

**Minutes of the Meeting of the Utah Privatization Policy Board**  
**Wednesday February 24, 2010 12:00 p.m.**  
**1112 State Office Building**  
**Salt Lake City, Utah**

**Attendees**

Randy Simmons, Curtis McCarthy, Kerry Casaday, Robin Riggs, Randy Simmons, Gary Nielson, Steve Densley, Steve White, Ted Boyer, James Kesler, Senator Stephenson, Senator Goodfellow, Nancy Orton, Kent Beers, Chris Bruhn

**Excused**

Steve Dickson, Tanya Henrie, Kim Jones, David Osborn

**Visitors**

Ron Winterton, Blaine Bernard, Bradley LeBaron, Todd Losser, Royce Van Tassell, Jackie Evans, Representative Greg Hughes

**Welcome and Introductions**

Randy Simmons, Chair conducted the meeting.

**Approval of Minutes:**

Gary Nielson made a motion that we approve the February 10, 2010 minutes. Curtis McCarthy seconded his motion and the minutes were unanimously approved.

**Uintah Basin Medical Center – Brad LeBaron**

Thank you for your invitation to attend this Privatization Policy Board meeting. I am Brad LeBaron the President and CEO of Uintah Basin Healthcare and Uintah Basin Medical Center which is headquartered in Roosevelt, Duchesne County, Utah.

Uintah Basin Medical Center is a 49 bed general acute care hospital with a 75 bed skilled nursing facility and 15 bed rehabilitation unit. We have a Medical Staff of 24 independent, full-time physicians and 10 mid-level providers. We offer outreach clinics to the citizens of the Uintah Basin (the Uintah Basin being defined as Daggett, Duchesne and Uintah Counties). Out outreach clinics are in Duchesne, Tabiona, and Altamont cities in Duchesne County, in Manila in Daggett County, and recently we became the landlord to the independent practitioners who operate the Basin Family Clinic in Vernal City, Uintah County. UBMC serves roughly one tenth of Utah's geography and in addition to the services mentioned previously we provide home health, hospice, durable medical equipment and dialysis services in locations throughout the Basin. We operate the emergency medical system or ambulance service for Duchesne County. In 2008, 83% of Uintah Basin households utilized a healthcare service provided by Uintah Basin Medical Center.

Uintah Basin Medical Center began as Roosevelt Hospital in 1944. The hospital was first city-owned and then for a time was owned by the LDS Church who divested the hospital to county ownership in 1975 at which time the hospital began operating as Duchesne County Hospital. From the beginning the County's expectation was that the hospital would be self sufficient therefore no financial subsidy was provided nor has one been provided to assist in day to day operations. In 1980 the hospital had grown to the point where a new facility was needed and Duchesne County residents voted to obtain \$5,000,000 in general obligation bonds to build a

replacement hospital and Duchesne Valley Medical Clinic in Duchesne City. This bond was retired in 1992 and since that time no other Duchesne County tax payer funds have been used to fund either operations or capital expansion.

With the new hospital in place and some key physicians staff recruitment Duchesne County Hospital began to be recognized throughout the Uintah Basin region. Throughout the 1990s Duchesne County Hospital was the only Utah hospital outside of the I-15 corridor which enjoyed a net in-migration of patients. In other words, more patients came to UBMC from outside Duchesne County boundaries than the number of Duchesne County residents that went elsewhere for care, including tertiary care. This trend continues to the present time. Roosevelt's immediate proximity to the Duchesne and Uintah County line is likely a significant contributor to this situation; however, it should be noted that annually nearly 20% of Vernal City's residents, by their own choice, received and continue to receive inpatient care at UBMC.

On July 1, 2000, Duchesne County and the Duchesne County Hospital governing board took action to organize Uintah Basin Medical Center as a Utah not-for-profit corporation which filed for and received 501(c)(3) tax exempt status from the Internal Revenue Service with official notice given on January 12, 2001. The governance structure of Uintah Basin Medical Center retained Duchesne County as the sole member of our corporation and granted them authority to appoint and reappoint members to the UBMC governing board and to hear an Annual Report of activities. Furthermore the County retained an, ex-officio with vote, position on the UBMC board and most importantly, corporate documents require that if UBMC is ever sold, the assets or proceeds from the sale will revert to Duchesne County.

In July 2008 further corporate restructuring occurred creating a parent corporation, Uintah Basin Healthcare, which has as its sole member Duchesne County and which has as its current subsidiary corporations Uintah Basin Medical Center and the Uintah Basin Healthcare Foundation. In this restructuring, Duchesne County retained the same rights to the proceeds of any sale of Uintah Basin Medical Center and the rights to appoint the Uintah Basin Healthcare Board of Trustees. The Uintah Basin Healthcare Board of Trustees was empowered with the responsibility to appoint the Uintah Basin Medical Center and Uintah Basin Healthcare Foundation boards.

