South Peninsula Hospital Community Conversation Summary

Kachemak Bay Campus – November 4, 2025 – Homer, Alaska

CEO Presentation Summary – Ryan Smith

Background and Introduction

Ryan Smith, CEO of South Peninsula Hospital (SPH), opened his presentation by thanking the community and expressing gratitude for the opportunity to lead a community-owned hospital. Ryan has spent his entire career in hospital administration, starting as a housekeeper before working his way up through ten hospitals nationwide. He first worked at SPH as CFO in 1996, later serving as CEO at Central Peninsula Hospital and other institutions before returning to Homer as CEO in 2019. He emphasized his family's deep healthcare roots—his children are also in the medical field—and reiterated his long-term commitment to staying in the Homer community.

Hospital Governance and Ownership

SPH's structure is unique among Alaskan hospitals:
- Owned by the Kenai Peninsula Borough, formed in 1969.
- The Kenai Peninsula Borough Assembly (nine members) approves major capital purchases, manages facility maintenance, and oversees the operating agreement.
- SPH is operated under a 501(c)(3) nonprofit board of directors, which hires the CEO and governs hospital operations.
- A Service Area Board (nine elected members) advises on the use of service area tax revenues but has been an advisory body since 2007.
- The City of Homer owns the land the hospital sits on and leases it to the borough until 2105.

Ryan thanked members of the assembly, the service area board, and the hospital's foundation for their work and public service.

Service Area and Growth

The South Kenai Peninsula Hospital Service Area extends from Ninilchik south to beyond Kachemak Bay (excluding Seldovia). Changes over time expanded boundaries to include offshore areas for property tax purposes.

Over the last several years, SPH has experienced major growth:
- Surgery volume up 30%
- ER visits up 36%
- Infusion clinic visits up 69%
- Operating revenue doubled from $80M (pre-pandemic) to $168M
- Employee payroll and benefits now total roughly $109M annually

SPH remains financially healthy with steady positive net income, even after the pandemic. However, while debt is low, reinvestment in facilities has lagged, making upgrades essential.

New Services and Providers

SPH continues to expand local access to specialty care:
- Added neurology, pediatrics, dermatology, reconstructive surgery, and orthopedic hip replacement.
- Expanded behavioral health, OB/GYN, and functional medicine.
- Recruited new radiologists, general surgeons, and support staff.

Ryan emphasized that attracting physicians to Homer has been successful because of community appeal and the hospital's integrated care model.

Recent Projects

- Electronic Health Record (EHR) Conversion: Transition to Epic improved patient care coordination. While some technical challenges remain, feedback has been positive.
- Employee Childcare Center: Recently opened, supported by grants, serving SPH employees and enabling stable staffing.
- Employee Housing Project: Developed through a public-private partnership to consolidate housing and reduce leasing costs.

Community Demographics

The local population is older and growing faster than both state and national averages. About 39% of residents are over 55, driving increased demand for medical and long-term care services.

Facilities Master Plan and Bond History

SPH collaborated with the borough, city, and physicians to develop a Facilities Master Plan to guide long-term infrastructure needs.
- The 2024 bond proposal for $38 million was defeated (2300 "no" to 1400 "yes" votes).
- Post-election surveys found residents supported expanding medical services (infusion clinic, infrastructure) but opposed property purchases and tax increases.

Next Steps and Funding

SPH plans to:
- Use $5 million in federal discretionary funds to relocate generators and upgrade infrastructure.
- Relocate the infusion center and pharmacy using non-bond funds.
- Continue acquiring strategic property within the Medical District for future expansion.
- Explore a medical office building to centralize clinics and improve patient access.

Funding sources include operational revenue, grants, loans, service area taxes, and future bond options once existing bonds are retired (2028 and 2032).

Closing Remarks

Ryan concluded with a brief history of SPH—from its 1956 founding through multiple expansions—and thanked the community for decades of investment and partnership. He reaffirmed SPH's mission to serve the community through transparency, sustainability, and continuous improvement.

Community Q&A Summary

Governance & Structure

Q: Who owns and operates the hospital?

A: Facilities are owned by the Kenai Peninsula Borough. Operations are delegated by agreement to a nonprofit 501(c)(3) board that hires the CEO and oversees hospital operations.

Q: Why is the Service Area Board elected while the Operating Board is appointed?

A: The Service Area Board oversees public tax funds and is elected. The Operating Board manages hospital-generated revenues and is appointed, which provides liability shielding for the borough and operational efficiency. Any change would require renegotiating the borough operating agreement.

Q: Why not elect the Operating Board?

A: Consultant input and experience indicate self-perpetuating nonprofit boards tend to run hospitals more efficiently than elected boards. Electing the operating board could also reduce liability shielding now afforded to the borough.

Financial Operations, Property Strategy & Lease vs. Ownership

Q: How are capital needs funded if there is no new bond?

A: After maintaining up to 90 days of operating cash, surplus funds flow to the borough-held Plant Replacement & Expansion (PREP) Fund and can be requested back for capital projects. About $6M was in PREP; roughly $2M has been used for recent property purchases. A separate $5M federal discretionary grant is dedicated to generator relocation and infrastructure upgrades.

Q: Why purchase adjacent properties instead of leasing?

A: Leasing comparable properties for 20–25 years would cost on the order of tens of millions (≈$13M over ~20 years was cited) and leave SPH with no ownership or site control at term end. Purchasing secures strategic land, stabilizes long-term costs, and supports campus consolidation and clinical expansion.

Q: Are purchase prices inflated compared with assessed value?

A: Assessed/appraised values can differ from market price. Around the hospital, market price reflects strategic location and existing market-rate leases. Capitalizing current market leases yields an implied purchase price; buying converts escalating lease obligations into owned assets.

