

**MINUTES
HUTCHINSON CITY COUNCIL
SPECIAL MEETING
THURSDAY, AUGUST 26, 2004, 5:30 P.M.**

1. **CALL TO ORDER – 5:30 P.M.**

Mayor Marlin Torgerson called the meeting to order. Members present were Kay Peterson, Jim Haugen, Bill Arndt and Casey Stotts. Others present were Gary Plotz, City Administrator and Marc Sebor, City Attorney.

2. **NEW BUSINESS**

(a) DISCUSSION OF PRIVATIZATION OF HUTCHINSON COMMUNITY HOSPITAL

Steve Snapp, Chair of the hospital board, presented before the Council. Mr. Snapp explained that during the last few years, the hospital board has discussed how to stay competitive in the medical field. One growing trend of city-owned hospitals is to be operated privately. The hospital board is just starting to explore this idea and feels it is appropriate to present this preliminary idea to the City Council.

Phil Graves, CEO Allina, presented before the Council. Mr. Graves provided historical information which included the fact that the hospital was acquired by the city in 1967. Mr. Graves explained that current challenges for the hospital and the medical field in general include changes in reimbursement structures, consolidation of industry, proliferation of niche providers, increased specialization of providers, difficulty recruiting specialty physicians and advances in technology/costs. Mr. Graves requested that at the end of the presentation, the Council guide the hospital board with how to proceed.

Tom Schroeder, Faegre & Benson, presented before the Council. Mr. Schroeder represents the hospital on this matter. Mr. Schroeder reviewed nationwide trends of public hospitals. These trends include an overall decrease of public hospitals in the United States since 1985. The main reasons for the motivations of such conversions were to avert financial difficulties, public sector constraints on competition, governments unwilling to subsidize failing hospitals and to create success stories in the local market. Mr. Schroeder reminded the Council that the mission of Hutchinson Area Health Care is to continue to serve charitably as a non-profit organization to the community.

Mr. Schroeder further shared a list of pros and cons of the hospital becoming a private entity. The pros included eliminating competitive handicaps, increasing integration opportunities, streamlining governance and reducing city's financial, legal and political liability exposure. The cons included reducing the City's control, less favorable bond financing rates, no government immunity, no state purchasing discounts and loss of access to certain city resources.

Mr. Schroeder illustrated a model of what conversion would look like for the City of Hutchinson which would include incorporating it to a nonprofit corporation under Minnesota Statute 317A and obtain federal income tax exemption under 501(c)(3). If the hospital would become private, the City's role could range from big to small. The City could be a contractor for management services, lessor of assets subject to use restrictions and/or a donor/transferor of assets. Information was also presented on a model of an integration with physicians.

Mr. Schroeder suggested that a task force be created consisting of representatives from the hospital, the city and the public to discuss this issue.

Mayor Torgerson stated that he has received questions from citizens inquiring as to whether or not the cost of health care will change if the hospital becomes private. Mayor Torgerson also inquired as to what dissolution specifically means. Tom Schroeder explained that if the hospital would dissolve, the assets would need to be turned over to the City or to another charitable organization. Mayor Torgerson also inquired about the idea of a hospital moving assets to another community claiming there is not adequate business in the current

community. Mr. Schroeder explained that the Minnesota Attorney General's office would oversee hospitals established under Minnesota Statute 317A and would not allow such type of activity.

Kay Peterson asked for Mr. Schroeder to explain why the hospital would be more competitive if it was private as opposed to public. Mr. Schroeder explained that the main reason is due to strategic planning and marketing plans that are currently exposed publicly. These plans are presented to competitors because it is public information, which ultimately gives competitors the upper hand. Mr. Graves gave the example of the hospital's plans for senior care, which have been upstaged by a private developer.

Wayne Fortun, hospital board member, presented before the Council. Mr. Fortun reminded the Council that the hospital is currently run extremely well and is remaining competitive. Mr. Fortun expressed that in the future of the medical field, hospitals need to be regional providers. This also means that because the medical field is becoming so technologically advanced, competitors are aware of planned advances of a public hospital and then can implement the same type of advances before a public hospital is able to. Mr. Fortun expressed that the main reason for the idea of privatization is due to remaining competitive in the market, which would not allow competitors to be made aware publicly of the hospital's long term strategic plans.

Phil Graves stated that hospital employees have asked questions related to their retirement plan and insurance. These are all questions that will be addressed through future discussions.

Phil Graves suggested that the proposed task force be a panel of nine members made up from the hospital board, City Council/staff and the public.

Jim Haugen asked if there is a timeline being considered by the hospital board. Phil Graves stated there is no set timeline, but sooner would be better than later.

Casey Stotts stated that he feels the main question of the public is "what's in it for me" and that will have to be specifically detailed for them.

Mr. Graves explained that a private model of the hospital would only enhance health care for the community.

A task force will be appointed at the September 14, 2004, City Council meeting.

Ken Jensen, citizen, presented before the Council. Mr. Jensen suggested that the local newspaper be used as a tool to inform the public of the benefits of this private model. Mr. Jensen voiced that a private hospital would be an overall benefit to the community. Mr. Jensen also stated that the destiny of the hospital, whether public or private, is really in the hands of the hospital administrator. Mr. Jensen has concerns about replacing the current administrator, Phil Graves, when he retires.

A citizen inquired as to who would choose the next administrator if the hospital becomes private. Mr. Schroeder explained that the community-representative board of the hospital would select the next administrator.

3. **ADJOURN**

With no further business to discuss, the meeting adjourned at 6:45 p.m.