



# KALKASKA MEMORIAL HEALTH CENTER

## Frequently Asked Questions (FAQs): Kalkaska Memorial Health Center

### INDEPENDENT Act 47 vs. INDEPENDENT 501(c)(3) Not-for-Profit

**Q: Throughout the community there has been a lot of discussion about the structure of KMHC. Is this correct?**

- **A:** Yes, over the past year, the KMHC Board of Trustees, the Medical Staff, and the Senior Leadership have been evaluating alternate hospital structures. Specifically, KMHC has been evaluating whether it should remain an INDEPENDENT Act 47 hospital or transition to an "INDEPENDENT" 501(c)(3) Not-for-Profit.

**Q: What is an Act 47 hospital? Who owns KMHC?**

- **A:** Under Michigan Public Acts of 1945, the 12 townships and the Village of Kalkaska "Governmental Units" got together to create "A Hospital Authority" to construct, own, and operate a community owned medical facility. Specifically, the Kalkaska County Hospital Authority was created in 1950 and commenced healthcare service in 1953. The Kalkaska County Hospital Authority owns KMHC.

**Q: What event or circumstances lead to KMHC researching other hospital structures?**

- **A:** Healthcare is changing rapidly and healthcare in 2024 has nearly no resemblance to healthcare in 1945. KMHC's partner, Munson Healthcare (MHC), provided a notice of nonrenewal of its Affiliation Agreement with KMHC driven by the fact that Act 47 partnerships are very limited in nature and no longer reflecting current healthcare needs.

**Q: What specifically about Act 47 does not fit today's healthcare environment?**

- **A:** KMHC is an Act 47 Municipal Hospital. As such, KMHC is obligated to abide by the Michigan Constitution. Specifically, the Michigan Constitution prohibits municipal entities from entering into relationships where assets and liabilities may be shared, such as within joint ventures. As such, KMHC as an Act 47 Hospital is limited to vendor relationships. In today's healthcare environment the complexity and acuity of patient services requires partnerships well beyond vendor relationships.

**Q: If Munson had concerns about the limited nature of relationships that it can have with an Act 47 hospital, what about the option of other healthcare systems providing services in Northern Michigan?**

- **A:** Following direction from the Board of Trustees, the KMHC Senior Leadership Team reached out to McLaren, MyMichigan (Mid-Michigan and University of Michigan), and Corewell (Spectrum and Beaumont). All systems expressed concern over the limited nature of relationships permitted under Act 47. As such, Act 47 negatively impacts the ability to have relationships with KMHC. NO other system expressed desire to have a relationship with KMHC as an Act 47 hospital.

**Q: Is KMHC owned or controlled by Munson Healthcare?**

- **A:** No, KMHC has NEVER been owned or controlled by Munson Healthcare. While being Munson's oldest non-owned affiliate, KMHC is INDEPENDENT in all aspects of assets, governance, and control.

**Q: Would becoming a 501(c)(3) Not-for-Profit impact KMHC's independence?**

- **A:** No, not at all. In fact, becoming a 501(c)(3) Not-for-Profit would enhance KMHC's ability to remain INDEPENDENT and maintain its LOCAL voice, LOCAL governance, and LOCAL control by expanding allowable scope of partnerships.

**Q: Would becoming a 501(c)(3) Not-for-Profit impact the operations and/or the spectrum of service of KMHC?**

- **A:** Becoming a 501(c)(3) Not-for-Profit would enhance KMHC operations and create the ability for partnerships in the creation of higher acuity and more complex care in Kalkaska, thus sharing in risk and reward.

**Q: What decision is the Board actually making?**

- **A:** The decision being addressed by the Board is the selection of a structure that would best enable KMHC to achieve its mission of; *"Improving the health and quality of life for our communities."* That decision was made by the Board of Trustees at its monthly meeting on, May 28, 2024. By a vote of 14-2, the Board overwhelming concluded that becoming a 501(c)(3) Not-for-Profit would best position KMHC for the next 70 years.

**Q: What does the KMHC Medical Staff recommend?**

- **A:** At the Board of Trustees Meeting on May 28, 2024, the 17 providers of the KMHC active Medical Staff, unanimously and unconditionally recommended that KMHC become a 501(c)(3) Not-for-Profit. The Medical Staff's letter of recommendation is available upon request.

**Q: What does the Administrative Leadership Team of KMHC recommend?**

- **A:** At the Board of Trustees Meeting on May 28, 2024, the 11 Members of the KMHC Administrative Leadership Team, unanimously and unconditionally recommended that KMHC become a 501(c)(3) Not-for-Profit. The Administrative Leadership Team's letter of recommendation is available upon request.

**Q: Now that the Board has taken the position that a 501(c)(3) Not-for-Profit is in the best interest of KMHC and the communities it serves, what is the next decision?**

- **A:** Leadership will continue with its in-depth due diligence process. This process includes providing draft Articles of Incorporation and Bylaws to the Board of Trustees for discussion and review. As presently contemplated, those Articles of Incorporation will reflect a continuing role of the Kalkaska County Hospital Authority and its 13 Governmental Units. Specifically Governmental units will have an opportunity to become a Corporate Member of the new Not-for-Profit. The Kalkaska County Hospital Authority will also retain a critical reserve power over the Not-for-Profit. That reserve power would be the approval authority over, if and when, KMHC would ever consider joining a health system in the future. As such, the Board's future decisions will focus on approving appropriate Articles of Incorporation, By-laws, and authorizing a vote throughout Kalkaska County.

**Q: Is the Board of Trustees or KMHC Leadership authorized to make the decision to become a 501(c)(3) Not-for-Profit?**

- **A:** No, neither the Board of Trustees nor KMHC Leadership is authorized to make such a decision alone. Leadership's responsibility is to make a recommendation to the Board of Trustees. The Board, in turn, must pass a resolution to hold a vote of the electorate. *Only the voters have the power to approve such a change.*

**Q: What is the timeframe?**

- **A:** The Board reviewed a timeline, which would bring the approval of a resolution to hold a vote of the electorate to a special meeting in August. If the Board were to support the decision to move ahead with becoming a 501(c)(3) Not-for-Profit, a vote of the communities could take place in November.

**Q: Why now?**

- **A:** KMHC has been very successful throughout its past 70-year history. Unfortunately, prior experience does not guarantee future results. The healthcare industry has changed so rapidly it has outgrown Act 47. Please note, KMHC is the only remaining Act 47 in the State of Michigan. KMHC is strong. Simply put, the time to make a decision, for a change such as this is when you don't have to. One wants to consider a change in a time of strength where decisions are purposeful, thoughtful, and where there is ample time to perform due diligence rather than in a time of imminent crisis. KMHC wants to write our own future, not have someone else choose our future for us and our community.

**Q: How can I learn more?**

- **A:** KMHC held Open Forums in the month of April and is now planning additional Open Forums in the month of June. The dates of the upcoming Community Open Forums are:
  - **June 18th at 12:30 PM**
  - **June 20th at 5 PM**
  - **June 21st at 10 AM**
- All will be held in the Education Rooms on the second floor of the new Acute Care Pavilion (Green Entrance).