

Kootenai Health Legal Structure FAQs Updated 1/13/2023

Original FAQs posted 9/6/2022

Why is the Kootenai Health board evaluating different legal structures?

The Kootenai Health board considered all pros and cons of transitioning Kootenai Health from a district hospital model to a non-profit 501(c)(3) model before making their decision. In the past 20 years, the majority of hospitals in Idaho and nationally, especially those in larger, more competitive markets, have moved from public to non-profit models.

Why make this change now?

The board is continually looking at opportunities to improve how Kootenai Health serves its patients and community as highlighted in its 2030 vision statement: boldly transforming the health care experience. This requires the board to look at all aspects of operations, including the review of a model used by many leading health care organizations in Idaho and beyond. Today, Kootenai Health is one of only two district hospitals of its size left in the Northwest as others have transitioned to models with greater flexibility for modern operations.

How would a transition impact care at Kootenai Health?

Patients will continue to receive the best care possible and the day-to-day experience will not noticeably change. Long-term, a structure that allows Kootenai to make quicker decisions and be more nimble will provide more opportunities to add services and expand access to care.

How would a transition impact the staff at Kootenai Health?

The transition to a not-for-profit will not change the day-to-day experience of staff, nor anyone's current role. A more flexible operating model would allow Kootenai Health to recruit more physicians and staff more effectively, which would help with patient care and overall operations.

What does it mean to be a 501(c)(3)?

The 501(c)(3) designation is for nonprofit organizations. This means that any profits are reinvested back into the organization. As a district hospital, Kootenai Health has always reinvested profits back into the organization, but there are some other advantages that come with being a 501(c)(3). This is why so many organizations use this model rather than the hospital district model.

What are the advantages of a 501(c)(3) model?

One of the purposes of the board's evaluation was to look at the advantages and disadvantages of both the district hospital structure and the 501(c)(3) structure. These evaluations included considerations around operational efficiency, ability to grow to meet the community's need for health care, partnerships, and advantages in recruiting and retaining talent.

It also included the impact on the community. For example, a transition to a 501(c)(3) means no new taxes and less government. Kootenai Health would no longer be a local taxing authority, which would eliminate the possibility of taxing local citizens, keeping the focus on being self-sufficient.

What would change?

What would change? This is essentially an operating structure change. Structured as a conveyance, Kootenai Health's assets, liabilities, and operations would transition to the existing Kootenai Health Foundation, which is an existing private 501(c)(3). This structure provides a more efficient pathway through an aligned organization. Post-conversion, the Kootenai Health Foundation will stand up a new private 501(c)(3) to continue their mission as a supporting organization.

Why isn't this being voted on by Kootenai County residents?

Based on Idaho Code § 39-1359, the decision to transition to a nonprofit corporation can be made by the hospital district's board of trustees, who have been elected by county residents. This is similar to how publicly elected state legislators make decisions on behalf of their constituents.

Is this part of a plan to sell Kootenai Health?

No. There are no offers or overtures to buy Kootenai Health and it is not considering a sale at this time. This is not related to any plan to sell the hospital.

Will this change the local control of the hospital?

Kootenai Health will continue to be led locally, with its leadership and operations based in Kootenai County.

How would this impact the Kootenai Health board?

The current board will remain intact, but would shift into the new 501(c)(3) structure while retaining its oversight and responsibilities. Future board members would be appointed by the existing board to ensure local representation by qualified individuals continues. Health care is a complex industry so maintaining a qualified, experienced board will remain a priority.

How would this impact the Kootenai Health Foundation?

Post-conversion, the Kootenai Health Foundation will stand up a new private 501(c)(3) to continue their mission as a supporting organization. Kootenai Health recognizes the important relationship between the Foundation and its donors and is committed to retaining the integrity of that relationship regardless of legal structure. All current and future gifts to the Foundation would be used in alignment with donor intent and the Foundation would continue to exercise the highest level of stewardship.

How would this impact the Kootenai Health Foundation board?

Once the new 501(c)(3) is formed, the Kootenai Health Foundation board will remain the same, as will its operations and mission.

What would this do to donations?

