

MEETING MINUTES RECORD

Meeting: Board of Directors – Virtual Meeting during COVID-19 Pandemic

Date: December 17, 2020 Location: Virtual Meeting Start time: 5:00 pm Adjourn time: 8:20 pm

Members: Steve O’Neill, Lynn Clayton, CC Linstroth, Charlie Mandile, Pete Sandberg, Sarah Carlsen, Jessica Peterson White, Fred Rogers,

Members absent: Bob Shepley, MD

Staff: Steve Underdahl, Jerry Ehn, Jeff Meland, MD, Scott Edin, Tammy Hayes, Tom Holt, MD, Betsy Spethmann, Bobbi Jenkins (recorder)

Others: Brad Ness (City Council), David Emery (LWV)

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
<p>I. Call to Order and Approval of the Agenda</p>	<p>The board meeting was called to order by Steve O’Neill at 5:00 p.m.</p> <p>It was determined that it is was not feasible for members of the board of directors to be physically present at the board meeting due to the COVID 19 pandemic. The virtual meeting was held via WebEx.</p> <p>The board was reminded to mute their microphone when not speaking and to raise their hands for voting, making motions and with any questions.</p> <p>Items on the consent agenda (included on the portal):</p> <ul style="list-style-type: none"> • Meeting minutes (approve) <ul style="list-style-type: none"> ✓ Board Meeting – 11/17/20 • Meeting minutes (accept) <ul style="list-style-type: none"> ✓ Community Relations Committee – 11/17/20 ✓ Community Relations Committee – 12/09/20 ✓ Governance & Planning Committee – 11/16/20 • Ratification of Medical Staff Officers • Revision: Complaint & Grievance Process Policy 	<p>A motion was made by Lynn Clayton and seconded by Sarah Carlsen to approve the consent and regular agenda for tonight’s meeting. Motion carried</p>	<p>Closed.</p>
<p>II. Reports</p>			
<p>1. Hospital Chief of Staff Report</p>	<p>Dr. Holt reported that the medical staff recognized Dr. Gerard O’Halloran as the 2020 Physician of the Year at the annual medical staff virtual meeting on December 15.</p> <p>Tonight is Dr. Holt’s last Board meeting as he ends his two-year term as Medical Staff President. Dr. Monty Seper will assume the role as President for 2021-21 and will be attending the monthly Board meetings.</p>	<p>Information only.</p>	<p>Closed.</p>

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	<p>Steve O' Neill recognized Dr. Holt for his leadership and service for the past four years (2017-18 as Medical Staff Vice President and 2019-20 as President) and thanked him for his hard work and dedication. Dr. Holt will be presented with a recognition plaque for his service.</p>		
<p>2. Oral Report: Budget & Finance Committee</p>	<p>Fred Rogers reported on the December 11, 2020 Budget & Finance Committee meeting. The main purpose of this meeting was to review and approve the 2021 capital and operating budget. The committee recommended approval of the budget to the full board.</p>	<p>Information only.</p>	<p>Closed.</p>
<p>III. Presentations/ Discussion / Action Items</p>			
<ul style="list-style-type: none"> Approval of Operating and Capital Budgets 	<p>Scott Edin reviewed the 2021 budget (copy included on the portal). This is the first budget incorporating our new rolling budget process. This process streamlines the budget and is a high-level rolling forecast up to two years. We consolidated 120 departments into 19 Forecast groups, which in essence means the forecast won't be as detailed as in past years. While we still report revenue and expense for all 120 departments, they are rolled up into a higher level of "Forecast groups". The Budget & Finance Committee reviewed the budget in detail, approved the budget and recommended full board approval.</p> <p>Due to many unforeseen challenges in 2020, we used 2019 as our base which we hope to get back to by the end of the 2nd quarter of 2021. A benefit of the rolling forecast is the budget will be looked at quarterly and we make modifications to key drivers as needed.</p> <p>The 2021 budget achieves a net operating loss \$0.75 million or a -0.69% operating margin. The primary reason we anticipate a loss in 2021 is that the pandemic is not expected to dissipate until mid 2021, and thus will likely continue to have a negative impact on our patient volumes for at least 6 months. Scott reviewed the projected volumes, revenues and expenses for 2021. A 3% increase in overall rates (hospital and clinics) is recommended for 2021. Drug inflation is expected to be 3.0% and other expenses 2.2%.</p>	<p>A motion was made to approve the operating and capital budget for 2021 as presented by Fred Rogers and seconded by Lynn Clayton. Motion passed.</p>	<p>Closed.</p>

