University of Minnesota Health System

Affiliated Clinics, Inc.

Board of Directors Meeting
August 19, 1994

University of Minnesota Health System
Affiliated Clinics, Inc.
420 Delaware St. S.E. Box 704
Minneapolis, MN 55455
Telephone: (612) 626-5559
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University of Minnesota Health System
Affiliated Clinics, Inc.
("UMHSAC")
8/19/94 Meeting of the Board of Governors

AGENDA

1. **Approval of 7/22/94 Minutes**

2. **Status of UAFP Management Services Agreement**

3. **Staub Pediatric Clinic,** ***one of the University of Minnesota Health System Affiliated Clinics*** **(8/1/94)**

4. **Heights Medical Clinic,** ***one of the University of Minnesota Health System Affiliated Clinics*** **(9/15/94)**

5. **Rush City Clinic**

6. **Hinckley Clinic**

7. **Central Internal Medicine, P.A. Purchase Offer**

8. **Wadena Medical Center, Ltd. Purchase Offer**

9. **Practice Acquisition Status**

10. **Financial Statements (at Closing)**

11. **Next Meeting Date September 23, 1994**

University of Minnesota Health System
Affiliated Clinics, Inc.
("UMHSAC")
8/19/94 Meeting of the Board of Governors

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UNIVERSITY OF MINNESOTA
HEALTH SYSTEM AFFILIATED CLINICS, INC. ("UMHSAC")
Minutes of the 7/22/94 Meeting of the Board of Directors

Attendees

In Person

Patrick Board
Michael Fay
Clifford Fearing
Helen Pitt

Non-Director Attendees

Keith A. Dunder, Hospital Counsel
Stephen C. Grygar, UMHC Finance Department
Thomas J. Doyle, Attorney

Location

The Board Room of the University of Minnesota Hospital & Clinic (in Room C-361 of the Mayo Building, Harvard Street at East River Road, Minneapolis, Minnesota).

Order of Business

Cliff Fearing called the meeting to order at 7:43 o'clock a.m., pursuant to prior notice, after all attendees other than Mr. Board were present. All directors had received the Agenda, and packet including the minutes of the June 17, 1994 meeting of the Board of Directors, specific reports on Staub Pediatric Clinic, Heights Medical Clinic (Palen Clinic), Rush City Clinic, Hinckley Clinic, Central Internal Medicine, P.A. and Wadena Medical Center, Ltd., and a more general report on Practice Acquisition Status (collectively the "Directors' Packet").

1. **Approval of 6/17/94 Minutes.** Cliff Fearing called for any changes to the minutes of the meeting of the Board of Directors on June 17, 1994. Hearing none, he called for approval. Helen Pitt moved approval of the minutes of the June 17, 1994 meeting as presented to the directors, Mike Fay seconded that motion, and all three directors present voted in favor of approval. Pat Board arrived immediately following that vote.

2. **UAFP Contract.** Steve Grygar reported that he had on July 21 received the proposed final draft of the Management Services Agreement between University Affiliated Family Physicians - University of Minnesota P.A. ("UAFP") and UMHSAC, pursuant to which UMHSAC will obtain clinic management services from UAFP. He advised that this contract seemed acceptable to him, but had not yet been reviewed by counsel for UMHSAC. Some questions were asked about the term of the Management Services Agreement and its termination provisions. The directors were advised that the Agreement has a minimum term of one year, after which it is to automatically renew for additional one-year periods, and that the Agreement may be terminated on 180 days' prior notice (absent breach) or upon 30 days' prior notice of a material breach of the Agreement, if the breach is not cured within that 30-day time. It was

pointed out by Mr. Fearing that in essence the Agreement is a 18-month agreement, which was acknowledged as the practical consequence of these termination provisions. The question was asked whether the contract establishes an exclusive relationship with UAFP for clinic management services. The answer was that it does not.

Steve Grygar advised the directors that UAFP personnel (particularly its human resources personnel) are already in use by UMHSAC, in planning for the operations of clinics at sites from which Staub Pediatric Group now operates.

