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## Key West

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October 30th, 2024

Lower Florida Keys Hospital District

### **District Commissioners**

Dr. Lesley Thompson, James Muir, Kathryn Ovide, Mary Chambers, Stephen Hammond, Erica Sterling, Mary Spottswood, Richard Toppino, Michael Halpern, Susan Harrison.

### **Administrator:**

Jillian Cranney-Black

### **Counsel:**

Lewis Fishman

**Via email** - drlesleythompson@gmail.com, Doksplaceto@gmail.com, kovide@comcast.net, marychamberskw@aol.com, stephenHammond1@aol.com, erica@spottswood-law.com, mary@spottswoodlaw.com, mhpa@bellsouth.net, Suemaru@msn.com, Jclfh-da@aol.com, lwfpa@aol.com

Commissioners,

In advance of the Public Meeting this Monday, November 4th, 2024 at the Harvey Government Center, 3PM, OHkw, a citizens advocacy group comprised of Key West residents, we ask each of you to consider the following:

With the current lease termination of our Public Hospital with operator Community Health Systems, Inc. (CHS) ending April 2029, and given the District current quarterly meeting schedule, it seems inconceivable that proper contemplation by the District Board, the Community and prospective comparative Hospital Lessees is unlikely to be realized with just 17 remaining quarterly meetings.

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With respect to Community Health Systems, Inc.

Community Health Systems (CHS), a Public for profit company (NYSE: CYH) headquartered in Franklin Tn. CHS purchased the lease to LKMC (including both the District Hospital, Lower Keys Medical Center and Kennedy Drive, formerly the dePoo Hospital), in their acquisition of Health Management Associates in 2014.

In 2014 CHS owned 206 Hospitals. As of October 2024, CHS has “divested” 137 (66%) of its hospitals, primarily to pay down unsustainable levels of debt, including 7 in Florida, leaving them with 69 remaining Hospitals.

In July of 2024, CHS CFO announced its plans to sell 3 more hospitals, leaving Pennsylvania for \$120 Million. In addition, CHS CFO said CHS hoped to sell upwards of \$1 Billion in assets this year to help pay down its debts. This transaction is part of a “divestiture plan”, CHS said in a statement.

In October of 2024, CHS reported a Net Loss of \$355 Million for the 3 Months Ending September 30th, 2024 according to its SEC Form 10-Q filing.

While CHS, parent company of Lower Keys Medical Center is enduring significant financial challenges, Lower Keys Medical Center is quite profitable.

According to the State of Florida, Agency for Health Care Administration (AHCA) data, Lower Keys Medical Center’s 10 Year average Revenue is slightly more than \$104 Million per year, and slightly more than \$25 Million per year in NET INCOME, about 25%. 25% Net Income is incredibly rare for Hospitals.

Why does this matter?

First. Lower Keys Medical Center is a highly profitable Hospital. Tenancy, as a lessee for any potential Hospital Operator is not an entitlement, it’s a responsibility given our communities reliance on it with our geographical isolation, and a financial privilege to a Lessee given its profound profitability. Any potential suitor should be held to a specific reinvestment requirement in percentage of net income %, personnel, equipment, and services, especially given that reimbursement rates are often afforded rural Hospitals. Using rural Hospital reimbursement rates to enrich for-profit shareholders at the expense of limiting services to the community it serves would clearly not in the best interest of the community.

Second. Lower Keys Medical Center as an asset for CHS to become part of a “divestiture plan” is significantly diminished with only 4 1/2 years on the remaining lease. Extending CHS’s lease would make Lower Keys Medical Center a much more valuable asset for CHS to sell.

Third, unless the Lower Florida Keys Hospital District Board is under a legal obligation to extend its lease with CHS, contemplating any lease without provisions which put the community first in terms of quality of healthcare is inconsistent with the fiduciary of the Hospital District Board.

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Additionally, with the assumption that LKMC consistently earns \$25 Million in annual Net Income per AHCA, isn't it reasonable to conclude that if a Hospital Operator was willing to reinvest all, or substantially all of this Net Income back into our community Hospital in personnel, equipment, expanded specialties and services in exchange for becoming the next lessee, that this would benefit our community? This rhetorical questions, mind you, within the context that if LKMC is indeed receiving rural reimbursement rates to supplement its Net Income, becomes an even more relevant question to consider.

Respectfully,

Now that the Board of Commissioners is fully-seated we're asking the District Board to address the public on the following items at the November 4th meeting:

- (a) Will the District Board agree to increase the frequency of meetings to meet the necessary objectives and timeline?
- (b) Will the District Board update the public its decision to seek a competitive lessee comparison, or RFP?
- (c) Will the District Board update the public on the status with Kennedy Drive LTD, given this entanglement has the potential to inhibit a successor lessee based solely on public interest?

Sincerely,

Spencer Krenke  
Advocate  
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