

MEETING MINUTES RECORD

Meeting: Board of Directors

Date: January 26, 2017 Location: Conference Center Start time: 6:30 pm Adjourn time: 9:30 pm

Members present: Charlie Mandile, Patricia Christianson, Lynn Clayton, Virginia Kaczmarek, Charlie Kyte, CC Linstroth, Michelle Muench, Steve O'Neill

Members excused: none

Members absent: none

Staff Present: Steve Underdahl, Jerry Ehn, Scott Edin, Jeff Meland, Randy Reister, Vicki Stevens, Tammy Hayes, Betsy Spethmann

Others present: Brad Ness (City), Matt Anderson, Chris Rustad (Mayo), Keith Olson, (Allina) David Emery (LWV)

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 Charlie Mandile at 6:30 p.m.</p> <p>Charlie gave overview of meeting pace and process (streamlined presentations); draft of committee assignments</p> <p>Agenda note; no CEO report</p> <p>Charlie Mandile introduced Matt Anderson, who will help facilitate strategic planning at Board retreat.</p>	A motion was made by CC Linstroth and second by Virginia Kaczmarek approve the agenda as presented. Motion carried.	Closed.									
2. Introduction of New Board Members	<ul style="list-style-type: none"> Lynn Clayton, lived in Northfield for 14 months, 35+ years as hospital administrator, 3 years at American Hospital Association. Patricia Christianson, lives in Greenvale Township, represents rural residents. She has healthcare experience in many roles. 	Information only	Closed.									
3. Introduction of New City Council Member/ Hospital Liaison	Welcomed Brad Ness, appointed by Mayor as liaison to the Hospital board. Brad is a Northfield native; St. Olaf graduate; former Hospital board member.	Information only	Closed.									
4. Reports												
• Hospital Chief of Staff Report	No report.	None.	Closed.									
• Approval of Applications for Medical Staff Membership/ Privileges	<p>Dr. Randy Reister presented applications for medical staff membership/privileges. There were no issues.</p> <p style="text-align: center;"><u>Appointments</u></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Prac #</th> <th>Privilege</th> <th>Category</th> </tr> </thead> <tbody> <tr> <td>3899</td> <td>IM/Cardiology</td> <td>Affiliate</td> </tr> <tr> <td>3897</td> <td>Anesthesia</td> <td>Active</td> </tr> </tbody> </table> <p style="text-align: center;"><u>Reappointments</u></p>	Prac #	Privilege	Category	3899	IM/Cardiology	Affiliate	3897	Anesthesia	Active	A motion was made by Charlie Kyte and seconded by CC Linstroth to approve the appointments, reappointments and advancement from provisional status as recommended by the Medical Executive	Approved.
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<ul style="list-style-type: none"> CMO Report 	Dr. Meland reported that the addition of Respiratory Therapy (12 hrs./day, 7 days/wk.) is going well; RTs, surgeons, and emergency department physicians are collaborating.	Information only	Closed.																																																																																																				
<ul style="list-style-type: none"> FamilyHealth Clinic Medical Director Report 	Dr. Flannery report that the clinics are very busy and were over budget for 2016. The year had the fewest complaints from providers; we are in a position that majority of providers are satisfied; and a	Information only	Closed.																																																																																																				

