North Shore HEALTH
COOK COUNTY | MINNESOTA

COOK COUNTY HOSPITAL DISTRICT

BOARD MINUTES FOR AUGUST 20, 2026

Call to Order – Randy Wiitala called the meeting of the Cook County Hospital District Board of Directors to order on August 20, 2026 at 9:05 a.m. at the Schaap Community Center on the Gunflint Trail, Grand Marais, MN.

Recess to Closed Session – Steve Frykman made a motion to recess into closed session permitted pursuant to Minn. Stat. §145.64 subd. 1(d) to discuss decisions, recommendations, deliberations or documentation of a Review Organization and pursuant to Minn. Stat. § 13D.05, subd. 2 to discuss not public medical data. Milan Schmidt seconded the motion and the motion carried unanimously (5-0).

Closed Session Summary – The Quality Improvement/Peer Review Report from July 22, 2026, the Medical Staff Report from July 22, 2026, and a patient complaint were discussed.

Reconvene - The North Shore Health Board reconvened in regular session at 9:37 a.m.

Roll Call
Members Present: Steve Frykman, Milan Schmidt, Sam Usem, Randy Wiitala and Patty Winchell-Dahl

Members Absent:

Others Present: Kimber Wraalstad; Megan Thurston; Jason Yuhas; Michele Silence; David Muhs; Todd Severnak, MD; Greg Ruberg; Kay Olson, Mary Sanders, Doug Sanders, Garry Gamble, Patrick O'Neil, Lori Ericson, and Danielle Hefferan

Mission and Values: Randy Wiitala read the North Shore Health Mission and reviewed the organizational value of Service Excellence to begin the meeting.

Public Comments: Kay Olson offered public comment.

Approval of Minutes for July 23, 2026: Patty Winchell-Dahl made a motion to approve the minutes from the July 23, 2026 meeting as distributed and Steve Frykman seconded the motion. The motion carried with a vote of 4-1. (Ayes - Steve Frykman, Milan Schmidt, Randy Wiitala and Patty Winchell-Dahl. Nays – Sam Usem.)

Unfinished Business:

a) **Board Governance Committee:** Mr. Usem and Mr. Frykman reported that they have met twice since the July Board meeting to discuss the potential governance committee. They have not yet completed recommendations concerning the committee's purpose, structure, membership, objectives, duration, or expected benefit. They discussed including other perspectives in the committee's work and shared they have invited Patrick O'Neil to participate in the next workgroup meeting. Some Board Members requested a more specific recommendation explaining the problems or issues the committee would address, why a committee was needed, and what benefit it would provide to North Shore Health. There was concern about creating an additional committee without a clearly defined scope, work plan, expected outcomes, and measurable purpose. Other Board Members suggested that a more structured governance process could provide a mechanism for addressing Board development and governance responsibilities in greater depth than is practical during regular meetings. Discussion reflected differing views about whether the full Board could perform this work and what topics would appropriately fall within a governance committee's scope. Mr. Usem and Mr. Frykman will continue their work and return in September with more detailed recommendations regarding the potential governance committee.

b) **Board/Administration Relationships:** Ms. Winchell-Dahl reported that she had contacted a potential facilitator regarding a traditional talking-circle process. The individual has not yet agreed to facilitate because they would like time to consider whether the process would be appropriate and might attend the September meeting to observe the Board. The Board discussed the importance of trust among Board members and between the Board and administration, the time required to establish or rebuild trust, and whether work should proceed before or after the November election. There was discussion about beginning the work promptly and continuing one-on-one relationship-building where permitted by the Open Meeting Law. Members also discussed the need to understand the proposed process, its objectives, and the facilitator's cultural and practical considerations. Mr. Wiitala referenced a podcast he had shared regarding organizational trust and suggested that an outside organizational-development resource could be considered if the talking-circle option did not move forward. Board members acknowledged differing definitions and experiences of trust and discussed consistency, follow-through, fairness, and respectful communication. Ms. Winchell-Dahl will continue communicating with the potential facilitator and provide an update at the September Board meeting.

