

# MEETING MINUTES RECORD

Meeting: Board of Directors

Date: November 29, 2018 Location: Conference Center

Start time: 6:30 pm Adjourn time: 9:01 pm

Members present: Lynn Clayton, Charlie Kyte, CC Linstroth, Charlie Mandile, Michelle Muench, Steve O' Neill, Rhonda Pownell, Fred Rogers

Members excused: Pete Sandberg

Members absent:

Staff Present: Steve Underdahl, Scott Edin, Jerry Ehn, Jeff Meland, MD, Randy Reister, MD, Ben Flannery, MD, Tammy Hayes, Laura Peterson, Bobbi Jenkins (Recorder)

Others present: David Emery (LWV), Brad Ness (City) Anne Kopas (Northfield News)

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
1. Call to Order and Approval of the Agenda	The meeting was called to order by Charlie Mandile at 6:30 pm. Rhonda Pownell requested the addition of an update on the City's process for boards and commissions member recruitment. Charlie suggested this be added to the agenda following "Reports".	A motion was made by CC Linstroth, and seconded by Fred Rogers to approve the agenda with the addition of an update from Rhonda Pownell as requested. Motion carried.	Closed
2. Consent Agenda	Supporting documentation was included in the packet for all items on the Consent Agenda: <ul style="list-style-type: none"> <li>➤ Meeting Minutes (approved) <ul style="list-style-type: none"> <li>✓ 10/25/18 Board</li> </ul> </li> <li>➤ Meeting Minutes (accepted) <ul style="list-style-type: none"> <li>✓ 10/25/18 Governance &amp; Planning Committee</li> <li>✓ 10/24/18 Special Budget &amp; Finance Committee</li> </ul> </li> <li>➤ Change in Control Addendum for CEO Contract</li> <li>➤ 2019 Board and Committee Meeting Schedules</li> </ul>	A motion was made by Steve O' Neill, seconded by Lynn Clayton to approve the consent agenda as presented. Motion carried.	Closed.
3. Reports			
✓ Hospital Chief of Staff Report	✓ December will be the last month Dr. Reister attends the monthly board meeting as his term as President of the Medical Staff ends at the end of the year. Dr. Tom Holt, Medical Staff Vice President, will assume the role of President in January as outlined by the Medical Staff Bylaws. The results of the election for Vice President will be announced at the December 11 <sup>th</sup> Annual Medical Staff meeting. Dr. Monty Seper was nominated as Vice President by the Medical Executive Committee. There were no additional nominations.	Information only.	Closed

