MEETING MINUTES RECORD

Meeting: Board of Directors

Date: February 22, 2018 Location: Conference Center Start time: 6:30 pm Adjourn time: 9:22 pm

Members present: Lynn Clayton, Charlie Kyte, Charlie Mandile, Steve O'Neill, Fred Rogers, Pete Sandberg

Members excused: Michelle Muench, MD, CC Linstroth, Rhonda Pownell

Members absent:

Staff Present: Steve Underdahl, Randy Reister, MD, Jeff Meland, MD, Scott Edin, Jerry Ehn, Vicki Stevens, Bobbi Jenkins (recorder)

Others present: Brad Ness (City), David Emery (LWV), Ben Martig, (City), Steve Backus (Cleary Gull), Jason Herried (Cleary Gull)

<table>
<tr><th>Issue/Problem</th><th>Discussion/Conclusions</th><th>Action</th><th>Follow-up/Resolution</th></tr>
<tr><td>1. Call to Order and Approval of the Agenda</td><td>The meeting was called to order by Charlie Mandile at 6:30 pm. Charlie indicated that the order of the presentations this evening will be reversed. The 3-D Breast Tomosynthesis Mammography presentation will be presented before the Northfield Clinic Challenges. He also noted that a draft of the Committee Assignments was distributed at the meeting.</td><td>A motion was made by Lynn Clayton and seconded by Steve O'Neill to approve the agenda with the change noted. Motion carried.</td><td>Closed.</td></tr>
<tr><td>2. Consent Agenda</td><td>Supporting documentation was included in the packet for the minutes on the Consent agenda:
• 01/25/18 Board Minutes</td><td>A motion was made by Fred Rogers and seconded by Steve O'Neill to approve the Consent agenda as presented. Motion carried</td><td>Closed.</td></tr>
<tr><td>3. Reports</td><td></td><td></td><td></td></tr>
<tr><td>• Hospital Chief of Staff Report</td><td>No report.</td><td>NA</td><td>NA</td></tr>
<tr><td>✓ Motion to Approve Applications for Medical Staff Membership/ Privileges (enc.)</td><td>Applications for medical staff membership / privileges were presented. Dr. Reister reported that there were no issues with any of the files:
<u>Appointments:</u>
<table>
<tr><th><u>Prac #</u></th><th><u>Privilege</u></th><th><u>Category</u></th></tr>
<tr><td>3944</td><td>Mental Health</td><td>AH:I</td></tr>
</table>
<u>Reappointments</u>
<table>
<tr><th><u>Prac #</u></th><th><u>Privilege</u></th><th><u>Category</u></th></tr>
<tr><td>3811</td><td>Mental Health</td><td>AH:I</td></tr>
<tr><td>3812</td><td>Mental Health</td><td>AH:I</td></tr>
<tr><td>3763</td><td>Urology</td><td>Affiliate</td></tr>
<tr><td>3814</td><td>Mental Health</td><td>AH:I</td></tr>
</table></td><td>A motion was made by Steve O'Neill and seconded by Charlie Kyte to accept the recommendations from the Credentials Committee and the Medical Executive Committee on the medical staff appointments, reappointments and advancement from provisional status. Motion carried.</td><td>Closed.</td></tr>
</table>

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution

3815	Mental Health	AH:I
3816	Mental Health	AH:I
3818	Mental Health	AH:I
3919	Mental Health	AH:I
3821	Mental Health	AH:I
3822	Mental Health	AH:I
3823	Mental Health	AH:I
3824	Mental Health	AH:I
7009	EM/FM/ Acupuncture	Active
7102	EM/FM	Active
3826	Mental Health	AH:I
3827	Mental Health	AH:I
3829	Mental Health	AH:I
3831	Mental Health	AH:I
3833	Mental Health	AH:I
3834	Mental Health	AH:I
3836	Mental Health	AH:I
3837	Mental Health	AH:I
3839	Mental Health	AH:I
3840	Mental Health	AH:I

Provisional Status

Prac #	Privilege	Adv	Ext
3904	Mental Health	X	
3901	Teleradiology	X	
3900	Teleradiology	X	

