likes the preliminary drawings, but would like to see a Sobering Center included if possible.

Mr. Ken Hopkins, Chief Finance Officer for NRHS, said in developing a financial forecast, NRHS started with an assumption and imagining the experienced volumes and how that might change with the project. He looked at current reimbursements and how that might change over time in different payer categories, looked at different components of expenses, and tried to estimate what the volume influence on those expenses would be as well as what the inflation influence might be, which varies in each category. NRHS also tried to build in assumptions of what the project would do to the financial expectations over time so the impact of issuing debt would increase interest expense and there would be impacts to the balance sheets. The financial model was developed through an iterative process that included input from the NRHS team. He said the consensus best estimate of the future is referred to as the anticipated scenario. He said the operating profitability margin is in the 2% range during construction and is proposed to increase to 3%-4% after construction is completed. He said revenue is proposed to be marginally higher than expenses. In addition to operating profitability NRHS considered the impact on cash and debt levels.

Mr. Hopkins said a sensitivity analysis was conducted to find out the accuracy of the financial model and while the results were not favorable, they are not catastrophic either and NRHS believes they can overcome the challenges. He said worst case scenario would be half the growth expected with no savings, which would be very challenging; however, it is a low probability scenario. NRHS also looked at whether or not a capital partner would be needed and believes that would be best for the organization. He said third party capital is readily available in the health industry so that is not a major concern. He said the status quo scenario helped NRHS to understand if some level of risk was better or worse than doing nothing. He said if the project is not pursued there will be no increase in debt, but there would be no benefit over time either. He said NRHS would be forced to use other tools each year to try to find cost reductions and would be further challenged by the fact that the hospital is in an inefficient system that keeps getting older. He said NRHS felt that doing nothing was riskier than responding to challenges currently in the industry. He said because NRHS has good profitability margins, a strong cash position, and a healthy balance sheet, the financial analysis suggests reconfiguration of the Porter Campus would be affordable. Councilmember Carter said asked where does the profit go and Mr. Hopkins said the profit is put back into capital to meet standards of care. He said the 2% margin stays in the community and is invested in talent and technology.

Councilmember Bierman said Mr. Hopkins mentioned affordability being tied to not having a downturn of any kind and asked what is meant by downturn and Mr. Hopkins said a downturn in volume or in capturing savings. Also, margins need to be maintained during construction or the financial picture will look much worse. Mr. Splitt said the scenario information really informed the decision to move forward with Inspire Health and this decision is about advancing the work, not about retreating or staying the course.

Councilmember Holman asked how much money will be invested in the Porter Campus and Mr. Splitt said the Porter Campus has a \$10 million placeholder.

Mr. Darrel Pyle, City Manager, said in the conceptual design there are some pieces of property still owned by the City of Norman that would need to be dealt with before the Porter Campus project moves forward. Mr. Splitt said that is one of the objectives in the LI and NRHS is ready to have those discussions.

Mayor Clark asked Mr. Splitt for more information on the Norman Public School (NPS) Nurse Program and Mr. Splitt said NRHS is proud to partner with NPS and the NRHS does not subsidize the entire program, but subsidizes half of that cost which is approximately \$500,000 annually. He said nurses are in every public school and three schools today have telemedicine stations so a pediatrician is "at the ready" when a school nurse calls. He said the stations allow a visual and audio consult connection between the parents, nurse, patient, and pediatrician. He asked Ms. Paula Price, Vice-President of Strategy and Growth, about the statistics on telemedicine and Ms. Price said 100,000 students used the system last year. She said the program allows the student to be treated and stay in school and parents to stay at work.

Councilmember Carter asked Mr. Splitt to expand on the value of physician retention and recruitment and what kind of stress having a two campus system puts on staff. Mr. Splitt said a physician in the community made the comment in the September meeting that Norman has two great hospitals operating at three quarters strength. He said this plan allows that power to come together and operate at full strength because the physician is not chasing the patient nor is the patient chasing the physician

between the two campuses, which creates a hardship. He said highly skilled physicians will be in one place and confusion within the community is eliminated making patient care seamless. He said the size of the emergency room is proposed to double because of growth of demand.

Councilmember Holman said improvements to roadways for the eastside facility will be needed and Mr. Splitt said NRHS anticipates a traffic impact study as part of the process and looking at appropriate design for flow of ingress and egress. Councilmember Bierman asked if the preliminary budget includes funding for infrastructure improvements for the eastside facility and Mr. Splitt said yes.

Councilmember Hall asked if urgent care will be provided at the Porter Campus and Mr. Splitt said yes. He said NRHS would provide the urgent care or partner with another company to provide that care. He said under all scenarios there are some type of urgent care services on the Porter Campus. Councilmember Hall asked for more detail about the timeline of January 2020 for the Porter Campus Revitalization Planning process and Mr. Splitt said NRHS has always envisioned what is possible, what are the needs, and how they can be integrated into this project. He said bond issuance will get the design process started and implemented because changes at Porter Campus cannot happen until the Healthplex is expanded.

Councilmember Hall said topics brought up in her ward meetings included the Porter Campus and Griffin property being mentioned as quality opportunity zones and asked Mr. Splitt to expand on what that means. Mr. Splitt said Griffin Memorial Hospital (240 acres) is a qualified opportunity zone, which avails an investor and developer to certain tax incentives and tax credits to begin the process of renewal and investment. He said property in southeast Norman is also a part of a qualified opportunity zone because those areas are part of areas in communities designated as under stress, duress, and possible blight which makes an incentive for developers to be qualified for to spark additional development. The Porter Campus is currently eligible for new market tax credits and is part of an incentive zone he does not know much about at this time.

Councilmember Hall asked about the “care sites” on the Porter Campus and what the future of those might be. Mr. Splitt said NRHS has multiple care sites and two care sites from the Porter Campus that will be moving to the Healthplex includes general surgery and oncology.

Mr. Splitt said the free-standing emergency department is anticipated to be the first thing to open because that will be a shorter timeframe to design and construct. He said the Healthplex expansion will take place simultaneously. He said current operations at the Porter Campus will continue until those two projects are completed.

Mr. Splitt said there a new program, Emergency Triage, Treat, and Transfer (ETTT also known as ET3), that is new to the United States and NRHS submitted an application to be one of the first hospitals in Oklahoma to have the program. This will allow highly trained paramedics to respond in the community to triage, treat, or transfer patients based on the right level of care needed.

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ADJOURNMENT

The meeting was adjourned at 6:47 p.m.

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ATTEST:

City Clerk

Mayor