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	<p>✓ The medical staff is working on coverage for general surgery and endoscopy following the tragic loss of Dr. Chris Nielsen in October. Dr. Nielsen's is greatly missed by the medical staff.</p> <p>Newer board members requested more in-depth information on the process followed by the Credentials Committee and Medical Executive Committee before the medical staff files are presented to the board for approval. Dr. Reister briefly reviewed the vetting process done by the committees, and suggested that Dr. Holt give a more formal review of the process at an upcoming board meeting.</p> <p>It was further suggested that the Executive Summary, included with the monthly board packets, include any unusual information or other specific information the board should be aware of related to medical staff files.</p>																												
<p>✓ Motion to Approve Applications for Medical Staff Membership/ Privileges</p>	<p>Dr. Randy Reister presented the applications for membership and privileges. The Credentials Committee approved the files via the expedited process. <i>Expedited credentialing is the process by which practitioners meeting approved criteria are recommended for membership and privileges via an expedited method of the approval process. To be eligible for expedited credentialing, the completed file must meet the certain criteria outlined in the medical staff bylaws.</i></p> <p><u>Appointments: None</u></p> <p><u>Reappointments</u></p> <table border="1" data-bbox="386 1413 938 1751"> <thead> <tr> <th><u>Prac #</u></th> <th><u>Privilege</u></th> <th><u>Category</u></th> </tr> </thead> <tbody> <tr> <td>2626</td> <td>Teleradiology</td> <td>Telemedicine</td> </tr> <tr> <td>3893</td> <td>Teleradiology</td> <td>Telemedicine</td> </tr> <tr> <td>7457</td> <td>Teleradiology</td> <td>Telemedicine</td> </tr> <tr> <td>3733</td> <td>IM/Oncology</td> <td>Affiliate</td> </tr> <tr> <td>3331</td> <td>Emergency Medicine</td> <td>Active</td> </tr> </tbody> </table> <p><u>Provisional Status</u></p> <table border="1" data-bbox="386 1793 938 1915"> <thead> <tr> <th><u>Prac #</u></th> <th><u>Privilege</u></th> <th><u>Adv</u></th> <th><u>Ext</u></th> </tr> </thead> <tbody> <tr> <td>3932</td> <td>PM&amp;R</td> <td></td> <td>X</td> </tr> </tbody> </table>	<u>Prac #</u>	<u>Privilege</u>	<u>Category</u>	2626	Teleradiology	Telemedicine	3893	Teleradiology	Telemedicine	7457	Teleradiology	Telemedicine	3733	IM/Oncology	Affiliate	3331	Emergency Medicine	Active	<u>Prac #</u>	<u>Privilege</u>	<u>Adv</u>	<u>Ext</u>	3932	PM&R		X	<p>A motion was made by Steve O'Neill, and seconded by Fred Rogers to accept the recommendations from the Medical Executive Committee on the reappointments and advancement and extension of provisional status.</p>	<p>Closed.</p>
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Issue/Problem	Discussion/Conclusions				Action	Follow-up/Resolution
	3929	Oncology	X			
<p>✓ CMO Report – Dr. Jeff Meland</p>	<ul style="list-style-type: none"> <li>✓ Reminder to the board to attend the Annual Medical Staff meeting on December 11<sup>th</sup> at the Northfield Golf Club.</li> <li>✓ The Northfield clinic and OB expansion project is universally accepted by the medical staff.</li> <li>✓ There was discussion at the last MEC meeting regarding the strong desire that there be a physician to replace Dr. Michelle Muench on the board as she ends her third and final term at the end of the year.</li> <li>✓ Dr. Ashley Marek will be joining the general surgeon group with Dr. Fulco and Dr. Ericson in February. A fourth surgeon will join their group in September of 2019.</li> </ul>				Information only.	Closed.
<p>✓ NH+C Clinic Report – Dr. Ben Flannery</p>	<ul style="list-style-type: none"> <li>✓ The clinics are very busy, and recently seeing an increase in patients with influenza.</li> <li>✓ Northfield is in desperate need of space with six providers seeing patients in nine rooms. There is concern over patient access and losing patients if we don't expand the clinic.</li> <li>✓ Dr. Alice Mann is leaving our practice at the Lakeville clinic at the end of November. Currently, have a good candidate to potentially replace Dr. Mann. Dr. Mann will continue to work part-time in the emergency department and urgent care. She was one of two physicians elected to the Minnesota House of Representative this fall.</li> </ul>				Information only.	Closed.
<p>✓ City Report – Brad Ness</p>	<ul style="list-style-type: none"> <li>✓ Thank you to Steve Underdahl and Jerry Ehn for presenting information to the City Council recently on the Northfield clinic and OB expansion project. It was well-received by the City Council.</li> <li>✓ The City Council discussed policy on family and parental leave. No decision was made.</li> <li>✓ On December 4<sup>th</sup>, there will be a public hearing on the 2019 Budget and Tax Levy.</li> <li>✓ Approved small wireless facility design and review guidelines.</li> <li>✓ Getting ready for the 2020 census.</li> </ul>				Information only.	Closed.