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	<p>good reception of the hospitalist program. Still recruiting family medicine provider for Lakeville; also recruiting PA to replace April Fitzloff, who moved to the Woman's Health Center.</p> <p>1,2,3 Read with Me gave away 700 books to kids ages 3 to 7. Just added Reach Out & Read to give books to kids 6 months old.</p> <p>Steve Underdahl noted that Dr. Flannery has devoted time to management, which is appreciated.</p>		
<ul style="list-style-type: none"> Allina Clinic Medical Director Report 	<p>Dr. Olson reported that Allina clinic in Northfield has finished remodeling for primary care, mental health. Meeting with Dr. Fischer, Emergency Department, regarding better hand-offs for mental health patients. Planning event pending for mental health services, including community relations.</p>	Information only	Closed.
<ul style="list-style-type: none"> Mayo Report 	<p>Chris Rustad: Dr. Brian Whited appointed CEO of "river corridor" (includes Red Wing, Cannon Falls, Wabasha, Lake City) and retains role as regional director, will spend more time in Red Wing. Working to name successor for JAC to replace Dr. Whited. The JAC meeting tomorrow will focus on Critical Care.</p>	Information only	Closed.
<ul style="list-style-type: none"> City Business Update 	No report.	Information only.	Closed.
<ul style="list-style-type: none"> Financial Report 			
<ul style="list-style-type: none"> ✓ December Financials 	<p>December patient revenues were \$3,032,000 over-budget, while deductions from revenue were \$1,277,000 over-budget. Operating expenses were \$150,000 over budget before the GASB 68 requirement to book an additional \$4.3 million of Pension expense (PERA). This changed what would have been a \$1.1 million Operating income for December to a loss. On a YTD basis, we finished the year with a \$5.9 million Operating income (5.8%) but the GASB entry reduced that to 1.6% operating margin vs. 1.1% budgeted). Key positive and negative volumes for December were reviewed; we saw an increase in our Day's cash on hand to 239 days as of December 31st. Salary and benefits were improved vs last at a strong 52.1% of net revenues.</p>	Information only.	Closed.

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<ul style="list-style-type: none"> Capital Purchase Summary 	<p>Jerry Ehn reported that the brand refresh includes new signage. Julie Nikolai-Sullivan will present the request in February to spend no more than \$200K on new signage (\$250K was budgeted in 2016 for this expense.)</p>	<p>Information only.</p>	<p>Closed.</p>
<ul style="list-style-type: none"> PERA Update 	<p>Scott Edin reported that GASB 68 update requires PERA participants to book net pension liability to cover total amount if all staff retired today. Our auditors calculated our NH&C's net pension liability at \$52.5MM for 2016, up from \$30.8MM in 2015. That decreases NH&C's net worth by that same amount (the dollars are booked as a liability, but not paid out). MN PERA's net pension liability for 2016 is \$8.1 Billion, an increase of \$3 Billion from last year.</p> <p>The factor that caused the greatest impact on the total Net Pension Liability was because PERA reduced its discount rate (estimated rate of return over the next 15-20 years); in addition, the benefits paid to retirees exceeded total contributions by \$600 million.</p> <p>The change affects income statement but not cash. GASB 68 regulation requires NH&C to book an additional \$4.3MM for pension expense in 2016.</p> <p>2016 operating income before PERA amortization is \$5.905MM (5.8% profit margin). Operating income after PERA amortization: \$1.586MM (1.6% profit margin).</p> <p>Steve Underdahl commented how disappointing this is because 2016 was an excellent year with metrics in patient satisfaction and quality met. Question is, do we treat it as an actual financial result, or like an asterisk by the batting average? Whether it's a good or bad year for PERA, it creates a false economy for NH&C, with inaccurate view of our true financial results. Most organizations affected by PERA are government (city, fire department, etc.) that have different view of profitability from a business model.</p> <p>GASB requires treating PERA cost as pension expense (above the line), not after expenses (below the line).</p> <p>Discussed our philosophy about PERA moving forward.</p> <p>Discussed possible impact on credit rating: Rating agencies were not concerned</p>	<p>Information only.</p>	<ul style="list-style-type: none"> Discuss bonus program in February. NH&C leaders continue to meet with City leaders

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	<p>about PERA cost during discussions last year. Discussed overall health of pension plans; few metrics to gauge programs. Would we base decisions (i.e. bonuses) on PERA number if it were an increase that made our profit margin look (but not actually be) bigger?</p> <p>Discussed proposals on state and national levels to correct shortfalls in pensions.</p> <p>Proposed forming a consortium with similar sized hospitals and work through MHA and AHA (regional and national basis) to find legislative fix for this issue. Seek a meeting with PERA officials, then explore options as a publicly owned entity with an option for private pension plan rather than PERA as long as it has same benefit for employees.</p> <p>Opinions expressed that PERA commitment should not be a factor in bonus decisions. The PERA figure is completely irrelevant to employee and organizational performance. Could affect staff morale, and retention of good staff.</p> <p>Need assertive self-advocacy because there are few organizations in our position: publicly owned, but business model (not a government model).</p> <p>Suggested inviting legislator(s) to meet with Board.</p> <p>Question raised whether it's legal to publish both sets of financial results. Answer: the official financial results must include PERA expense.</p> <p>Discussed how this might affect strategic planning, capital spending, and growth. Most organizations now see it as not a factor in strategic planning and projects; we continue seeking guidance from our accountants and experts.</p> <p>Charlie Mandile commented that we have an extreme responsibility to vested employees to make sure we're comfortable with this pension vehicle. Very real decisions get made with these numbers; once you start putting an asterisk on one number, it's a slippery slope to asterisk more. I want us to control our own destiny more than this – for vested employees and business operations.</p>		
<ul style="list-style-type: none"> Strategic Planning Process & Discussion 	<p>Steve Underdahl presented on the strategic planning process. 2017 is year one of a new three-year cycle of strategic planning. Matt Anderson is present this</p>	<p>Information only.</p>	<p>Slide presentation will be made available to Board. Further discussion at February</p>

