

**WORTHINGTON CITY COUNCIL
SPECIAL MEETING, DECEMBER 3, 2007**

The meeting was called to order at 7:00 p.m. by Mayor Alan E. Oberloh in the Farmers Room of the Nobles County Government Center with the following members present: Mike Kuhle, Lyle Ten Haken, Bob Petrich, Mike Woll, Ron Wood.

Staff present: Joseph Parker, City Administrator; Janice Oberloh, City Clerk; Brian Kolander, Finance Director; Mike Cumiskey; Public Safety Director; Mark Shepherd, City Attorney.

Others present: Darrell Stitt, KWOA; Beth Namanny and Ryan McGaughey, Daily Globe; Mel Platt, Bruce Viessman, and Jeff Rotert, Worthington Regional Hospital; Worthington Regional Hospital Board of Trustees (Dave Jueneman, President); Becky Nelson, Ed Weiland, Dr. Dan Blue, Kim Patrick, Nate White Mark Johnston, Dr. Harder, Evan Burkett, all representing Sanford Health; a large number of interested citizens.

Because of the large number of people attending the meeting, Mayor Oberloh noted a few ground rules in order to move the meeting along in an orderly fashion.

PRESENTATION FROM STROUDWATER ASSOCIATES - WORTHINGTON REGIONAL HOSPITAL

Dave Jueneman, President of the Worthington Regional Hospital Board of Trustees, introduced himself and the other members of the Board, and gave a brief background on how we got to this point and the relationship with Sioux Valley established in 1996. Mr. Jueneman reviewed a list of challenges facing rural hospitals, the criteria set by the Hospital Board for consideration of any affiliation, and why Sanford is the preferred partner.

Mr. Jueneman introduced Sanford Health and Stroudwater Capital representatives. David Whelan, President of Stroudwater Capital, presented the analysis of the Sanford Health offer to purchase Worthington Regional Hospital. The analysis included reasons for considering an affiliation; a market analysis on demographics, competitors, hospital patient origin for CY 2004, and market share; an operational overview covering patient volumes and financials; debt capacity; hospital valuation summary (the value range for the hospital is \$14 to \$24 million); and key criteria for an affiliation.

The Sanford Offer to purchase the hospital was then reviewed. The proposal listed the top priorities of Sanford Health for the Worthington Hospital as (1) Expand healthcare services (2) Reduce out-migration (3) Regional standing - make it a regional referral center (4) Maintain long-term financial viability of the hospital, and (5) Recruit new specialist physicians to the community. Sanford Health offers to purchase the net tangible assets of the hospital for \$21,000,000 plus the purchase price of the Cancer Center of \$3,415,197, for a total purchase price of \$24,425,197. Worthington Regional Hospital will also retain cash, investments, cash equivalents and accounts receivables, totaling \$9,366,0902 as of October 31, 2007, which will be adjusted to the actual amounts as of the closing date. The Hospital Board voted unanimously to accept the purchase proposal from Sanford Health

at their November 26, regular meeting, for presentation to City Council on December 3rd.

Alderman Wood asked about the Public Employees Retirement Issue when those employees would no longer be public employees, especially those who were eligible for the Rule of 90 under that retirement system. Jeff Rotert, Assistant Administrator/Director of Ancillary Services Worthington Regional Hospital, responded saying the private service years will count toward that rule. Hospital staff will be meeting with PERA representatives in the next few days. Alderman Ten Haken questioned the lack of Avera's involvement in the process when they are a significant health care provider in Worthington.

Council questioned Sanford representatives with several concerns they had received from constituents including doctor recruitment and competitiveness, and the perceived push to get this deal done in a short time line. Mayor Oberloh opened the floor for questions and comments with the following received:

Dr. Salama - has been here over 30 years and has worked with both facilities, why hasn't the Hospital Board ever been to City Council to tell them they can't pay their bills? What about Avera's employees other than the doctors?

Karen Molitor - will her physician from Avera still be able to take care of her in the hospital? And will she have the option to transfer to somewhere other than Sioux Falls if she chooses?

Dr. Barden - this alignment will help Sanford recruitment of Doctors but not Avera - why not a joint venture with the City owning 34% and Avera and Sanford each owning 33%.

Cheryl Avenel-Navara - who's going to make sure they follow through on their promises?

Dr. Harris - where will the doctors they're going to recruit be living, in another community?

John Sieve - Sanford Clinic has eight physicians to Avera's 19 - look at the comparative admission rate, and why was this conducted "under the radar"?

Dr. Bolisajian - Regarding their plans to bring in specialty doctors - specialty care is already here.

Gary Hoffman - has been a Hospital Board member since 2000, and served on the Health Care Foundation Board prior to that. Ten years ago the hospital charged off \$15,000. This year they charged off \$100,000.

Dr. Nalla - the Avera doctors have been very supportive of the hospital, why open it up the Sanford when they haven't been as supportive as the Avera clinic?

Steve Perkins - (from Luverne) was chair of the governing board of the Luverne Hospital prior to it going over to Sanford- lots of similarities between them and what we're going through now. The vast majority of their employees now feel the sale of the Luverne Hospital to Sanford was a good deal. Sanford made an investment in Luverne the community couldn't have possibly done on their own. Allowed the community to make the decision on the location of their new facility.

Kelly Van Grouw - No one is arguing an affiliation needs to be made but Worthington has a gem, the community hospital. A joint venture with Sanford/Avera/and the City wouldn't be easy but it could be done.

Becky Nelson, Senior Vice President and Chief Operating Officer for Sanford Health, thanked the Council, and the Regional Board of Trustees for the work they've done in the past 18 months, and asked Council to consider this proposal seriously, and if they see fit, agree to the proposal.

Alderman Petrich thanked everyone for their calls and letter.

ADJOURNMENT

The motion was made by Alderman Kuhle, seconded by Alderman Ten Haken and unanimously carried to adjourn the meeting at 8:52 p.m.

Janice Oberloh
City Clerk