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	<ul style="list-style-type: none"> <li>✓ New Community Development Director starts next week.</li> </ul>		
<ul style="list-style-type: none"> <li>✓ City's Process for Boards and Commission Member Recruitment (add-on)</li> </ul>	<p>Rhonda Pownell distributed and reviewed the City's process for boards and commissions member recruitment. The process starts in October and ends in January when the City Council considers approval of the Mayor's appointments. Rhonda commented that they continue to receive feedback and to strive to make the process better. The mayor interviews all applicants and noted that there are more applicants than vacancies.</p> <p>There was a question from the board regarding whether the mayor entertains feedback from boards and commissions related to the skills and expertise they are looking for. Rhonda responded that she does appreciate this information and considers it during the process.</p>	Information only.	Closed.
4. Presentations/ Discussion/ Action Items			
<ul style="list-style-type: none"> <li>✓ Home Care &amp; Hospice Quality</li> </ul>	<p>Tammy Hayes reported on the CMS scores for home care and hospice and bereavement on the pillars of performance, which are publicly reported (copy of slides included in the packet):</p> <ul style="list-style-type: none"> <li>✓ Service <ul style="list-style-type: none"> <li>• Home Care &amp; Hospice Patient Hospice Bereavement</li> </ul> </li> <li>✓ Care <ul style="list-style-type: none"> <li>• Home Care &amp; Hospice Quality Scores</li> </ul> </li> <li>✓ Safety</li> <li>✓ Cost &amp; Financial <ul style="list-style-type: none"> <li>• Home Care - Outcome and Assessment Information Set (OASIS)</li> <li>• Hospice - Item Set (HIS) Submissions</li> </ul> </li> <li>✓ People</li> </ul> <p>This is the first year with the new vendor Healthcare First was used to report patient satisfaction scores.</p>	Information only.	Closed.
<ul style="list-style-type: none"> <li>✓ Enterprise Risk Management (ERM)</li> </ul>	<p>Laura Peterson gave a high-level review of enterprise risk management (ERM) (copy of slides included in the packet). The definition of ERM is "A process, affected by an entity's board of directors, management and other personnel, applies in strategy-setting and</p>	Continue to keep the board updated.	Closed.

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	<p>across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives." It is the same process, but permeates across areas to help eliminate silos. We will also be expanding the scope to the entire enterprise, not just protecting physical and financial assets, but also protecting tangible and intangible assets.</p> <p>She reviewed our journey this year, present state, optimal future state, and an example of the organization domain and risk identification. We started working with an independent consultant who ended up accepting another job. We were, however, able to purchase his software for a modest fee and decided to take this project on internally. The next step is to adopt policies, followed by making strategic decisions. Ultimately, the board will determine the risk appetite for the institution.</p> <p>Fred Rogers commented that this is something that Carleton College has some experience with and would be happy to discuss with Laura as we get started. CC Linstroth commented on this being a dual project including ERM and innovation by helping reduce silos.</p>		
<p>✓ Amended Bond Documents</p>	<p>Scott Edin reviewed an amendment to the Bond documents (copy of slides in included in packet). The modification is to the definition of "operating expenses". Expenses shall not take into account any recurring non-cash GASB pension related income or expenses. This amendment allows coverage ratio to be calculated the same as prior to GASB 68 and comparable to non-municipal hospitals. The 2015 &amp; 2016 Bonds were issued by the City on behalf of NH+C and are technically Revenue Obligations of the City. Therefore, they require approval by the City Council. The holders of the outstanding bonds (3 banks) has consented to approval. We have requested a written interpretation to help future successors.</p> <p>Debt service coverage measures the ability of entity to repay current debt.</p>	<ul style="list-style-type: none"> <li>A motion was made by Fred Rogers and seconded by Lynn Clayton to approve the amended bond documents as presented. Charlie Mandile was supportive of the motion, but expressed his concern that while the restated amendment to the Bond documents reduces the impact on the Bond Covenant, it</li> </ul>	<p>Present to the City for final approval.</p>