Prior to this last reorganization, UBMC went with Duchesne County's assistance and obtained \$5,000,000 in the State of Utah Permanent Community Impact fund bonds payable at 3% over 20 years. Concurrently two sets of variable rate hospital development revenue bonds were secured:

1. Series A bonds which were tax exempt in the amount of \$9,000,000 and
2. Series B bonds which were taxable in the amount of \$5,000,000.

The entire \$5,000,000 in CIB funds and the entire \$9,000,000 in Series a tax exempt revenue bonds were used to construct a \$15,684,000, 90 bed skilled nursing facility and rehabilitation center in Roosevelt, Utah. The \$5 Million CIB loan payed for 32% of the project and by agreement Duchesne County owns 38% of this building. Once UBMC pay off the loan, Duchesne County has agreed to transfer its proportional ownership to UBMC. Once again, to reiterate, all of the CIB funds were expended in Roosevelt on this project, Zion's Bank's Trust Department oversaw the dispersal of these funds and their records validate my declaration.

The \$5,000,000 in Series B taxable revenue bonds were intended to be expensed in the construction of a second medical office building adjacent to our hospital in Roosevelt.

Due principally to the uncertainty existing in the financial market place we refinanced earlier this week both the \$9,000,000 in Series A tax exempt bonds and the \$5,000,000 in Series B taxable bonds in a combined private placement with Zion's Bank. This refinancing included an additional \$2.5 Million for a total of \$16.5 Million. Concern was expressed to this committee in your February 10<sup>th</sup> meeting that we had obtained \$25,000,000 in additional financing but this is not the case, we merely refinanced existing debt not \$25 Million but \$16.5 Million. Our methods of obtaining tax-exempt and taxable capital financing are essentially the same as those employed by other 501(c)(3) organizations including Intermountain Healthcare.

Uintah Basin Medical Center and before that Duchesne County Hospital has long operated throughout the Uintah Basin region including Uintah and Daggett Counties. Our Home Health department has served the region for more than two decades; our durable medical equipment store was opened in Vernal City in 2004. In October 2007 UBMC purchased the Uintah Basin Dialysis Centers in Roosevelt and Vernal from a sole proprietor and currently leases space from this same individual in Roosevelt and Vernal.

In 2004, I received a call from Dr. Karl Brietenbach who represented the Vernal based Basin Family Clinic physicians inquiring as to whether or not UBMC would be interested in providing laboratory and x-ray services in their soon to be completed medical office building. I encouraged Dr. Brietenbach to make contact with the Ashley Valley Medical Center and to work things out with them. Shortly thereafter he called again indicating that things weren't working out with their conversations and again inquired about our interest I again requested that he work things out with Ashley Valley. The third call came one or two months later and it was at this time at their invitation that we begin the process of discussing the potential of renting space from the Basin Clinic physicians and providing laboratory and x-ray services in their clinic in Vernal. In 2005, we came to an agreement and since that time our hospital has enjoyed a relationship with these physicians and from the input we have received from them and their patient's appreciation for being there. In offering our services to their patients the Basin Clinic doctors offer the option of ARMC or our Laboratory and X-ray department. Similarly, the Basin Clinic physicians practice medicine independent of UBMC control, they admit essentially all of their patients at ARMC.

In 2007 the Basin Clinic physicians made it known that they were interested in selling their clinic building, the land upon which it stands and an additional near 7 acres. A negotiating and bidding process occurred which chiefly matched UBMC with Ashley Regional Medical Center. We were told that the purchase offers were essentially the same. In the end the Basin Clinic physicians decided to sell their property to Uintah Basin Medical Center. As part of the purchase agreement, UBMC pledged to construct a replacement urgent care facility on the property immediately adjacent to their existing clinic.

Prior to beginning construction we learned that the Board of County Commissioners of Uintah County introduced a measure to require Duchesne County to enter into a inter local agreement with Uintah County in relation to this project. The County similarly requested that the Vernal City Council enact similar legislation since the Basin Clinic property was inside the Vernal City limits.

It is our understanding that the Duchesne County Commission engaged in several formal and informal conversations with the Uintah County Commission but achieved no meaningful conclusion in reference to their request for an agreement, I believe these conversations are on-going. At this same time extensive public comment was welcomed by Vernal City on at least two separate occasions with the City ultimately deciding not to enact Uintah Counties

recommended legislation and then agreeing to supply a building permit authorizing the construction of the urgent care facility.

