

The Virgin Islands Consortium

USVI Faces New Financial Challenge If EDC Companies Are Not Mandated To Provide Employee Healthcare Coverage

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ST. CROIX – One major concern discussed at the Juan F. Luis Hospital (J.F.L.) board meeting on Thursday was the financial impact the territory could face if Economic Development Commission (E.D.C.) companies and their subcontractors are not required to provide their employees with adequate healthcare.

The E.D.C. offers a unique and attractive tax incentive program for companies located in the USVI. It's a competitive offshore tax benefit program that is sanctioned by the U.S. Government, the Economic Development Authority says on its website about the EDC.

Dr. Olivine Treasure, acting JFL board chair, stressed that in the same way EDC beneficiaries are required to comply with specific benefit guidelines, they and their subcontractors, as well as any group that gets benefits outside of the E.D.C. (in the way that, for example, HOVENSA and the rum facilities have a separate arrangement that is not governed under E.D.C. regulations) should be mandated to provide adequate healthcare coverage for their employees.

Dr. Treasure explained the importance of including this requirement in the E.D.C. benefit package. "First of all in terms of the cost, when doing a contract with a company you explore the benefits and the costs to both parties involved. There is a very subtle cost that is not always obvious, and that is the cost of caring for your employee's health. If the company does not absorb those cost, by a mandate or agreement, then by default, J.F.L., as a healthcare facility (the emergency room) would absorb the cost. What this comes down to is that the other party in the contract, the Government of the Virgin Islands would be required to absorb it." If these [E.D.C.] requirements are not put in place, this would negatively impact the hospital and the territory because healthcare dollars are limited, she said.

Dr. Treasure said one employee from an E.D.C. company, or any other company that receives tax benefits from the V.I. government, can cost the territory approximately \$2 to \$3 million for one accident, or one premature baby. "The benefit we ascribe to them may be \$100,000 to \$200,000, but the actual cost is \$1 million plus the obvious \$100,000 to \$200,000 per week that we are sure about; but the potential cost to the government and the actual cost to the facility and then ultimately to the rest of the community may be in the millions," she said.

"One employee can cost us millions, many employees can cost us several million, especially if the company employs hundreds of personnel. The V.I. government needs to ensure that it not only requires the E.D.C. companies to provide healthcare, but also requires them to comply. There cannot just be a paper agreement; the government needs to monitor their compliance on a regular basis, not just at the end of their contracts," she stated.

Healthcare is a necessity. By law, J.F.L. cannot deny care to anyone who comes to the hospital, so measures need to be put in place so that the territory does not absorb the cost of E.D.C. companies and their subcontractors' employee healthcare, Dr. Treasure explained further.

No board quorum

Even as plans to improve the Island's health care system were discussed at the meeting, no action was taken because the board still failed to meet quorum. Dr. Treasure said Governor Albert Bryan has personally assured her that additional board member nominations are currently in the works.

The [Consortium reported last month](#) that the days of the district boards are numbered. During his State of the Territory Address in January, Mr. Bryan said he would forward legislation to the 33rd Legislature that seeks to change the current structure of the governing boards of USVI hospitals from three to one. Currently, there's a board that governs the Juan F. Luis Hospital, another governing the Schneider Regional Medical

Center, and a third, the territorial board, which governs both medical facilities.

But Mr. Bryan's measure was preempted by Senator Kurt Violet, whose impending bill seeks to assure that the boards are not politically motivated by selecting members of various fields in the private sector -- healthcare, finance and others -- as part of the board. The measure is still being crafted, Mr. Violet said.

Shenel Moorehead, acting J.F.L. chief financial officer, updated the hospital's financial standing to date. J.F.L. received a Community Disaster Loan (C.D.L.) of \$42 million.

- \$39 million - J.F.L. funded payroll and operating expenses from 2018 to early 2019
- \$2.9 million - Government - to cover the debt service reserve.
- \$17.6 million loss – FY 2014 to 2018 (average yearly loss) – uncompensated care
- J.F.L. total owed to G.E.R.S. is \$1.9 million. \$3 million was previously paid in August of 2018
- Current payables as of June 4, 2019 is approximately \$54.2 million
- J.F.L. owes V.I.B.I.R. \$19.8 million (most of which is due to non-payment of employee's local taxes that were deducted from their paychecks from 2012 to 2015)

According to Ms. Moorehead's report, restoration projects at J.F.L. are in full swing. They include temporary operating rooms, temporary hardened structures, and the design of the new hospital.

Several recommendations were made by the Performance Improvement Committee of the J.F.L. District Governing Board and requires the Territorial Board's approval. They include:

- Recommendation by J.F.L. Performance Improvement Committee of the St. Croix District Governing Board to approve the application of Dr. Karl Gruber, MD, for reappointment of medical staff privileges for a period of two years to commence on June 29, 2019 to June 28, 2021, in the Pathology Department, as recommended by J.F.L. Medical Executive Committee.
- Recommendation by J.F.L. Performance Improvement Committee of the St. Croix District Governing Board to approve the application of Dr. Emmanuel Graham, MD, for reappointment of medical staff privileges for a period of two years to commence on June 29, 2019 to June 28, 2021, in the General Surgery Department: Specialty in Urology, as recommended by J.F.L. Medical Executive Committee.
- Approval for HBCS Company to do clean-up of past due hospital accounts as recommended by the Finance Committee of the St. Croix District Governing Board
- Approval of a motion to resolve that the J.F.L. Hospital administration ask that SIU Emergency Room Physician's salary be raised to a range of \$400,000.00 to \$450,000.00 in order to attract a full complement of seven (7) ER physicians at J.F.L. to reduce locums, as recommended by the Finance Committee of the St. Croix District Governing Board

The hospital is still working to recruit additional medical staff to meet its physician and nurse staffing needs.