

MEETING MINUTES RECORD

Meeting: Board of Directors

Date: December 19, 2019 Location: Conference Center Start time: 6:30 pm Adjourn time: 8:37 pm

Members present: Steve O'Neill, Lynn Clayton, Charlie Mandile, CC Linstroth. Bob Shepley, MD, Pete Sandberg

Members excused: Fred Rogers, Sarah Carlsen, Jessica Peterson White

Members absent:

Staff Present: Steve Underdahl, Jerry Ehn, Vicki Stevens, Betsy Spethmann, Tom Holt, MD, Bobbi Jenkins (recorder)

Others present: Sam Wilmes (Northfield News)

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution												
1. Call to Order and Approval of the Agenda	<p>The meeting was called to order by Steve O'Neill at 6:30 pm. Steve proposed a change in the order of the agenda for this evening. He asked that the approval of the 2020 operating and capital budget follow the financial report. He also reported that the Board will be going into Closed Session following the regular meeting this evening.</p> <p>Items from the consent agenda were included on the portal:</p> <ul style="list-style-type: none"> • Meeting minutes (approve) <ul style="list-style-type: none"> ✓ Board Meeting – 11/21/19 • Meeting minutes (accept) <ul style="list-style-type: none"> ✓ Community Relations Committee 11/21/19 ✓ Budget & Finance Committee – 12/04/19 • League of Minnesota Cities Insurance Trust Waiver Form 	A motion was made by Pete Sandberg and seconded by Bob Shepley to approve the Consent and regular agenda with the amendment noted by Steve O'Neill. Motion carried.	Closed.												
2. Reports															
• Hospital Chief of Staff Report	There was no Medical Executive Committee report this evening. Dr. Tom Holt thanked the Board members who attended the Medical Staff Annual meeting at the Northfield Golf Club on December 11, 2019.	Information only.	Closed.												
1. Motion to Approve Applications for Medical Staff Membership/ Privileges	<p>Dr. Tom Holt presented the applications for membership and privileges (copies included on the portal). There were no issues with any of the medical staff files.</p> <p><u>Appointments</u></p> <table border="1" data-bbox="386 1696 922 1906"> <thead> <tr> <th>Prac #</th> <th>Category</th> <th>Privilege</th> </tr> </thead> <tbody> <tr> <td>4021</td> <td>Active</td> <td>Emergency Medicine</td> </tr> <tr> <td>4024</td> <td>Telemedicine</td> <td>Teleradiology</td> </tr> <tr> <td>4023</td> <td>Telemedicine</td> <td>Teleradiology</td> </tr> </tbody> </table>	Prac #	Category	Privilege	4021	Active	Emergency Medicine	4024	Telemedicine	Teleradiology	4023	Telemedicine	Teleradiology	A motion was made by Lynn Clayton and seconded by CC Linstroth to accept the recommendations from the Medical Executive Committee as presented. Motion carried.	Closed.
Prac #	Category	Privilege													
4021	Active	Emergency Medicine													
4024	Telemedicine	Teleradiology													
4023	Telemedicine	Teleradiology													