We are near 50% completion of this building which has a budget of \$1,450,000. The first floor of the building is a 6,000 square foot urgent care clinic and is space that will be leased to the Basin Family Clinic physicians. The remaining 1,500 square feet on the first floor will house a laboratory and x-ray function that will be owned and operated by UBMC. The shelled-in second story, which contains 6,000 square feet, will be used for future medical office space.

With this history now before you, may I conclude with a few bullet points:

- UBMC is not operated as a division or agency of Duchesne County. It is a 501(c)(3) non-profit corporation. It receives no services or subsidies from the County. UBMC does not benefit from governmental immunity, a shortened statute of limitations, nor does it participate in the Disproportionate Share or DISH program. The term, "governmental instrumentality" is an Internal Revenue Service designation utilized by corporations like ours that have a relationship to a branch of government.
- Uintah Basin Medical Center has been providing medical services to citizens of the Uintah Basin for over 65 years and has provided those services irrespective of the patients' county or state of origin. During the last six months of 2009 Uintah Basin Medical Center provided over \$1,200,000 of uncompensated and charity care to Uintah County citizens. UBMC's total current annualized charity and uncompensated care will likely exceed \$7,800,000 for our current fiscal year.
- UBMC's relationship with the Basin Clinic physicians is an independent contractor relationship. UBMC owns buildings and land which it leases to the Basin Clinic physicians, the physicians are not our employees and four of five of them have medical staff admitting privileges to Ashley Regional Medical Center and only recently, one month ago, have two of them obtained visiting staff privileges at Uintah Basin Medical Center. On our Vernal campus we are principally landlords and our planned operating structure into the future is to continue as landlords. We do not own or manage the physician practices nor do we own or manage their urgent care facility. We currently operate a 1,000 square foot lab and x-ray function in the existing building and will expand this by another 1,500 square feet upon the completion of the urgent care building.
- Given our landlord relationship with the Basin Clinic physicians, UBMC did not request a tax exemption nor will we request a tax exemption for property that is leased to individuals or businesses operating in a for profit manner. During 2009 UBMC paid \$28,381.49 to Uintah County for real property tax and an additional \$1,023.06 in personal property tax.
- Since the LDS Church gave the Roosevelt Hospital over to Duchesne County, Duchesne County Hospital and now, Uintah Basin Medical Center has operated out of its own revenues and has not received any tax support from Duchesne County other than the \$5,000,000 bond issued in 1980. As a 501(c)(3) UBMC could have obtained financing at essentially the same rates for the Series A and Series B bonds but due to the CIB Loan, we chose to work closely with Duchesne County in this combined financing. Due to the CIB funds, Duchesne County owns 38% of our Villa facility.

A handout of H.B. 307 was passed out to the board and Representative Hughes explained that this bill has some common ground with the presentation that was just heard but the other side of him says it doesn't. He has met with the commissioners, they have assured Representative Hughes there is an arms length between the Uintah Basin Medical Center and the county entity. He will leave this for other people to decide whether that is a county entity or not. That is not the purpose of the bill. Sometimes in the legislature you get these Cinderella Slippers that just try to fix one specific problem with state policy and it is not his preferred way to move forward. What you have in front of you here in H.B. 307 is a statewide policy that he thinks is being adhered to already by counties. Any time a county that would seek to do business in another counties jurisdiction that even inner local agreements exist and they are being negotiated and signed. But just in case and just making sure that there is consistent statewide policy this bill would prohibit a county government or an instrumentality of a county government for providing a service and exercising a power or performing a function in another county or a municipality without that inner local agreement. The association of counties has looked at this bill and there is nothing that has caused them pause.

Representative Hughes just spoke yesterday with the Association of Special Districts. There was some question whether this was going to affect them. This bill is narrowly crafted to talk about counties. Some people wanted to maybe spread it out and see if they could create a fog of war. It is a good piece of public policy. Representative Hughes is not looking to debate the Uintah Basin Medical Center in this bill. Moving forward and having this as stated policy is an important piece. Representative Hughes said he is very sensitive if someone says let's allow this to be retroactive. What he is hearing is there is a county that has not entered into an inner local agreement before they were engaging in another counties jurisdiction. He has not heard from anyone that a county is doing that. Without understanding where that need be implied he will not put it in the bill.

Robin Riggs made a motion that the board endorse this bill. Senator Stephenson seconded his motion and it was unanimously approved.

Ted Boyer was looking at the statute and it didn't look like there was any restriction on endorsing a bill.

Senator Goodfellow said that he felt this was not an issue in this board's jurisdiction.

Ted Boyer said the range of authority that this board has is to just make recommendations to the Governor's Office, the Fiscal Analyst, the Legislature and State Agencies.