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	<p>The budgeted overall merit increase for 2021 is 3%, plus roughly \$500K for market adjustments.</p> <p>The 2021 strategic capital budget is \$1,300,00 (EHR down payment), and the operating capital budget is \$3,500,000 for a total capital budget of \$4,800,000. Scott reminded the board that higher ticket capital budget items come back to the board for approval before finalizing the purchase.</p>		
<ul style="list-style-type: none"> Approval of EHR 	<p>Vern Lougheed reviewed the request to approve an agreement with Meditech to implement the Expanse MaaS Electronic Medical Record (EHR) which he presented in November (copy of slides included on the portal).</p> <p>The request is to move forward with an Expanse MaaS agreement with a one-time capital cost of \$1.3 million and an ongoing annual operating expense of \$1.9 million. The estimated 5-year cost is \$11.6 million.</p> <p>There were questions regarding how the total cost compares to other platforms, operating expense with our current platform compare to the proposed, need for enhanced security and the timeline for implementation,</p>	<p>A motion was made by Pete Sandberg and seconded by CC Linstroth to approve an agreement with Meditech for the Expanse MaaS with a one-time capital cost of \$1.3 million and an ongoing annual operating expense of \$1.9 million. Motion carried.</p>	<p>The board commended all staff involved in the work over the past two years on this very important project.</p>
<p>IV. Executive and Committee Reports</p>			
<ul style="list-style-type: none"> ✓ CEO Report 	<p>CEO Report: Steve Underdahl: <u>COVID-19</u></p> <p>The seven-day rolling average for positive COVID-19 results that spiked a few weeks ago continues to drop. This is not a community prevalence number. 25-50% of our inpatient census over the past few weeks have been COVID patients.</p> <p>Continue to work on staffing challenges, with 3-6% of our team out sick or quarantined on any given day. We expect to receive the Pfizer vaccine next week and will begin vaccinated our team.</p> <p>Vaccine administration will be staggered by weeks so that not everyone is having a shot at the same time. We are also rolling out education on the vaccine to our team with the ability to adapt this information for public consumption. We received a loan of an ultracold freezer from the U of M. The Moderna vaccine is also expected to be approved soon.</p>	<p>Information only.</p>	<p>Closed.</p>

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	<p><u>Operations</u></p> <ul style="list-style-type: none"> • Continue to serve both COVID and non COVID patients safely and effectively. • The Wound Program construction and operational development is on schedule. • E-care team is working on an asynchronous visit program. • Financial results for November are disappointing but to be expected. Labor cost overages associated with COVID response efforts have had a significant impact on the November financial results. Additional revenue received from the CARES Act grants and the additional expenses we are now incurring for COVID response are not going to be aligned on a month to month basis. • As a treat for staff since we were unable to hold our annual staff holiday social, NH+C reimbursed staff to have pizza in their homes with their families. The Board also sent a thank you note to staff for their hard work during the pandemic. <p><u>Strategic</u></p> <ul style="list-style-type: none"> • 2020 is our last year of the MountLake ACO. In 2021, we are moving to a larger collaborative ACO. • A new three-year strategic plan is taking shape. Market issues reviewed in closed session this evening. <p><u>Policy</u></p> <ul style="list-style-type: none"> • MHA facilitated a meeting with Governor Walz and the Minnesota Department of Health • MHA legislative briefing was this week. Steve was able to share the perspective of an independent community hospital. <p>Steve Underdahl thanked Steve O' Neill for his tenure on the Board and especially for the last two years he served as the board chair. Tonight is Steve's last meeting as he ends his term as chair and his final term as a board member. Steve was presented with a recognition plaque to be given to him in person when allowed.</p>		
✓ Financial Report	<p>CFO Report – Scott Edin</p> <p><u>November Key Drivers</u></p> <p>Over budget:</p>	Information only.	Closed.

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	<ul style="list-style-type: none"> ➤ Observation days ➤ CCIC procedures ➤ CCIC <p>Under budget:</p> <ul style="list-style-type: none"> • IP dyas • OP hospital visits • Nursing home days • ED Visits • Rehab procedures • Surgery cases • Births <p><u>November Financial Outcomes</u></p> <ul style="list-style-type: none"> • Operating Expenses were \$212K over budget • Net Operating Loss was \$244K vs. a budget of \$637K Surplus <p><u>Financial Notes</u></p> <ul style="list-style-type: none"> • Recognized \$10K in other revenue from federal COVID grants • Investment gains were \$2.3M for November • Purchased services of \$221k to Mayo for COVID-19 testing • Positive self-funded health insurance experience reduced benefits expense <p>There was discussion about CARES Act allocations and how the money is accounted for, as well as how the GASB 68 rules have changed related to how to account for the CARES ACT surplus are expected to change again. It was suggested that we have more discussion as a board once we have more clarifying structure and guidance from our auditor.</p>		
✓ Oral Report: Community Relations Committee	<p>CC Linstroth reported on the 12/09/20 Community Relations Committee meeting. The meeting was devoted to reviewing and finalizing the donation requests for 2021 and setting the dollar amount to request from the Budget & Finance Committee. The grant requests from non-profits totaled a little over \$130,000 including a \$10K already committed, donation to NAFRS towards a rescue truck. Information on the grant requests and donation amounts are available in the library on the BoardEffect portal for board members to access.</p>	Information only.	Closed.
V. Roundtable, Announcements and Questions	The board took a ten-minute break before the Closed Session.	Information only.	Closed.
VI. Pending Items	NA	NA	NA

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VII. Closed Session	The Board went into Closed Session pursuant to Minn. Stat. 144.581, subd. 5 and 13D.05 to discuss Marketing activity related to the hospital's competitive position with other health care providers that offer similar services, and CEO evaluation of Steve Underdahl.	Information only.	Closed.
VIII. Adjourn	The meeting was adjourned at 8:20 pm.	A motion was made by Lynn Clayton and seconded by Sarah Carlsen to adjourn the meeting. Motion carried.	Closed.