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	<p>Coverage = earnings (EBIDA) / Annual debt payments. Covenant requires 1.2 times; actual 2017 = 3.1</p> <p>A question was raised related to whether this amendment will have an impact on the City of Northfield. Scott didn't feel it would have an impact on the City's obligation.</p>	<p>doesn't eliminate the concern regarding the outstanding PERA liability.</p> <ul style="list-style-type: none"> <li>• Scott will check with CliftonLarsonAllen regarding the question related to the City's obligation.</li> </ul>	
5. Strategic Discussion			
<ul style="list-style-type: none"> <li>• Data &amp; Services Protection Project- 1<sup>st</sup> Look</li> </ul>	<p>Vern Lougheed presented the "1<sup>st</sup> Look" on the replacement of the storage system in our main campus data center (copy of SBAR and slides were included in the packet). The current system is at end of life and is in need of being replaced. IT looked at three vendors and are recommending the Dell/EMC platform which met all the goals set forth:</p> <ul style="list-style-type: none"> <li>• Consolidate systems,</li> <li>• Reduce overall operating expense,</li> <li>• Ensure data protection from a cyber event,</li> <li>• Significantly reduce the recovery time from a disaster, and</li> <li>• Guarantee life of 7 years based on 20% growth rate.</li> </ul> <p>Data and services projection would include:</p> <ul style="list-style-type: none"> <li>• Guaranteed serviceability for 7 years</li> <li>• Support 7 years of growth at a 20% rate</li> <li>• Consolidate storage systems from 3 to 2</li> <li>• Can use existing backup storage and software</li> <li>• Includes technology to always guarantee recovery from a cyber event</li> <li>• Reduces recovery time from a maximum of 14 days to less than 2 days, and as little as 1-3 hours</li> <li>• Lowers 7-year TCO (total cost owner) by \$704,000</li> </ul> <p>The cost is a one-time capital cost of \$650,895, plus an annual operating expense of \$60,297.</p>	Information only.	Bring back in December for final review and approval.

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	<p>The board requested information next month on how this purchase fits into the IT 3-point security plan.</p>		
<ul style="list-style-type: none"> <li>Birth Center &amp; Clinic Expansion- Approve/Next Steps</li> </ul>	<p>Jerry Ehn presented the recommendation to move forward with the Birth Center &amp; Clinic Expansion project (copy of slides included in packet). The lack of available space on the Northfield campus is limiting our opportunity for growth. We have numerous potential projects, but limited project dollars. Top priorities include the clinic expansion and the birth center expansion. Jerry reviewed the project goals and budget. Project dollars available are not to exceed \$13 million, including construction, fees, furniture, fixtures and equipment. Spending this amount should allow the hospital to maintain the operating margin. The total project would use about 45 days cash and could drop us below 200 days of cash. Depreciation expense is up to \$800K annually.</p> <p><u>Financial Impact:</u></p> <p>Revenue:</p> <ul style="list-style-type: none"> <li>Increased clinic visit revenue</li> <li>Increased surgical and testing revenue</li> <li>Increased revenue from births</li> </ul> <p><u>Overall Impact:</u></p> <ul style="list-style-type: none"> <li>Maintain our margin</li> <li>Quickly return to 200+ days cash</li> <li>Does not impact other strategic initiatives (EHR, ASC...)</li> </ul> <p>Jerry reviewed the risks of doing the project vs not doing it, as well as managing risk.</p> <p><u>Schedule:</u></p> <p>Now:</p> <ul style="list-style-type: none"> <li>Seeking approval from the board, followed by the City Council</li> <li>Finalize the Request for Proposal</li> </ul> <p>Near:</p> <ul style="list-style-type: none"> <li>If approved, select contractor/architect (Dec-Jan)</li> <li>Design and bid phase (Jan-April)</li> <li>Construction phase starting spring 2019</li> </ul> <p>Far:</p> <ul style="list-style-type: none"> <li>NH+C is a viable provider for clinic and OB services</li> </ul>	<p>A motion was made by Charlie Kyte and seconded by Fred Rogers to move forward with the Birth Center and Northfield clinic expansion, and spend up to \$13 million as presented. Motion carried.</p>	<p>Closed.</p>

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	<p>There were questions from the board related to the energy savings technologies, implications of having less than 200 days cash on hand, and the risks of not doing the project. There was also a question related to what approvals will come back to the board for approval throughout the project. Jerry is working with City staff regarding this project and coordination with the City Council. After the RFP goes out, a portion of the contracts from the public bid process will come back to the board for approval, followed by the City Council. This information will not be ready before the December Board meeting. There may be a need for a special meeting of the Board to award contracts before going to the City Council. Steve Underdahl suggested that we may be able to do this electronically due to the holidays and busy schedules at this time of the year.</p>		
6. Executive and Committee Reports			
<ul style="list-style-type: none"> <li>• CEO Report</li> </ul>	<p>Steve Underdahl reported:</p> <p><u>Strategic</u></p> <ul style="list-style-type: none"> <li>• Close to finalizing the orthopedic PSA. Working on the transition of the Faribault staff, and the employment of PAs. Communication went out to all NH+C staff and providers.</li> <li>• Evaluating Sanford Epic EHR. A formal recommendation is expected to come to the board in December.</li> <li>• Our ACO metrics continue to improve. Will have facetime with cohorts next week at a national meeting.</li> <li>• The Patient-facing Technology Team is refining priorities and approach. The EHR choice will influence strategy.</li> <li>• Framework for social determinants of health plan is being developed.</li> <li>• Rebasing efforts ongoing. We are at the last hard mile as we finalize the 2019 budget.</li> <li>• City/Hospital Governance Committee continues to meet. Steve shared some slides from the committee, which were reflective of the work they are doing, including central ideas related to leadership, coaching, trust and communication, and how they</li> </ul>	Information only.	Closed.