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	<p>evening to observe and will be presenting in February and March to help the Board prepare for the April Retreat, and help facilitate the retreat. Uncertainty about ACA, politics and finance inform a scenario planning approach.</p> <p>Reviewed current plan now at end. Priorities: stay independent; recraft relationships with strategic partners; strengthen clinic practices; modernize infrastructure; address confusing branding.</p> <p>Results: A-. New MOU with Mayo focused on specialty services; improved relations with Allina; collaborative hospitalist program; expanded relations with HCMC; cultivating relationships with independent orgs ie, Olmstead Medical Center. Modernized HR; created supply chain system; analyzing contracts and pricing; industry benchmarking. Met lofty 2016 service goals; launched Do the Next Right Thing; room service dining; created new compliance systems and internal audit process, recrafted contracts; clinic performance improved via recruiting, gaps analysis; launched Urgent Care; closed Elko New Market; record volume in 2016; prepping for team-based care; expanded quality measurement; branding and marketing update; modernized web presence. Hospital now can keep broader spectrum of patients; launched hospitalist program.</p> <p>Questions: Any elements we should continue in next plan? Is process/reporting of strategic plan useful?</p> <p>Discussed weakness: an ambitious plan, some things took longer/were harder to achieve. Strong performance in partnerships; we need to be intentional to support/grow partnerships over next three years to stay strong and independent. Be dynamic/flexible as partners change.</p>		<p>meeting to build foundation for strategic planning retreat. Matt Anderson to facilitate discussion at February meeting.</p>
<ul style="list-style-type: none"> Governance & Planning Committee Report 	<p>Charlie Mandile reported that the committee had extensive discussion about PERA.</p>	<p>Information only</p>	<p>Closed</p>

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
✓ Nomination of Board Officers	<p>The Governance & Planning Committee made the following nominations for 2017 board officers:</p> <ul style="list-style-type: none"> • Board Chair – Charlie Mandile • Board Vice Chair – Virginia Kaczmarek <p>Both officers will serve a two-year term. The Vice Chair moves into the role of the Board Chair after he/she serves two years as Vice Chair.</p>	<p>Motion by Charlie Kyte and seconded by Lynn Clayton to accept the nominations as presented by the Governance & Planning Committee.</p>	<p>The election will take place at the February Board meeting.</p>
✓ CEO Evaluation Process	<p>Recommendations by Walt Flynn & Associates to simplify and standardize evaluation process; 360-degree evaluation by board, senior leadership, sample of physicians. Focus on results of strategic priorities. Base salary influenced by 360 feedback, scores, and market evaluation. Bonus based on strategic priority accomplishments (priorities weighted). Chair and Governance and Planning Committee to take lead; Walt Flynn to handle 360 reports, market evaluation; Board to discuss in closed session.</p>	<p>A motion by Steve O'Neill, second by Virginia Kaczmarek to move forward with plan presented at December meeting. Motion carried.</p>	<p>Closed.</p>
✓ Committee Assignments	<p>Charlie Mandile presented slate of committee assignments for 2017. There were no questions or comments</p>	<p>Information only</p>	<p>Charlie Mandile to forward committee assignments to Bobbi Jenkins next week</p>
5. Consent Agenda	<p>Supporting documentation was included in the packets for items on the Consent Agenda:</p> <ul style="list-style-type: none"> • Meeting Minutes: <ul style="list-style-type: none"> ✓ 12/15/16 Board Meeting ✓ 12/15/16 Budget & Finance Committee ✓ 12/15/16 Quality Assurance Committee • Donations to Non-profit Organizations Policy • Complaint & Grievance Process Policy 	<p>A motion was made by Steve O'Neill and seconded by Charlie Kyte to approve the December Board meeting minutes, accept the committee meeting minutes, and approve the Donations to Non-profit Organizations and Complaint and Grievance policies as presented.</p> <p>Charlie Mandile and Virginia Kaczmarek abstained from voting on the Donations to Non-profit Organizations policy due to a conflict of interest.</p>	<p>Closed.</p>
6. Presentations/ Discussion/ Action Items			