Q: Could the hospital relocate to borough land instead of expanding in place?

A: A full relocation was described as financially unrealistic—approximately $500M at today's costs. The borough is open to proposals, but expansion near the current campus is the pragmatic path.

Q: Is eminent domain being considered?

A: It is a legal tool of last resort and would only be contemplated in clear cases of bad-faith negotiations. Leadership noted they have not encountered that in the SPH context.

Capital Projects & Bonding

Q: What happens after the failed bond proposal (~$38M)?

A: Community feedback supported service expansion but raised concerns about property purchases and tax impact. SPH plans to advance smaller, high-priority projects (e.g., pharmacy/infusion co-location, generator relocation) using grants, PREP funds, and operational revenues. Any larger program would return to voters with clearer scope and communications.

Q: If a future bond passes, what is the implementation timeline?

A: Timelines depend on project scope, design, inflation, and whether property is already owned. Leaders stressed realistic budgeting to avoid underfunding and to move directly from design to construction upon passage.

Patient Costs & Access

Q: Why can some services cost more locally than in Anchorage or Soldotna?

A: Rural hospitals have different cost structures and reimbursement than urban centers or outpatient surgery centers. SPH benchmarks charges against peer hospitals, posts prices for transparency, and is open to case-specific review. Specific examples were invited for follow-up comparison.

Q: What discounts or assistance are available for self-pay/high-deductible patients?

A: Self-pay discount is 25%; prompt-pay adds 10% (potential total 35%). Financial assistance eligibility was expanded to 350% of the federal poverty level. SPH also plans to include an urgent care clinic in the medical office plan to provide a lower-cost alternative to some ER visits.

Q: Will Medicare-only patients receive timely care equal to those with commercial insurance?

A: Leadership affirmed equitable access as a goal and noted that cost/reimbursement differences can affect where patients choose to receive services, but SPH aims to provide comparable timelines and quality for Medicare patients.

Clinical Services, Infusion & Specialty Access

Q: How is the specialty clinic funded and how are specialists recruited?

A: SPH contracts with visiting specialists, handles scheduling, billing and collections, and pays them for local service days—an integrated delivery model. Homer's quality of life and the integrated system aid recruitment and retention.

Q: What is happening with the infusion clinic?

A: Infusion volume (including chemotherapy) has grown significantly. During COVID it was moved off-site; longer-term plans are to co-locate infusion with the hospital pharmacy for safety and efficiency.

Workforce, Employee Housing & Childcare

Q: Was a soil study done for the employee-housing project?

A: Yes. The developer completed required soils and conditional-use reviews through the City of Homer permitting process as part of a public-private partnership (RFP).

Q: Why not pursue higher-density housing (e.g., triplexes/fourplexes) closer to campus?

A: The RFP allowed flexible proposals. The selected option consolidated ~25 scattered rentals into one development, improving reliability and cost. Future RFPs may consider higher-density or closer-to-campus options if viable land and proposals are available.

Q: How is the childcare center funded and who can use it?

A: Capital costs were funded primarily via grants (≈$2M total, including ~$1.3M from a grant $700K from the state of Alaska and THREAD). The center is licensed for 62 children and currently serves SPH employees via lottery with the goal being hours aligned to 12-hour shifts. While not public, it indirectly benefits the community by freeing other childcare capacity.

Senior Services & Long-Term Care

Q: How will SPH support the growing elder population?

A: SPH operates a 28-bed long-term care unit (often full) and uses swing beds for transitions. Leaders are evaluating the prospect of a dedicated, co-located long-term care facility adjacent to the hospital, which would require new financing.

Q: What about staffing challenges at Friendship Terrace/Senior Center?

A: Leadership acknowledged wage differentials between hospital and long-term-care/community settings. SPH is willing to collaborate if invited but will not impose involvement without request.

Property Acquisitions & Community Facilities

Q: Which properties were recently purchased and how will they be used?

A: Recent acquisitions include: (1) the former oral surgery clinic on Greatland St. for behavioral health and street medicine; (2) two hillside parcels behind the hospital for protection and potential medical rezoning; and (3) two properties at Bartlett & Fairview (including West Wing and the Walls' property) within the Medical District.

Q: Is SPH considering the therapeutic pool site at Hohe & Fairview?

A: The borough evaluates acquisitions. Officials are assessing whether the site could support physical-therapy expansion; no decision has been made.

Borough Land, Relocation & Inter-Jurisdictional Issues

Q: Are there stranded borough assets/lands that could support SPH needs?

A: The borough is updating its comprehensive land plan and is open to proposals that put public land to its highest and best use. Any disposition requires assembly process and community-benefit analysis.

Q: Could tax abatements, exchanges, or relocations be part of a solution?

A: Officials are open to creative proposals, but relocation costs (~$500M) make wholesale moves unrealistic. Expansion/consolidation within the existing medical district remains the primary path.

Community Commentary & General Feedback (Non-Q&A)

• Many attendees praised the quality of care, compassionate staff, and seamless access, including during the Epic go-live.

• Appreciation for specialty clinic access locally; requests for clear explanations of its funding model.

• Calls for clearer communication on pricing, property valuation methods, and bond justifications; interest in lease-vs-ownership cost modeling over 10–25 years.

• Strong support to maintain local birthing services; recognition that certified nurse-midwives have served the community for ~45 years with excellent outcomes; appreciation for perinatal/postpartum behavioral-health support.

• Positive comments on SPH's community outreach and culture of employee wellness (e.g., staff walking during breaks).

• Encouragement to hold more town-hall style meetings to offset misinformation on social media and to maintain transparency.

• Acknowledgment that Homer's senior population is growing rapidly; keen interest in long-term care capacity and senior housing solutions.

• Recognition that employer-provided childcare and housing support workforce stability and indirectly free capacity for the wider community.