No Action Required

Voluntary Resignations

Prac #	Privilege	Category
7060	IM/Medical Oncology	Affiliate

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
• CMO Report	Dr. Jeff Meland reported that following the conversation last month at the Board meeting regarding the MEC's interest in how the Board functions, and the board's interest in the medical staff, Charlie Mandile will be attending quarterly MEC meetings. The purpose is to allow time for the physician leaders and the hospital board chair to interact with each other, receive updates, and respond to questions.	Information only.	Closed.
4. Big Questions	How do we want to grow and protect our assets?		
• Investment Advisor	Charlie Mandile introduced Steve Backus and Jason Herreid from Cleary Gull Advisors. The Budget & Finance Committee have been working closely with Cleary Gull on getting to know the organization's history, how the organization should grow and protect assets, etc., in addition to working on the investment survey of the Board. The results will be presented this evening. Included in the revised board packet was suggested revisions to the investment policy. The Budget & Finance Committee met immediately prior to the Board meeting this evening and made some additional modifications. To honor the two-step board approval process, the board will not be asked to approve the policy this evening, but rather would like to have a consensus from the Board on moving forward on investments. The policy will be brought back, including final revisions at the March meeting.	Information only.	Closed.
✓ Survey Findings/ Risk Tolerance	Steve Backus and Jason Herreid from Cleary Gull reviewed the survey findings. Eight board members and four members of the administrative staff took the survey. 33% of those who took the survey rated their level of investment experience as novice, 34% competent, 25% proficient and 8% expert. The goal is to get the board out of novice and into competent and proficient. They also reviewed a summary of the questions and responses to the survey (copies were available at the meeting). This information helped set the framework for recommendations to the Investment policy. They reviewed the plans for Phase I (within first 60 days) and Phase II (by the	Information only.	Closed.

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	end of year). This information was also included in the materials handed out at the meeting. As bonds mature and cash is available, Cleary Gull would begin to invest, at gradual intervals. Phase I (within first 60 days), • 20% equity, 2.5% Complements, 77;5% Fixed Income • Dollar cost average into equity and transition fixed income towards intermediate maturities • Establish equity position at 50% of initial long-term target • Expected return to exceed 2.65% cost to debt Phase II (by the end of the year) • 30% equity, 5% complements, 65% Fixed Income • Continue to dollar cost average as bonds mature • Further diversity fixed income holdings (maturities, sectors and quality) • Expected return between 4-6% • Portfolio goals and objectives – continue to outpace cost of debt and produce returns to meet one-half of annual capital budget needs By the end of the year, they are looking at more of an aggressive (30% equities) split between domestic and international. All investments will be reviewed at the end of the year with management, with at least quarterly updates in the interim. Changes can be made as needed throughout the year based on needs. It was noted that everything in the portfolio is fluid and can be sold in a few days. Steve and Jason will also be talking with BPS, our municipal financial advisor, to see how they fit in the portfolio The board questioned the strategy of reinvesting. Steve Backus responded that it depends on the goals and the needs of the organization. The board also requested to see what other clients our size are investing in, what kind of returns they are getting, etc.		
✓ Investment Policy	Charlie Kyte reminded the board that In November, the board adopted an investment policy template that did not specify investment parameters. Since then, the Budget & Finance Committee reviewed with Cleary Gull and made additional recommendations (copy of	Steve O'Neill made a motion to approve the Investment policy as it was presented in the packet. The motion was seconded	Bring additional changes back to the Board for approval at the March Board meeting.