3. **Practice Acquisition Status.** Steve Grygar next reported on the status of proposed acquisitions and other transactions, as summarized in the clinic-specific reports and the Practice Acquisition Status report (a copy of each of which was contained in the Director's Packet). Mr. Grygar's report may be summarized as follows:

(a) Staub - With respect to Staub Pediatric Clinic, Steve Grygar reported that UMHSAC was planning to acquire the assets of Staub Pediatric Group as of August 1, 1994; and commence operations at its sites from and after that date. Steve summarized activities in preparation for that August 1 transition date, as also reflected in the report in the Directors' Packet. Steve was asked if there would be a "clean break" between Staub Pediatric Group, P.A. and UMHSAC, as far as accounts receivable. Steve advised that although UMHSAC would temporarily use some of the same service providers as Staub Pediatric Group, P.A. had in tracking accounts receivable, there would be a clean break in that all post 7/31/94 accounts receivable could be identified and would belong to UMHSAC. Tom Doyle supplemented Steve Grygar's report by reporting on discussions he had had with James Gaynor of McDermott, Will & Emory and James Pizzo of Ernst and Young, regarding legal and valuation issues, and the favorable reactions from both of them. Mike Fay asked about the adjustment to the purchase price payable to Dr. Staub due to Pamela Heggie's resignation. Tom Doyle explained how that adjustment was factored into the Promissory Note to be given to Dr. Staub, as a contingent adjustment based on potential recruiting expenses or potential revenue shortfall for the 12-month period to end July 31, 1995, with a maximum potential adjustment to Dr. Staub of $30,000.

(b) Palen - Steve Grygar then reported on negotiations with Palen Clinic, P.A., for acquisition of its assets (and subsequent operation by UMHSAC of clinic sites to be known as Heights Medical Clinic). The Directors' Packet included a summary of the staus of particular items. Tom Doyle reported that documents were under negotiation with Palen Clinic's attorney, with a meeting scheduled for August 3, 1994, but that preliminary indications were that there would be no major problems with the documents. Tom Doyle also noted that Palen Clinic had asked that the dependent of a former employee be allowed to continue the practice she has with Palen Clinic, after acquisition of its assets by UMHSAC, of

purchasing medical insurance coverage. She has asked to be included in UMHSAC's group, although she would pay the entire cost of coverage. Tom advised the Directors of his response that this was issue up to UMHSAC's group insurer, and that on receipt of necessary information from Palen Clinic, the matter would be referred to the insurer.

(c) Rush City Clinc - Steve next reported on the status of the proposed Rush City Clinic. He advised that UMHSAC had begun its analysis for determining the size of the proposed new clinic, and that the City of Rush City had hired an accountant to assist the negotiating team (which the City has appointed) with a target date of mid-August for commencement of negotiations. In response to the question as to what would be the topics of negotiations, it was speculated that it would be economic terms, possibly matters with respect to additional or ancillary services, and possibly terms of the proposed management contract. There was some discussion of the management contract, and it was pointed out that UMHSAC was proposing to enter into a management contract with the existing Rush City Hospital and Clinic, to ensure a smooth transition of service to the new clinic once it is built (on the understanding that the existing Hospital and Clinic will then be closed by Rush City).

(d) Hinckley Clinic - Steve Grygar next turned to a report on Hinckley Clinic. He advised the Directors that the Mille Lacs Band of Ojibwe wants a higher return on investment, and that the Band had hired Ryan Construction to advise it. Discussion turned to the size of the site that will be selected for the Hinckley Clinic. The general consensus of the Board of Directors seemed to be that a larger site (perhaps in the area of 40 acres) should be selected, if possible, so as to accommodate possible future expansion/diversification into other areas (such as long-term care), if warranted by community needs. Steve Grygar was directed to put together information on options available for clinic sites in or around Hinckley.

Steve also advised the Directors that the Mille Lacs Band of Ojibwe had asked UMHSAC to assist them in restructuring the health care coverage for Hinckley Casino employees. It was suggested that UMHSAC contact at least a couple payors to obtain bids on a medical plan that would provide coverage and involve the Hinckley Clinic as a gatekeeper.

[Director Pat Board had to leave during the Practice Acquisition Status report, following the discussion regarding Hinckley Clinic.]