Financial Reports: David Muhs, Interim CFO, presented the July 2026 financial statements. Gross patient revenue was below budget by 104K because of lower volumes; however, contractual adjustments were also 81K below budget, resulting in a total operating revenue that was approximately in line with the budget for the month. Operating expenses exceeded the budget by $205K above budget. North Shore Health reported an operating loss of $221K and a net loss of $84K for July. The year-to-date net loss was $957K, representing an unfavorable variance of $551K compared with the budget. Mr. Muhs reported that North Shore Health received its fiscal year 2025 Medicare settlement. Although an estimated receivable of $175,000 had been recorded, the final settlement was approximately $300,000, resulting in a favorable adjustment. The new Medicare interim rates became effective on August 1, 2026.

Inpatient and swing-bed volumes were somewhat lower for July, although year-to-date swing-bed volume remains ahead of the prior year. The Emergency Department, together with outpatient Laboratory and Radiology volumes were below both the budget and the prior year. The July volume may have been influenced by the wildfires and smoke conditions affecting travel to Cook County. Key financial indicators, year-to-date performance and the financial forecast were also reviewed. Milan Schmidt made a motion to accept the July 2026 financial statements. The motion was seconded by Patty Winchell-Dahl and the motion carried unanimously, 5-0. (Ayes - Steve Frykman, Sam Usem, Milan Schmidt, Randy Wiitala and Patty Winchell-Dahl).

Mr. Muhs provided education on contractual adjustments and Critical Access Hospital reimbursement. He explained that contractual allowances represent the difference between a hospital's standard charges and the amount third-party payers have agreed to pay under established contracts. Contractual adjustments also include bad debt, charity care, and other adjustments. Medicare generally reimburses Critical Access Hospitals at 101% of allowable costs, less the 2% sequestration reduction, resulting in reimbursement of approximately 99% of allowable costs. Interim reimbursement rates are based on prior-year costs and utilization data, with a final cost-report settlement typically occurring seven to eight months after year-end. The reimbursement methodology for Medicaid and commercial insurance plans were also reviewed. Monthly contractual estimates may fluctuate based on payer mix, payment timing, inpatient and outpatient service mix, bad debt, charity care, and other adjustments. North Shore Health reported approximately $60,000 in community and charity care year-to-date. Charity care is based on approved individual applications and may vary significantly from month to month. Medicare skilled-nursing benefit periods and swing-bed eligibility was also discussed. Coverage depends on factors including a qualifying hospital stay, continued need for skilled care, applicable benefit-period requirements, and the circumstances of each clinical episode. Mr. Muhs emphasized the importance of swing-bed utilization to North Shore Health under the cost-based reimbursement model.

New Business:

a) **2027 Levy Request:** Mr. Muhs and Ms. Wraalstad presented a high-level 2027 financial forecast and levy analysis. It was reminded that the Hospital District must decide and certify the levy by September 15, before a complete 2027 budget is available. The forecast therefore used current-year results and reasonable estimates for revenue, wages, benefits, insurance, inflation, capital needs, and other known or anticipated costs. The current levy is $2,182,000. Scenarios modeled levy increases of 0%, 5%, 10%, 12%, and 15%, together with capital-expenditure assumptions of approximately $1.3 million and $1.5 million. At a 0% levy increase and $1.5 million in capital expenditures, the forecast showed negative cash flow of approximately $400,000. A 10% levy increase produced slightly positive cash flow under the $1.3 million capital scenario. Because countywide taxable market value increased approximately 7%, a 10% levy increase would not necessarily result in a 10% increase for an individual taxpayer. The effect would depend on changes in the assessed value of the taxpayer's property. The Rural Health Transformation Program was excluded from the operating forecast because its funds must support approved expansion activities and are reimbursement-based; they cannot replace existing operating expenses. Ms. Wraalstad stated that a conservative grant revenue assumption was used because grants vary from year to year and cannot be guaranteed. Recent larger awards included the Rural Hospital Capital Improvement Grant and an EMS grant. Healthcare inflation, uncertainty in federal and state reimbursement, workforce and

benefit costs, the need to maintain positive cash flow, capital investment, grant opportunities, and the community impact of the levy were discussed. Board Members emphasized sustaining and expanding essential services, including diagnostic and specialty services, and maintaining long-term financial stability. Mr. Usem requested additional time to consider the levy and suggested a special meeting before September 15; other members supported acting at the present meeting. Milan Schmidt made a motion to accept the Finance Committee's recommendation for a 10% increase in the 2027 levy. The motion was seconded by Patty Winchell-Dahl and the motion carried unanimously with a vote of 5-0. (Ayes - Steve Frykman, Sam Usem, Milan Schmidt, Randy Wiitala and Patty Winchell-Dahl).