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	<p>relate to positive relationships and leadership. The last scheduled meeting of the group facilitated by David Koenig is in mid-December.</p> <p><u>Operations</u></p> <ul style="list-style-type: none"> <li>• The Northfield clinic was recognized by Southern Minnesota Scene as “Best of Scene”. Southern Minnesota Scene is a publication that covers 25 communities across southern Minnesota. Readers vote for the winners.</li> <li>• The lower level expansion and senior housing projects are progressing well.</li> <li>• NH+C volumes are consistent with plan. The impact of our self-funded insurance plan will have a significant negative impact on Q4.</li> <li>• ASC options are still under review. A more detailed discussion is expected in December.</li> <li>• Workforce issues – struggling with recruiting entry level positions. Also beginning to have discussions about succession planning as so much of senior level management and director level staff are generationally the same.</li> </ul> <p><u>Policy</u></p> <ul style="list-style-type: none"> <li>• New State House and Governor with continued interest in expanding public programs (Medicare for All)</li> <li>• 2% provider tax is scheduled to sunset the end of 2019. MHA’s tentative position is to explore other financing options for MnCare, and repeal the sunset (keep the tax in place).</li> </ul>		
<ul style="list-style-type: none"> <li>• Financial Report</li> </ul>	<p>Scott Edin reported on the October financials:</p> <p>October Key Drivers</p> <ul style="list-style-type: none"> <li>➤ Surgeries were 12% over budget</li> <li>➤ Births were 8% over budget</li> <li>➤ Inpatient days were 6% over budget</li> <li>➤ Endo procedures were 19% over budget</li> <li>➤ CCIC procedures were 6% over budget</li> <li>➤ Ambulance runs were 6% over budget</li> <li>➤ Rehab services were 5% over budget</li> <li>➤ Imaging services were 5% over budget</li> </ul>	Information only.	Closed.

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	<p>October Financial Outcomes:</p> <ul style="list-style-type: none"> <li>➤ Net Operating Revenues were \$287K over budget</li> <li>➤ Operating Expenses were \$349K over budget</li> <li>➤ Net Operating Income was \$275K (\$58K under budget) YTD margin 2.3%</li> </ul> <p>Questions/comments from the board:</p> <ul style="list-style-type: none"> <li>• Suggested including the income from operations slide that was included in the packet (5 years at a glance) in the monthly slides presented at the board meetings.</li> <li>• Would like to see information on the population of patients we are capturing. Did people choose us? Steve Underdahl commented that there will be a marketing awareness presentation at the December board meeting which may include some of this information. He further commented that some of this information is difficult to get, but we are getting better information than we were able to get previously.</li> </ul>		
<ul style="list-style-type: none"> <li>• Community Relations Committee Oral Report</li> </ul>	<p>CC Linstroth, Community Relations Committee Chair, reported on the committee meeting held prior to the board meeting this evening:</p> <ul style="list-style-type: none"> <li>➤ Approved minutes from previous meeting.</li> <li>➤ Discussed donation requests for 2019 and reports from 2018 recipients.</li> <li>➤ Reviewed and edited the Community Relations Committee job description.</li> </ul>	Information only.	Closed.
7. Roundtable, Announcements and Questions	NA	NA	NA
8. Pending Items	NA	NA	NA
9. Adjourn	The meeting was adjourned at 9:01 pm	A motion was made by Michelle Muench, MD, and seconded By Steve O'Neill to adjourn the meeting. Motion carried.	Closed.