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	draft policy was included in the Board packet). The committee met again this evening with Cleary Gull and are recommending some additional revisions related to: • Liquidity Needs / Reserve Funds • Long Term Investments • Policy Review Frequency • Approved Securities Dealers The Budget & Finance Committee would like Cleary Gull to begin with Phase I as the bonds become available. The was extensive discussion among the board. The board felt more comfortable approving the policy as it was presented in the packet with the idea that additional changes will be presented for approval in March vs not approving anything this evening. Steve Underdahl thanked the Budget & Finance Committee for all the time and effort they have put into the investment process, PERA, and the audit over the past few months.	by Lynn Clayton. Motion carried A second motion was made by Charlie Kyte to authorize Cleary Gull Advisors to begin the investment process. Motion was seconded by Steve O'Neill. Motion carried.	
5. Presentations/ Discussion/ Action Items			
• Board Committee Assignments	A draft of the board committee assignments for 2018 was distributed at the meeting. Charlie Mandile commented that he met with each board member individually and tried to accommodate requests. He is open to feedback from the board. No one at the meeting noted any concern over the assignments. Charlie noted a change on the Governance & Planning Committee for 2018 based on feedback at the board retreat to have the Governance and Planning Committee serve as an Executive Committee. The committee includes the Chairs of all the board committees, as well as the Board Vice Chair. Charlie also asked that each committee add an agenda item for their first meeting of the year to revisit the committee's job description and committee scope. He asked that each committee report back to the full board and include the committee's annual cycle of work. Both of these recommendations came out of the board retreat.	✓ Charlie Kyte made a motion to approve the committee assignments as presented. Fred Rogers seconded the motion, Motion carried. ✓ Charlie Mandle will work with Bobbi Jenkins to get a committee meeting schedule for the year. There may be some catch-up on committee meetings that were missed prior to the assignments being made. ✓ Board members were asked to contact Charlie Mandile with	Closed.

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	The board was reminded that we still need two more NH+C board members to serve on the Foundation Board. CC Linstroth has volunteered as one member. The terms are staggered with one, two, and three-year terms.	interest in serving on the Foundation Board.	
• Nomination and Election of Board Officers	Charlie Mandile reported that he spoke will all board members regarding interest in serving as a board officer. The following board members were nominated for 2018 board officers: • Steve O'Neill, Vice Chair • Charlie Kyte, Secretary/Treasurer • Charlie Mandile, Chair	A motion was made by Fred Rogers and seconded by Pete Sandberg to elect the officers as presented. Motion carried.	Closed.
• Northfield Clinic-Space Challenge	Jerry Ehn, COO, gave a high-level review of clinical space challenges at the Northfield clinic that are limiting options for growth (copy of slides included in the packet). Patient access to care is a strategic initiative, clinics are the main referral source to other services, and space is needed for providers joining the practice. Jerry reviewed the history of growth since the clinic opened in 2007, and steps taken to offer better access, such as evening hours, shifting services to other clinics, and Express Care. The steps have helped, but it is clear they are not the answer. An architect was engaged to assist in identifying the type of space required to meet current and future needs. Based on staff and provider interviews, a space program was developed. The architects used the space program to provide three different expansion and renovation options ranging from 8,500 to 14,000 sq. ft., and cost estimates from $4.9M to $8.9M. Next steps include: • Estimate new revenues for the various options • Finalize the evaluation criteria • Present to the findings to the board for consideration Questions/comments from the board: • Do options provide room for growth? The biggest option (8,500 sq. ft.) would allow for growth, however, the smaller option would only take us through a couple of years. • When we financed our bonds about a year and half ago, we borrowed	Present findings of the evaluation of the clinic options to the board in March.	Closed.

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	more than we needed because we received a good interest rate. The idea was that this money could be used for future projects. • Interested in reviewing the master facility site plan to help give the board a frame of reference and what is possible? is there a philosophy of longer term trajectory related to how much space to add? etc. • Access is an issue related to the patient experience. Don't want to wait too long and lose patients. • Want all clinics to be at their maximum. Steve Underdahl commented that the board should see context for discussion related to how projects compete against each other. We shouldn't look at any project in a silo without considering others, and the implications for competing for resources. What do we do now, and what do we do in the future?		
• 3-D Breast Tomosynthesis Mammography-First Look	Vicki Stevens, HR Executive/Clinical Operations Administrator, presented the first look at the purchase of a 3D mammography system. Background of 3D Mammography: • Originally implemented to better visualize dense breast tissue, • Proved to be beneficial to patients of all breast types, • All payors now cover 3D exams, and it is becoming standard of cre • Frequently requested by patients • Initially implemented in breast care centers and larger hospitals; now available at several smaller hospitals/clinics Benefits: • Early cancer detection • Increased cancer detection rate • Precision lesion localization for biopsies • Reduces recalls due to false positives by up to 40% • Increases positive predictive value for both recalls and biopsies Vicki reviewed the evaluation process and why we want to convert to 3D mammography now. 3D was included in the capital budget for $425,000. The request is not to exceed $358,000. If	Information only.	Bring 3D Breast Tomosynthesis Mammography back to the board in March for approval.

