



FREQUENTLY ASKED Questions

THE NEED

Why are these updates and expansion necessary?

Nearly 70 of the hospital's mechanical systems are outdated and need immediate replacement. That includes our backup generator—essential for keeping patients safe and care uninterrupted during power outages. Costly repairs were made to the existing generator in summer 2025 to address ongoing issues and ensure immediate backup needs.

However, the unit has long exceeded its useful life and now requires immediate replacement to meet the hospital's long-term needs. Other aging systems also require replacement, including an elevator, deaerator and electrical breaker panels, domestic hot water system, and air handlers.

At the same time, we want to make use of the 11,000-square-foot unfinished lower level (shelled space) that was built during the 2009 hospital expansion, funded by a general obligation bond. Completing this space will allow us to relocate and expand our pharmacy and oncology/infusion center—two services that are already stretched far beyond capacity.

Why does the hospital need more space?

We've run out of room. Demand for care has grown rapidly, but our facilities have not kept pace.

INFUSION CENTER

Patient visits have grown 139% since 2018, but the current three-chair, 960-square-foot space is too small to meet demand, ensure privacy, or provide safe, efficient care. Some community members must travel outside the area to receive the care they need because we are at capacity.

PHARMACY

Our pharmacy no longer meets updated safety and compounding standards. Relocating and expanding will ensure compliance, protect staff and patients, and improve workflow.

SCATTERED SERVICES

Many departments—including behavioral health, rehabilitation, and childcare—are located off campus due to space constraints, making it harder for patients to navigate care. Fully utilizing existing and nearby spaces is more efficient and convenient for patients and staff.

ROOM FOR NEW SERVICES AND PARKING

We need space not only for expanded offerings—like a dedicated urgent care clinic in the new medical office building—but also for additional parking to support current and new services.

Why wasn't the shelled space finished earlier?

The shelled space was built during the 2009 hospital expansion to allow for future growth. At the time, bond funding covered construction of the unfinished space, with the plan to complete it later when patient demand increased and new funding became available.

Why can't existing off-campus offices just stay where they are?

The current setup creates challenges for both patients and staff. It forces patients to travel between multiple locations, makes coordination of care harder, and increases operating costs. Additionally, many medical services are provided in renovated, aging houses, which creates numerous delivery and regulatory challenges. By consolidating care into dedicated facilities within the medical district, we can improve convenience, efficiency, and collaboration while reducing long-term expenses.

THE IMPACT

How will the community benefit from this?

The southern Kenai peninsula is growing at 4.2% annually, faster than both Alaska (0.3%) and the nation (1%). And nearly 4 in 10 residents in the service area are already over age 55. Together, this means rising demand for healthcare. These projects will allow us to:

- **Expand access** to cancer care, pharmacy, and urgent care services.
- Keep more **care local**, so fewer patients have to travel outside the community.
- Consolidate scattered clinics into **one medical district**, making care easier to navigate.
- Maintain and provide modern, efficient **spaces that improve** safety, privacy, and patient comfort.

What is a medical office building?

A medical office building is a facility built for outpatient clinic services. It would house multiple providers and medical practices in one place—such as primary care, specialty clinics, and urgent care—making healthcare easier to access and more coordinated for patients.

How will these projects improve the patient experience?

Patients will have easier access to care because more providers and services will be brought together under one roof in a new medical office building. That means fewer trips across town and less confusion about where to go. Other improvements include:

BETTER PARKING

Expanded lots will make it easier and more convenient to find a space.

MODERN, PATIENT-CENTERED DESIGN

New and updated spaces will be built intentionally with comfort, privacy, and safety in mind.

STREAMLINED CARE

Providers will be able to collaborate more easily, helping patients get timely, coordinated treatment.

Will adding an urgent care clinic help reduce wait times in the emergency room?

The goal of the urgent care clinic is to treat important, non-emergency cases in a faster, more convenient setting. Doing so frees up the emergency room to focus on true emergencies, helping all patients receive care more efficiently. It also reduces cost of care, as an urgent care visit is much less expensive than an ER visit. In addition, urgent care helps reduce the demand to see primary care providers, opening up availability for routine visits and non-urgent health concerns.

Why relocate the generator?

The hospital's current generator sits in its original location—an annex built decades ago as part of the early hospital footprint. As the facility has expanded, this area has become a high-value space, now surrounded by the cafeteria, laboratory, and inpatient departments. Relocating the generator will not only free up this critical space for patient care and clinical services, but also allow for its consolidation with other power systems outside the main hospital building.

THE FUNDING

How much will it all cost? How will it all be paid for?

The overall cost depends on each project phase, and funding sources have already been identified:

UPDATE (fix and replace critical hospital systems): \$5 million, funded by congressional appropriations.

MAXIMIZE (complete shelled space for oncology/infusion and pharmacy): Depending on project start date, this will cost approximately \$7 million, funded through loans, the Plant Replacement and Expansion Fund (PREF), and potentially grants and donor gifts.

GROW (property acquisition): Variable cost, funded by PREF and hospital operational revenue.

CONSOLIDATE (new medical office building and urgent care): \$15–20 million, funded through general obligation bonds, with voter approval.

Why are bonds used to pay for hospital improvements?

Since 1973, the community has shown a strong track record of supporting the hospital's growth through general obligation bonds, helping the hospital become what it is today. For example, a general obligation bond in 2007 funded the hospital expansion.

Don't I already pay a service area tax? Why can't that be used instead of bonds?

Yes, there is a service area mill rate on property taxes that helps support the hospital. The current service area mill rate is 1.46. Those funds are used mostly for equipment needs and repayment of existing bonds. The funds collected with the mill rate would be used (with voter approval) to pay off new bonds over time.

How much would a general obligation bond increase my taxes?

We anticipate being able to fund new projects without raising the mill levy rate, as some existing bonds are expiring soon. Voters would still need to approve the bond in a general election, and a detailed project plan would be provided. While the majority of voters opposed using bonds for real estate purchases in 2024, a follow-up community survey showed more than 80% would support bonds for new services or service expansion.

What happens if funding falls short or bonds are not approved?

If funding falls short, some parts may be delayed, scaled back, or put on hold indefinitely. The hospital and Kenai Peninsula Borough (KPB) would continue pursuing other options—such as grants, loans, or alternative funding sources—but expansion could not move forward as quickly.

What is the Plant Replacement and Expansion Fund (PREF)?

PREF is a basically a designated savings account at the Borough that is funded by the hospital. Whenever the hospital has over 90 days of operating cash on hand, it transfers excess to the PREF. This ensures money from the hospital is set aside to maintain, repair, and expand the facilities for the community's benefit. Use of these funds requires resolution by the SPH Board of Directors, Service Area Board, KPB Finance Committee, and KPB Assembly. The fund currently has a balance of \$4.4 million in unobligated funds.