Big Rocks/Strategic Plan Discussion:

The Board reviewed progress on the three strategic priorities:

a. Priority 1 - Establish the most effective and useful strategic partnerships and relationships. Ms. Wraalstad reported that no substantive update on the strategic-partnership priority during the last month.

b. Priority 1A - Electronic Health Record (EHR) platform selection. Ms. Wraalstad reported that the revised Rural Health Transformation Program (RHTP) proposal included approximately $90,000 to engage outside expertise for electronic health record evaluation and selection. The anticipated scope would include comparing platform functionality, identifying potential community connect partners, evaluating implementation considerations, and determining total cost of ownership. Because RHTP is reimbursement-based and expenditures made before contract execution may not be eligible, North Shore Health is waiting for the Minnesota Department of Health contract before committing grant-funded expenditures. Ms. Wraalstad stated potential firms are being identified and have also engaged Scaled Health on a three-month basis for fractional chief information officer support. It was discussed whether preliminary work could begin before the consultant engagement, including documenting clinical and operational use cases, interface needs, decision criteria, and stakeholder priorities. Mr. Usem stated that with his professional expertise, he could guide the process. Members differed on the appropriate boundary between Board input and Administration's operational responsibility. Mr. Wiitala stated that outside expertise should guide the selection and that the Board's role is to provide resources, oversight, and questions rather than lead the project.

c. Priority 2 - Attract and retain the best talent and develop succession plans. Michele Silence reported that current Human Resources capacity has been largely focused on the implementation of the UKG system. However, there has been communication with two potential consultants and meetings have been held with them to clarify North Shore Health's requested scope for developing a succession-planning framework and plan; however, neither consultant has submitted a proposal. There was a discussion regarding the distinction between establishing an organizational framework and completing position-specific succession plans for department leaders, administrative leaders, and the CEO. Ms. Wraalstad reported that the third-quarter target would not be met. Ms. Silence noted that the dates established during strategic planning had been understood as goals rather than firm deadlines and that the accelerated UKG implementation timeline has affected the work schedule.

d. Priority 3 - Update the safety net plan for the care center. Ms. Wraalstad reported no new development beyond the swing-bed initiative. She explained that the effort to

expand swing-bed capacity and reimbursement has been pursued as the primary financial safety-net strategy for the Care Center, along with continued support through North Shore Health's general operations. There was a discussion whether additional strategies should be evaluated, including creation of a foundation. It was suggested that education regarding the legal, financial, governance, cost-report, and administrative implications of creating a foundation or dedicated fund could be provided at a future meeting.

Management Report:
The August 2026 Management Report, included in the Board materials, was reviewed. In response to Mr. Usem's request for additional information regarding the Bunkhouse, Ms. Wraalstad reported that the roof replacement and stair reconstruction had been completed and that materials were available for the interior renovations. Maintenance plans to complete the upstairs bedrooms and bathrooms before proceeding to the lower level, with work continuing as staff capacity allowed. There is not a completion timeline for the remodel of the Bunkhouse. Currently there are five current occupants with capacity for two additional occupants at this time. Mr. Usem commented on the scope and pace of the renovations and questioned whether the work should be managed as a capital project and completed by an outside contractor. Mr. Usem stated that he was told that a temporary staff person was staying in the Care Center. Ms. Wraalstad and Ms. Silence stated that no temporary staff were staying in the Care Center. Following the meeting, it was subsequently clarified that a temporary staff member had stayed briefly in the Hospital until a consistent room became available in the Blue House. There were no further questions regarding the August Management Report.

Adjourn:
A motion to adjourn the meeting was made by Patty Winchell-Dahl and seconded by Milan Schmidt. The motion carried unanimously, 5-0. (Ayes - Steve Frykman, Sam Usem, Milan Schmidt, Randy Wiitala and Patty Winchell-Dahl).

The next regular meeting will be held on September 24, 2026 at the Grand Portage Ferry Terminal in Grand Portage.

The regular meeting adjourned at 12:17 p.m.

Chair _____ **Clerk** _____