(e) Central Internal Medicine and Wadena Medical Center - Steve Grygar reported on the proposed offers to Central Internal Medicine and Wadena Medical Center. Summaries of the terms of the proposed acquisition of the assets of each,

and employment of physicians, and a copy of the proposed "offer letter" to each, was included in the Directors' Packet. In response to an inquiry from Cliff Fearing, Steve reviewed the methodology for evaluating each clinic, which in turn was the basis for formulating a proposed offer. Helen Pitt asked questions regarding the impact of different specialties, as between different clinics. It was explained that different specialities generate different revenues and have different productivity, which affect value. Tom Doyle noted to the Directors a "rule of thumb" that had been expressed by Jim Pizzo of Ernst & Young, that intangible value of clinics generally falls within a range of between $125,000 and $300,000 (maximum) per physician. It was noted that the amounts which UMHSAC is proposing to pay for practice value of Central Internal Medicine and Wadena Medical Center fall at the very low end of this range, when practice value payments that are deferred for the future are discounted to present value. (Indeed, it would seem that the amounts to be proposed may even be below the low end of the range.) A motion was made by Mike Fay, and seconded by Helen Pitt, and approved by all three directors then present, to proceed with offers to acquire the assets of Central Internal Medicine, P.A. and Wadena Medical Center, Ltd., along the lines of the reports and proposed offer letters in the Directors' Packet, but with the officers of UMHSAC being authorized to make such adjustments to the terms of the proposed offers as in their reasonable discretion they deem appropriate (including without limitation the prospect of increasing the amount to be offered Wadena Medical Center in respect of its practice value), so long as within recognized valuation and other parameters, as judged by the officers from their own experience and with input from independent evaluation and other advisors.

(f) Other Clinic Possibilities - Steve Grygar then reported in more general terms on other clinic practice acquisition possibilities. Grand Rapids and Granite Falls were mentioned as possibilities but without any further information at this point. A summary was given to the Directors of the July 20, 1994 meeting between officers of UMHSAC and representatives of Mesaba Clinic. An overview was given of the business plan put forward by Mesaba Clinic for consideration by UMHSAC in judging the potential value of Mesaba Clinic. There was also general discussion with respect to Columbia Heights Medical Group as a group that may have some interest in an affiliation of some sort with UMHSAC.

Following the report and discussion on proposed and potential acquisitions, Mike Fay asked whether UMHSAC should have a strategic plan. In response, it was noted that The University of Minnesota Health System, the sole corporate member of UMHSAC, was undergoing some strategic planning at its Board of Governors level, over the next few weeks. It was determined by consensus that UMHSAC should also have some sort of strategic planning retreat a couple of months from now, after UMHSAC has (hopefully) completed the acquisition of assets of Staub Pediatric Group, P.A. and Palen Clinic, P.A., and has a better idea of the

potential for acquisition of assets from Central Internal Medicine and Wadena Medical Center and possibly one or more other clinics, and has some greater clinical operating experience. General thoughts for the retreat were that it should start out with an overview of integrated delivery systems operating in the State of Minnesota, and then from that try to focus on the direction(s) UMHSAC should be pursuing.

4. **Next Meeting.** The next meeting was set for Friday, August 19, 1994, at 7:30 o'clock a.m. in the same location, and that date, time and location were announced.

There being no further business to come before the meeting, the meeting adjourned at approximately 9:06 o'clock a.m.

Respectfully submitted,

Keith A. Dunder, Secretary of University of Minnesota Health System Affiliated Clinics, Inc.

The foregoing minutes were approved by the Board of Directors of UMHSAC at their meeting of August 19, 1994.

Keith A. Dunder, Secretary of
University of Minnesota Health System
Affiliated Clinics, Inc.

UMHSAC Practice Acquisition Status

Version: 16-Aug-94

	Phase I				Phase II		Phase III		Phase IV	Phase V
	(A)	(B)	(C)	(D)	(A)	(B)	(A)	(B)		
Staub Pediatric Group	X	X	X	X	X	X	X	X	X	X
Palen Clinic	X	X	X	X	X	X	X	X	X	9/15/94
Hinckley (New Clinic)	X	X	X	X	X	X	X			
Rush City Clinic	X	X	X	X	X	X	X			
Pine City Clinic	X	X	X	X						
Grand Rapids	X	X								
Wadena Medical Center	X	X	X	X	X	X				
Central Internal Medicine	X	X	X	X	X	X	X			
Mesaba Clinic	X	X	X	X	X	X	X			
Granite Falls	X	X								
Mankato										
Mesabi Regional Medical Cntr										

Definitions:

Phase I (A)	***Introductory Meeting***
Phase I (B)	***UMHSAC follow-up***
Phase I (C)	***Clinic Confirmation; UMHSAC originated Letter-of-Intent, Micro-process outline, detailed financial information request***
Phase I (D)	***Information receipt by UMHSAC***
Phase II (A)	***Tangible and Intangible Valuations (Bldg, Eqpt & Practice)***
Phase II (B)	***UMHSAC offer presentation***
Phase III (A)	***Offer Negotiation***
Phase III (B)	***Offer Agreement***
Phase IV	***UMHSAC Due Diligence***
Phase V	***Closing***

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University of Minnesota Health System
Affiliated Clinics, Inc.