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
<ul style="list-style-type: none"> EMR Update 	<p>Scott Edin gave update on review of three EMR vendors, including provider/staff feedback from on-site demos. Meditech, Athenahealth, Epic/Allina.</p> <p>Meditech: full suite of applications; many modules have minimal improvement; support has been poor.</p> <p>Athenahealth: high marks from providers and nurses; lacks function in certain acute care areas. It's probably the best EMR for interoperability.</p> <p>Epic/Allina: difficult interface; widely used in the region; little local control because managed by Allina.</p> <p>Next steps: finish demos; site visits, reference calls; final report; determine vendor of preference; contract negotiations</p> <p>Discussed option to choose no change, the need for system security and importance of user-friendliness.</p>	<p>Information only</p>	<p>Present initial vendor selection to Board at March meeting; final recommendation to Board in April or May</p>
<ul style="list-style-type: none"> Letter of Intent: WHC/Senior Services 	<p>Jerry Ehn reviewed process to date (for sustainable senior services for now and future) with possible partners: Yanik Companies (developer), Benedictine Health System (operator of senior services), NH&C, St. Olaf (partner, investor).</p> <p>Community needs fewer SNF beds, more assisted living, independent living, memory care, enhanced care. Model includes all these, with SNF services provided by other orgs. Reviewed map of options: Phase One (enhanced housing), Two (independent/assisted living), Three (college retirement units).</p> <p>Challenges: potential impact on LTCC residents, staff; maintaining services during project; financial impact.</p> <p>Options: 1. maintain status quo, addressing lowered demand for SNF in future; 2. move forward with project feasibility study by establishing a Letter of Intent (ie, formal feasibility study) to define scope, timetable, set exclusivity, explore options for shared services. This could lead to negotiations for a development agreement. Letter of intent does not bind NH&C to the project.</p> <p>Yanik would negotiate with Benedictine and St. Olaf separately regarding facility lease and college retirement project.</p> <p>Discussion on how NH&C revenue might be impacted: i.e. SNF revenue lost but</p>	<p>A motion was made by Charlie Kyte and seconded by Steve O'Neill to proceed with letter of intent with Yanik Companies with intent to pursue a development agreement if feasibility study supports it. Motion carried.</p>	<p>Closed.</p>

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	<p>replaced with other revenue-strong services ie, WHC and Birth Center. Would require significant growth of WHC, Birth Center, and Clinic to replace the revenue.</p> <p>Discussion on number of beds: LTCC has 40 beds; proposed facility would have up 120+units in the various levels of care</p>		
7. Roundtable, Announcements and Questions	<p>Observations from MHA Trustee Retreat:</p> <ul style="list-style-type: none"> • Charlie Kyte: Do The Next Right Thing is on track with staffing motivation trends • Michelle Muench: "Innovative culture" presentation highlights: 1) ask questions; 2) make connections; 3) challenge assumptions • Patricia Christianson: Boot Camp was fabulous • Lynn Clayton: good reintroduction to the field • Virginia Kaczmarek: discussion re: political impact on healthcare going forward • Charlie Mandile: board meeting balance with discussion/strategic issues. 	Information only	Closed
8. Pending Items	Strategic Planning Retreat: April 28, 2017	Information only	Closed.
9. Complete Board Evaluation Form	Board members were encouraged to complete a meeting evaluation form and return to Betsy Spethmann.	Information only	Closed.
10. Adjourn	The meeting was adjourned at 9:28 p.m.	A motion was made by Virginia Kaczmarek and seconded by Patricia Christianson to adjourn the meeting. Motion carried.	Closed.