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	purchased by March 1, 2018, there is a discounted price of $40,000 which is reflected in the $358,000. The board discussed and suggested approving this purchase this evening vs bringing it back next month as it is included in the capital budget. The question was raised as to why items in the capital budget need to come to the board for approval as the board approves the capital budget annually. Steve Underdahl responded that the capital budget is approved by the board annually, but as a lump sum and not as individual purchases. Currently the policy is to bring all capital items $100,000 or higher to the board for approval. It was suggested that this be discussed further at the strategic planning retreat in May and get full board input on how to move forward with capital purchase approvals. What does the board spend their time doing, what does the board approve directly, and what is approved in the budget? A motion was made to approve the purchase of the 3D mammography system but was withdrawn following discussion. Charlie Mandile commented that in the absence of some of the board members this evening, and in honor of our two-step process he would like to defer approval until March, and discuss the possibility of changing the process at the board retreat in May.		
• Relocation of Cardiac Stress Tests- First Look	Jerry Ehn presented a first look at relocating stress testing out of the emergency department by relocating medical imaging storage to the shell space in the lower level and moving stress testing to the medical imaging storage space (copy of SBAR and slides included in the packet). Due to space constraints, stress testing is currently being done in an exam room in the emergency department. This room was not designed for stress testing and is very crowded. Relocating offers many benefits: • Promotes an improved experience for patients • Improves the working environment for staff and providers	Information only.	Bring recommendation back to the board in March for approval.

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	• Returns an exam room to the emergency department where volumes continue to increase • Provides rooms to create a patient education office and drop-in work station • Falls within the overall space program. The challenges are: • The level of expenses, with no related revenue • Requiring imaging staff to go to a greater distance when retrieving older medical images (a few times a week). The cost is $223,000.		
6. Executive and Committee Reports			
• CEO Report	Steve Underdahl, President & CEO reported on the following: <u>Strategic</u>: • A summary of criteria for strategic relationships was included in the board packet. This document was developed to assist the board make prospective decisions about relationships. Questions to ask ourselves before making decisions are: ✓ Do they help us do good? ✓ Do they help us get to where we want to go? ✓ Do they help us succeed? ✓ Do they help us remain an independent community organization? This will be discussed further at the board retreat. Feedback should be directed to Steve Underdahl. • The board's strategic planning retreat is scheduled on May 4th. Our custom has been to develop strategies with three-year+ event horizons. Tactics are refreshed each year with a life span of a few months to two years. Preparation materials will be distributed in March. • Construction has been completed at our Express Care clinic in the Sterling Drug building. We are currently completing the hiring process for providers. HealthFinders has already moved in.	Information only.	Closed.

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	• Continue to work on EHR key questions around price and governance. Meeting with the new CIO from Olmstead Medical Center in the near future. An executive summary is being assembled to help new board members get up-to-speed with the project history. A potential decision target is expected at the May strategic planning retreat. • Our ACO is up and running. The formal kick-off from Caravan was cancelled. It is in the process of being rescheduled. Preliminary discussions are occurring regarding a broader Minnesota ACO • Enterprise Risk Management software instrument is being tested with the senior staff. The board will receive a presentation at the March meeting. • Met with Senator Julie Rosen and Senator Rich Draheim a few weeks ago regarding legislature that would allow municipal hospitals to let current staff stay on PERA, and allow new hires be part of a defined contribution plan. <u>Operations</u> • January volumes and financials were better than budget. • Rebasing efforts continue. Establishing a new expense base key to our economic health. • Three new physicians are starting soon: ✓ Dr. Paulo Guimaraes, Hospitalist ✓ Dr. Crista Brown-Switzer, Hospitalist ✓ Dr. Cristina Gonzalez Mendez, OB/GYN • Do the Next Right Thing (DTNRT) annual banquet is scheduled on March 13th at St. Olaf. Four employees will be recognized. The Board and Vice Chair are invited to attend the banquet representing the full board. <u>Policy</u> • Implications of the new budget bill: ✓ CHIP funding extended for the next ten years ✓ Medicare low volume adjustment extended for five years ✓ Impact approximately $750,000-$1M per year		

