



COOK COUNTY HOSPITAL DISTRICT
BOARD MINUTES FOR AUGUST 24, 2023

Call to Order – Kay Olson called the meeting of the Cook County Hospital District Board of Directors to order on August 24, 2023 at 9:05 a.m. in the Board Room.

Adjourn to Closed Session – Steve Frykman made a motion to adjourn into closed session pursuant to Minn. Stat. §145.64 subd. 1(d) to discuss decisions, recommendations, deliberations or documentation of a Review Organization. Randy Wiitala seconded the motion and the motion carried unanimously.

Closed Session Summary - The Quality Improvement/Peer Review Report from July 19, 2023; Medical Staff Report from July 19, 2023; and Credentials Committee Report from August 16, 2023 were discussed.

Reconvene - The North Shore Health Board reconvened in regular session at 9:32 a.m.

Roll Call

Members Present: Steve Frykman, Kay Olson, Mary Sanders, Randy Wiitala and Patty Winchell-Dahl

Members Absent:

Others Present: Kimber Wraalstad; Lori Ericson, Greg Ruberg; Sam Usem, Dave Mills (p), Ralph Llewellyn (p), Doug Sanders (p)

Approval of Agenda: Patty Winchell-Dahl made a motion to accept the meeting agenda as presented; the motion was seconded by Mary Sanders. The motion carried unanimously.

Public Comments: None.

Approval of Minutes for July 20, 2023 – Mary Sanders made a motion to approve the minutes from the July 20, 2023 meeting as presented and the motion was seconded by Patty Winchell-Dahl. The motion carried unanimously.

Updates:

- a. **Clinic Board:** The written report from Kate Surbaugh regarding the activities at Sawtooth Mountain Clinic (SMC) was reviewed. Dr. Alexys Hillman started working at SMC on August 1. SMC will have their Health Resources and Services Administration (HRSA) virtual site visit in September. HRSA focuses on compliance with federal programs rather than hands-on patient care. They will be reviewing many hundreds of documents to ensure Sawtooth Mountain Clinic is compliant with grant conditions and federal program regulations. Behavioral Health Consultant, Melissa Beseres, will be offering a Grief Support Group this fall in collaboration with Care Partners and the Hub (senior center.) The group will start in October and sign-up will start in September.
- b. **County Board:** Commissioner Mills shared that the Capital Improvement Plan has been approved by the Board of Commissioners with the intent to submit a bonding request to the State of Minnesota. If the bonding is not approved, the Capital Improvement Plan will be revisited. Agreements with the City of Grand Marais are being reviewed deliberatively and intensely, particularly the street and law enforcement agreements. Commissioner Mills noted that there is discussion at the Legislature and State Department of Revenue regarding property tax classifications. The Board of Commissioners will be discussing the preliminary levy.
- c. **Board Members:** Ms. Olson had a conversation with an individual about non-emergency transportation. There have been instances when an individual needs to go to Duluth and they do not need to go by ambulance but they do not have transportation or others are not willing to provide transportation due to their medical condition. Mr. Frykman stated he has been contacted about non-emergency transportation as well. The person was interested in being part of a solution to develop a resource to connect those with needs to the various options that are available. Ms. Wraalstad suggested that those inquiring be referred to Julie Wilson and Christie John at Care Partners. They have spent the last several years developing the Aging Well Resource and this might address the identified needs.