Senator Stephenson suggested that we get legal council from the Attorney General's Office for future meetings. That way we can seek statutory change to give us the ability to seek official legal opinions.

### **Discussion of Procedures for the Privatization Policy Board**

Randy Simmons wanted to make the board more effective when they met. He asked the board what sort of things they would like to happen so that when they met that would make the meetings better

- More detail on the agenda.
- Agenda sent out a week or two before the meeting with backup on all the issues.
- If anything is going to be presented it would be nice to have it in writing before the meeting.

Kent Beers mentioned that we now have funding for Chris Bruhn for the rest of this fiscal year 2010. He can spend up to 50% of his time helping the privatization policy board. Right now he is distributing and collecting the surveys. He has prepared a briefing for the board on the possibility of privatization of Alcohol and Beverage Control. We have received the response from their survey and he has done some analysis to come to the board to show you some options where some other states have privatized this function of government that is in Utah. He could expand his work to write up a brief issue with some bullets to give you information on the upcoming agenda items as long as he gets them in advance with sufficient time to conduct some research and develop a paper for you. What we intended here is just an example to the board to the type of analysis that Chris could do. You are who will have to direct him. He is your staff for this board for 50% of the time.

Senator Stephenson said that we should have some sort of authority to prohibit or disallow state and local entities from competing with the private sector.

### **Report on Survey – Chris Bruhn**

Department of Alcohol and Beverage Control package is out, liquor sales in Snowbird and the restaurants and some of the other less populated areas. The idea here is you can save approximately 21.6 million dollars on operational costs in fiscal year 2011 if you were to take the state stores and privatize. That comes with just the operational costs it doesn't come with selling the properties, increasing the revenue stream for property tax and income tax that would come up. He has not been able to completely go through those numbers. In the more populated areas you have the state owned liquor stores. In some of the rural areas they are contracting with the private sector retailers. The discussion would be should the state expand that, give up their retail outlets in the populated areas and contract with private sector distribute of retailers.

Kent Beers said as Chris Bruhn received the survey back from Alcohol & Beverage Control and the one question was, "Are there private sector operations providing the same service?" The answer was yes in some areas they are. Do you want him to take these areas where they say yes and explore it further and give you some options? Do you want him to take it to the next step and ask "What are they doing in the private sector and how could the state transition it?" Then the board could discuss it back and fourth.

Robin Riggs said that personally what he wants to do is, take they survey, key off of that, agency by agency, private sector activity by activity and decide as a board what we want to do then in terms of privatization. He also believes that we have a second mission and that is to continue to receive and review existing complaints about competition in the private sector.

Ted Boyer feels Robin is correct. We should do the survey and as Chris evaluates the survey results and look at areas that could be privatized and then the board directs him on what they would like a more detailed analysis on.

Steve Densley made a motion that that top priority for Chris Bruhn will be creating the inventory. Then if there is time while waiting for the surveys to help provide some analysis and then beyond that helping prepare recommendations on privatizing specific activities. Ted Boyer seconded his motion and it was unanimously approved.

Gary Nielson gave a handout entitled "Will Our Pool Open? Pools Must Comply with New Act or Remained Closed" He feels this is an item the board needs to address in a future meeting. The federal government passed a law called the Virginia Graeme Baker Act that affected all the public swimming pools in the state. They all had to upgrade their drain systems. In this idea of

privatization this article talks about three places Clearfield Aquatic Center, Roy Complex Pool, and Ogden City. The problem is the federal government said you have to do this so the state says everyone has to comply. Any county or state owned facility is fine they go back to the general fund and say give us more money and they do that. The private owners had to go out of pocket because the federal government made that law. When we look at privatization we also need to look at future things that the federal government might do to mandate things that affect private business differently than state and county owned businesses. Also the state did the same thing in 1993 when they created the health spa protection act that required all private health clubs to be licensed with the state. That affected private organizations but it didn't affect county organizations. So there was under due burden there on the private sector and those kinds of examples may come up in the future.

Senator Stephenson would like some discussion on what the board would propose to the legislature to change the statute. For example he feels we have it backwards in the statute. The complaints ought to come from the private entities that are competing against cities and counties instead of the other way around and giving us more teeth in some areas. He would like to create a list of things the board would like to change in the statute to let us do the job we feel we ought to be doing and see if the legislature will give us more authority.

Randy Simmons in the annual report would like to list the past accomplishments of the board. We could say here is where we were, here is where we are and here is where we could go.

### **Next Meeting**

The next meeting will be held on Wednesday March 24, 2010 in the East Building in the Seagull Room, Southeast Corner