Issue/Problem	Discussion/Conclusions			Action	Follow-up/Resolution
	4025	AH:I	Behavioral Health		
	4026	AH:I	Behavioral Health		
	4022	AH:I	Anesthesia		
	<u>Reappointments</u>				
	<u>Prac #</u>	<u>Category</u>	<u>Privilege</u>		
	3808	Active	FM/Hospitalist		
	7127	Active	FM/Hospitalist/EM		
	7334	AH:I	Anesthesia		
	3761	Active	AM/FM		
	3759	Affiliate	Pathology		
	3936	AH:I	Behavioral Health		
	<u>Provisional Status</u>				
	<u>Prac #</u>	<u>Privilege</u>	<u>Advance</u>	<u>Extend</u>	
	3970	Radiology	X		
	3977	Oncology	X		
	<u>Resignations</u>				
	<u>Prac #</u>	<u>Privilege</u>	<u>Category</u>		
	3930	Oncology	Active		
2. Strategic Discussion	Defer to Closed Session.			None.	Closed.
3. Presentations/ Discussion/ Action Items					
<ul style="list-style-type: none"> Approval of the 2020 Operating and Capital Budgets 	<p>Scott Edin presented the 2020 operating and capital budgets which were fully vetted by the Budget & Finance Committee (supporting documentation was included on the portal). The budget has a \$3 million shortfall for the year. Administration is working to close the gap and expects to have an action plan in place by the end of the first quarter. Some of the things we can do to eliminate the shortfall is to control our expenses, improve efficiencies, match staff size to workloads, grow profitable service lines and expand capacity in key areas, make sure we are paid appropriately for the work we do, and lower costs in supplies and services and labor or revenue growth.</p>			<p>A motion was made by Pete Sandberg and seconded by CC Linstroth to approve the 2020 operating and capital budgets as presented. Motion carried.</p> <p>Administration will update the board on action plan by the end of Q1.</p>	Closed.

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	<p>After eliminating this shortfall, the budget achieves a net operating income of \$2 million or a 2.0% operating margin. Scott reviewed the project volumes, revenues and expenses for 2020. A 2.2% increase in overall rates (hospital and clinics) is recommended for 2020. Drug inflation is expected to be 3.0% and other expenses 2.2%.</p> <p>The budgeted overall merit increase for 2020 is 2.0%, plus 0.6% for market adjustments</p> <p>The 2020 capital budget includes \$3.5 million for capital purchases, and \$2,110,000 in strategic capital. The total budget is \$5,610,000.</p> <p>Scott reported how well we have done in our investments since the law was passed in 2018 to allow municipal entities to invest in equities. Our overall investments have allowed us to profitable.</p> <p>There was a question related to PERA. Scott commented that we will not know how the GASB 68 for PERA will impact us until February of 2020 as that information is not yet available. He expects it to be favorable given the good year in the stock market.</p> <p>Scott talked about the \$3.5 million that the hospital was going to pay in cash during 2019 on the construction project.</p>		
4. Executive and Committee Reports			
<ul style="list-style-type: none"> CEO Report 	<p>Steve Underdahl reported on the following:</p> <p><u>Strategic</u></p> <ul style="list-style-type: none"> The clinic and OB expansion project is going well. Power lines have been removed and the foundation work is underway. Some time was lost due to weather but anticipate having the schedule back on track in January. Vendor pricing has been received for consumer facing technology. Technical capabilities and EHR interfaces are being reviewed, value assessment is underway, and reference checks have been completed and are being evaluated Social Determinants of Health: A meeting is scheduled with Laura Baker Services Association to explore 	Information only.	Closed.

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	<p>methods for working more cooperatively in serving developmentally disabled patients.</p> <ul style="list-style-type: none"> • The Northfield Hospital Foundation met for the third time. The current foundation balance is \$17,390. The Foundation Board is working on a case statement and related communication strategies. • A meeting of rural and independent medical centers was facilitated by MHA in early December. The focus is to explore areas of mutually beneficial cooperation. • Strategic Planning Process: 2020 <ul style="list-style-type: none"> ✓ January – review of current state ✓ February – environmental forecasting part 1 ✓ March – environmental scanning part 2 ✓ April planning retreat • Accountable Care Organization efforts continue to make progress with a focus on annual wellness visits, chronic disease management and transition of care. <p><u>Operations</u></p> <ul style="list-style-type: none"> • Financial volumes and financial results continue to be below expectations. Creates operational challenges for balance of 2019, as well as projected shortfall for the 2020 budget cycle. • 2020 budget challenges: <ul style="list-style-type: none"> ✓ We target 3% bottom line in most years ✓ Proposed budget has a \$1 million loss ✓ This budget was not sufficient ✓ We settled on a 2% bottom line which necessitates finding \$3 million in savings, • Drivers include, utilization trends have shifted, fewer inpatient days, surgeries/procedures moving to outpatient, light respiratory disease season in 2019. • Insurance company restrictions include mandatory ambulatory surgery center use, aggressive prior authorization processes and decrease in payments. • High deductible plans: <ul style="list-style-type: none"> ✓ Patients are delaying or forgoing their treatment 		