Board Presentation – Rural Emergency Hospital Program – Ralph Llewellyn, Eide Bailly
Mr. Llewellyn is a partner with Eide Bailly in charge of the Critical Access Hospital Division. He provided a brief overview of a new program available to hospitals, Rural Emergency Hospital (REH). The REH Program was created in the Consolidated Appropriations Act of 2021. It is available to Critical Access Hospitals who were in operation as of December 27, 2020. The major provisions of the REH Program applicable to North Shore Health include the ineligibility to provide inpatient care and swing bed service line, ineligibility for the 340B program and the ability to convert back to CAH status. The payment model under the REH Program provides Medicare services reimbursement under the Outpatient Prospective Payment System (OPPS) + 5% and services not covered under OPPS such as lab services, therapy services, and mammography would be reimbursed under the fee schedule. Mr. Llewellyn and his team at Eide Bailly conducted an analysis focused on the change in reimbursement for North Shore Health. They reviewed 100 claims to estimate the change in outpatient reimbursement. The analysis showed that reimbursement would be 29.31% of the current CAH reimbursement. Based upon the 2021 cost report, this would result in a negative change in reimbursement of \$2,299,000. Bad debt would improve with REH conversion by approximately \$2,700. It was also assumed Medicare Advantage reimbursement would also decrease by \$1,069,000. Since REHs will not be eligible to provide inpatient and swing bed services, the loss of inpatient revenue will decrease \$3,710,000. North Shore Health would lose \$249,000 in savings from the 340B pharmacy program. However, REH hospitals will receive a monthly stipend of

\$273,000 and this will result in reimbursement of \$3,209,000. There is limited opportunities to reduce operational expenses so the analysis does not include any decrease in operational expenses. The REH analysis estimates that North Shore Health will experience an additional loss of between \$3,604,000 and \$4,076,000 by converting to a Rural Emergency Hospital.

Financial Reports: Ms. Ericson presented the July 2023 financial statements. The Statements of Net Position, Statements of Revenue and Expenses and Change in Net Position were reviewed. Gross Patient Service Revenue for the month of \$2.164M is 5.99% more than budget. Inpatient, Swing Bed and Home Care revenues are less than budget with Outpatient and Care Center revenues more than budget. Outpatient revenue of \$1.707M is \$163K or 10.57% more than budget. Total Operating Revenue for the month of \$1.913M is 16.67% more than budget. Total Operating Expenses of \$1.905M are 5.76% more than budget. The Net Income from Operations for July 2023 of \$8.5K is \$170K greater than budget. The debt service coverage ratio was reviewed by Ms. Ericson. She noted this ratio uses a rolling twelve month average and the PERA adjustment to the Balance Sheet is included in this calculation. Steve Frykman made a motion to accept the July 2023 financial statements. The motion was seconded by Mary Sanders and the motion carried unanimously.

Old Business:

- a) **Other:** None

New Business:

- a) **2024 Levy:** Ms. Ericson presented the 2023 forecast and reviewed a 2024 pre-budget estimate. The revenue estimates are based upon the annualized 2023 revenue with a 2% increase and contractual adjustments estimated to be 16% of revenue. Operating expenses are expected to increase in all areas, especially salaries, employee benefits, professional fees and supplies. An increase of 30% to 40% in health insurance premiums is likely and double-digit increases in supplies and drugs are being experienced. The additional expense of \$660K for virtual hospitalist physician services and increased emergency department physician services is also included in the increased operating expenses. It was reminded that Medicare reimburses North Shore Health at 99% of allowed costs and the health insurance plans are not increasing their reimbursement anywhere near the level of the increased costs. Without the levy included in the calculations, the net loss is projected to be \$2.5M. An estimated 2024 cash flow statement based on the 2024 pre-budget and various levy amounts were discussed. Options such as not funding depreciation and significantly reducing capital expenditures were discussed as alternatives. Following a lengthy discussion regarding the 2024 levy, Randy Wiitala made a motion to set the levy at \$1,725,000, a \$225,000 increase from 2023. The motion was seconded by Steve Frykman and the motion carried unanimously.

- b) **Other:** None

Management Report:

The Management Report for August 2023 included in the Board materials was reviewed. Specifically highlighted in the report was the Critical Access Nursing Facility application and the strategic planning meeting. Ms. Wraalstad also reported that the Care Center had the annual Medicare survey and biennial State survey from the Minnesota Department of Health during the week of August 14. It is anticipated that the Statement of Deficiencies will be received sometime around September 1.

Adjourn:

A motion to adjourn the meeting was made by Patty Winchell-Dahl and seconded by Steve Frykman. The motion carried unanimously. The next regular meeting will be held on Thursday, September 28, 2023. The September meeting is not on the normal schedule due to the LeadingAge Minnesota annual meeting.

The regular meeting adjourned at 12:40 p.m.

Kay Olson

Chair

Mary E. Sander

Clerk