All donations will be applied as directed by donors. Endowments, investments and donor designated funds will remain separate from Kootenai Health funds.

How would this impact joint ventures or other partnerships?

This is part of the ongoing evaluation of a potential transition, however Kootenai Health remains committed to all of its current partnerships.

FAQs posted 10/5/2022

What is the background on the Kootenai Health board's consideration of a 501(c)(3) model?

In the 2022 legislative session, both the Idaho Senate and House of Representatives approved Idaho House Bill 603, which provides district hospitals with the same opportunity to transition to a non-profit 501(c)(3) model which has been available to county hospitals for many years. This was codified into Idaho Code § 39-1359. On March 23, 2022, Governor Brad Little signed it into law and it went into effect on July 1, 2022. The new code section created the opportunity for the Kootenai Health board to consider the pros and cons of transitioning Kootenai Health to a nonprofit organization, as many other health care organizations have done in Idaho and across the nation.

How can we be sure the Board will make an informed decision?

The Kootenai Health Board of Trustees has an exceptional track record of safe, legal decisions that have benefited both Kootenai Health and the greater community. At their meeting on October 4, 2022, the Board focused on the importance of a thorough evaluation and due diligence in considering a transition to a 501(c)(3). This evaluation work is underway but far from complete. Both Kootenai Health and the Kootenai Health Foundation have engaged independent, national law firms, with relevant experience in hospital and foundation legal structures respectively, to assist each organization's board in their evaluations of the conversion to a 501(c)(3) model.

How has the Kootenai Health Board shared information about this consideration?

Since beginning this work in September, the Board has worked to be very transparent about its evaluation and the process involved. This includes sharing information with Kootenai Health employees and physicians, publicly posting information at [KH.org/501c3](https://www.kh.org/501c3) where there is also an email address for anyone to submit questions (questions@kh.org), and providing information to the Coeur d'Alene Press, which ran a front page story on September 11, 2022. Following this push of information, no questions have been sent to the email address as of this publication date. Additionally, only one trustee out of the entire Board has mentioned being approached with questions about the transition under consideration, while no members of the administrative team have received any questions to date.

FAQs posted 10/12/2022

Will the appointed board members be able to vote on the decision to move to a non-profit model?

Under state law, there are no restrictions that would prohibit an appointed board member from voting on this matter. As more is learned, it is likely the elected board members will make a recommendation as to whether or not the two appointed board members should vote on a transition to a 501(c)(3) structure or voluntarily recuse themselves from the vote.

If the hospital were ever to be sold, where would the proceeds be directed?

There has never been a scenario in Idaho where a county or district hospital has converted to a 501(c)(3) and then was eventually sold. This would be unprecedented and it is not something being considered at this time. Based on an initial review, however, it appears that if that were to happen, the most probable outcome would be that any proceeds would be reinvested in Kootenai Health to add new clinical services and programs to better serve our community.

FAQs posted 12/7/2022

If Kootenai Health becomes a non-profit organization, how does that change options for funding future construction projects?

Kootenai Health funds capital projects through its profits, debt and donations from the community. This has been the case for nearly the last 30 years. Should the organization convert to a 501(c)(3), that would continue to be the case going forward. Currently, Kootenai Health has the option to utilize its taxing authority to fund capital projects. However, converting to a 501(c)(3), would eliminate that option. Additionally, becoming a 501(c)(3) not-for-profit would enhance Kootenai Health's options for financing and accessing capital that is otherwise limited at this time.

Would changing to a 501(c)(3) have any impact on the care patients receive?

Hospital structure will have no impact on the patient-provider relationship. Patient care at Kootenai Health is always a decision between the care provider and patient.

Would Kootenai Health changing to a 501(c)(3) impact the two hospitals it owns in Orofino and Cottonwood, Idaho?

Clearwater Valley Health and Saint Mary's Health are both 501(c)(3) hospitals. If Kootenai Health were to transition to a 501(c)(3), it would have no impact on Clearwater Valley Health or Saint Mary's Health.

Will changing to a 501(c)(3) have any impact on what patients and the insurers pay for health care?

Hospital structure will not have an impact on the cost of care or contract negotiations with health insurance providers.