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	<ul style="list-style-type: none"> ✓ More price shopping ✓ Bed debt rising ✓ Financial trauma for our customers • What have we done to address the situation? <ul style="list-style-type: none"> ✓ Expense control – 2019 only 1% higher than 2018 ✓ Process improvement ✓ Workforce Optimization Committee (matching staff to workloads) ✓ Continue to grow profitable service lines ✓ Making sure we get paid appropriately or the work we do (Revenue Integrity Workgroup) ✓ Negotiating better payer contracts ✓ Developing an ASC strategy ✓ Working cooperatively with MHA and other public policy groups to address unfair payer practices • What's next? <ul style="list-style-type: none"> ✓ Committing to a 2% bottom line ✓ Will finalize our plan and timelines to close the budget gap ✓ All related actions are expected to be in place by the end of Q1 2020 ✓ Changing the budgeting process going forward ✓ Seeking ideas and input <p><u>Policy</u></p> <ul style="list-style-type: none"> • A meeting in St. Paul with other public medical centers on the PERA plan was conducted in November with the potential of advancing legislation later in 2020 • Steve Underdahl will be serving on the AHA Regional Policy Board during 2020 		
<ul style="list-style-type: none"> • Financial Report 	<p>Scott Edin presented the November financials (copy available on portal):</p> <p><u>November Key Drivers</u></p> <ul style="list-style-type: none"> • Home Health visits were 11% over budget • Work RVUs were 10% over budget • Observation days were 9% over budget • Inpatient days were 25% under budget • Child births were 17% under budget • Surgery cases were 12% under budget 	Information only.	Closed.

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
	<p><u>November 2019 Financial Outcomes</u></p> <ul style="list-style-type: none"> • Net operating revenues were \$249K under budget • Operating expenses were \$232K over budget • Net operating loss was \$188K (\$481K under budget) <p>Days cash on hand are 249.</p>		
<ul style="list-style-type: none"> • Budget & Finance Committee Oral Report 	<p>The Budget & Finance Committee met early in December. The committee:</p> <ul style="list-style-type: none"> • Reviewed the 2020 capital and operating budgets • Received a quarterly investment update • Discussed possible investment in the Northfield Real Estate Fund • Reviewed financing alternatives with representatives from Piper Jaffray. • Reviewed donation pool requests and recommended we include money in 2020 budget for the donation pool. 	Information only.	Closed.
<ul style="list-style-type: none"> • Quality Committee Oral Report 	<p>The Quality Committee met prior to the board meeting this evening. The Board quality dashboard will be reviewed at the January Board meeting.,</p>	Information only	Closed.
5. Roundtable, Announcements and Questions	<p>The Board congratulated Steve Underdahl for being awarded the Grassroots Champion by the Minnesota Hospital Association.</p>	None.	Closed.
6. Pending Items	<p>There were no pending items.</p>	None	None.
7. Closed Session	<p>The Board took a short break at 8:05 pm before going into a closed session for the purpose of <i>Strategic Planning (pursuant to Minn. Stat 144.581, subd 5 for the purpose of discussion of marketing activity related to the hospital's competitive position with other health care providers that offer similar goods and services.</i></p>	Information only.	Closed.
8. Adjourn	<p>The meeting was adjourned at 8:37 pm.</p>	<p>A motion was made by Lynn Clayton and seconded by Charlie Mandile to adjourn the meeting. Motion carried.</p>	Closed.