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	• The uninsured rate is rising in Minnesota. It was 4.3% in 2015, and 6.3% in 2016. • Feedback on the new Executive Summary document added to the board packet should be directed to Steve Underdahl.		
• Financial Report	Scott Edin presented the January financial highlights (copy of financial and highlights were included in the board packet). January 2018 Key Drivers: • Clinic visits were 28% over budget • ED visits were 13% over budget • Inpatient days were 5% over budget • Hospice days were 37% over budget • Home Heath visits were 25% over budget • Cancer Care & Infusion Center were 25% over budget • Imaging procedures were 15% over budget January 2018 Financial Outcomes: • Net operating revenues were $209K over budget • Operating expenses were 84K over budget • Net operating loss was $277K ($293 better than the budgeted loss of $57K) For the month of January, there was an increase in government payor mix vs budget and a decrease in commercial payors vs budget. Days cash on hand decreased from 223 to 215 in the month of January. Scott explained the reason for the dip is the way it is calculated. There was a question from the board regarding the way the days are calculated and questioned whether it makes more sense to use a rolling average each month. Scott replied that we can report it that way as well.	Information only.	Closed.
• Budget & Finance Committee Report			
✓ Annual Bonus Pool/ Management Incentive Plan	Charlie Kyte reported that for the past several years, NH+C staff received an annual bonus. In 2016, the board established new criteria for the all-employee bonus, as well as the management incentive plan. The intent is	A motion was made by Lynn Clayton and seconded by Steve O'Neill to approve the payment of the Management	Closed.

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	to ensure that we meet a minimum operational target prior to an all-employee bonus being paid out. This is designed to keep the organization financially strong. For this bonus, the first condition is to reach an operating margin of 3%. There are also quality and satisfaction targets; these are only in effect if the financial condition is achieved. In 2017, we did not meet the operating margin goal; therefore, the bonus will not be paid out this year. No action is required by the board regarding the all employee bonus. For the management incentive plan (MIP), hitting less than a 3% margin removes 30% from the bonus pool; incentives are then based on satisfaction of other goals. Management has calculated the maximum payout of the MIP is $242,500. The Budget & Finance Committee discussed changing the split between the financial outcome and performance to 50/50 vs 30/70 (more emphasis on financial outcome and less emphasis on goals), but decided to defer further discussion until the 2018 Budget & Finance Committee was appointed. The recommendation from the Budget & Finance Committee to the Board tonight is to recommend payment of the Management Incentive Plan as previously adopted (30/70) with a maximum allowable payout of $242,500. Pete Sandberg inquired about the concept of bonuses as we are non-profit. Charlie indicated that this has been a long-standing practice at NH+C and that it has been communicated to many potential candidates that the pay is often lower than other Twin Cities metro hospitals and this helps to remain more competitive It was also pointed out that this is a very common benefit in most MN Hospitals per the MHA Salary survey.	Incentive Plan for 2017 as recommended by the Budget & Finance Committee.	

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	The board inquired whether staff are aware that there will not be a bonus this year. Steve Underdahl responded that employees receive regular updates on goal progress and should not be surprised. A memo will go out to all staff informing them. Steve Underdahl commented that it is our hope that with the rebasing efforts that we will be able to meet the financial goal in 2018.		
✓ Initial Audit Report	No report	NA	NA
7. Roundtable, Announcements and Questions	• Charlie Kyte reported that he will be sending a summary of recent actions taken by the Budget & Finance Committee to the full board. • Steve Underdahl commented on an article from "The New Yorker" titled The Family that Built an Empire of Pain regarding marketing of pain killers. The article was distributed at the meeting		
8. Pending Items	NA	NA	NA
9. Adjourn	The meeting was adjourned at 9:22 p.m.	A motion was made by Steve O'Neill and seconded by Pete Sandberg to adjourn the meeting.	Closed.