Balance Sheet
August 1. 1994

	Staub Pediatric Clinic	UMHSAC Administrative	Consolidated Total
Cash - Checking	59,199.53	18,332.81	77,532.34
Cash - Savings	263,423.47	81,576.53	345,000.00
Total Cash	322,623.00	99,909.34	422,532.34
Intangible Asset - Staub Pediatric Clinic	227,800.00	0.00	227,800.00
Fixed Assets			
Equipment - Fridley	43,650.00	0.00	43,650.00
Equipment - Shoreview	9,715.00	0.00	9,715.00
Total Fixed Assets	53,365.00	0.00	53,365.00
Total Assets	**$603,788.00**	**$99,909.34**	**$703,697.34**
Liabilities			
Working Capital Loan Payable	325,000.00	0.00	325,000.00
Equipment Loan Payable	53,365.00	0.00	53,365.00
Practice Payable	227,800.00	0.00	227,800.00
Total Liabilities	606,165.00	0.00	606,165.00
Fund Balance	(2,377.00)	99,909.34	97,532.34
Total Liabilities and Fund Balance	**$603,788.00**	**$99,909.34**	**$703,697.34**

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September 22, 1994

TO: Pat Board
Tom Doyle
Keith Dunder
Clifford Fearing
Helen Pitt

FROM: Steve Grygar Steve

Attached please find material for the Friday, September 23, 1994, UMHSAC Board meeting. The meeting is scheduled for 7:30 - 9:00 in room C-361 Mayo.

Attachment

University of Minnesota Health System

Affiliated Clinics, Inc.

Board of Directors Meeting
September 23, 1994

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University of Minnesota Health System
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9/23/94 Meeting of the Board of Governors

AGENDA

1. **Approval of 8/19/94 Minutes**
2. **Status of UAFP Management Services Agreement**
3. **Heights Medical Clinic, *one of the University of Minnesota Health System Affiliated Clinics* - Closing Status**
5. **Rush City Clinic - Transaction Status**
6. **Hinckley Clinic** - Planning Status
7. **Central Internal Medicine, P.A. Purchase Offer (9/13/94)**
8. **Wadena Medical Center, Ltd. Purchase Offer (8/04/94)**
9. **Practice Acquisition Status**
10. **August, 1994 FYTD Financial Statements**
11. **Physician Director**
12. **Next Meeting Date October 21, 1994**

University of Minnesota Health System
Affiliated Clinics, Inc.
("UMHSAC")
9/23/94 Meeting of the Board of Governors

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In Person

Patrick Board
Michael Fay
Clifford Fearing

Non-Director Attendees

Keith A. Dunder, Hospital Counsel
Stephen C. Grygar, UMHC Finance Department
Thomas J. Doyle, Attorney

Location

The Board Room of the University of Minnesota Hospital & Clinic (in Room C-360 of the Mayo Building, Harvard Street at East River Road, Minneapolis, Minnesota).

Order of Business

Cliff Fearing called the meeting to order at 7:35 o'clock a.m., pursuant to prior notice, after all attendees were present. All directors had received the Agenda, and packet including the minutes of the August 19, 1994 meeting of the Board of Directors, a general report on Practice Acquisition Status and UMHSAC's balance sheet as of August 1, 1994 (collectively the "Directors' Packet").

1. **Approval of 7/22/94 Minutes.** Cliff Fearing called for any changes to the minutes of the meeting of the Board of Directors on July 22, 1994. Hearing none, he called for approval. Pat Board moved approval of the minutes of the July 22, 1994 meeting as presented to the directors, Mike Fay seconded that motion, and all directors present voted for approval.

2. **UAFP Contract.** Steve Grygar reported that he had been promised the final Management Services Agreement between University Affiliated Family Physicians - University of Minnesota P.A. ("UAFP") and UMHSAC, pursuant to which UMHSAC will obtain clinic management services from UAFP, for Monday, August 22, 1994. He advised that UAFP personnel (particularly its human resources personnel) are already in use by UMHSAC, in managing operations of clinics at sites from which Staub Pediatric Group now operates, and that UMHSAC and UAFP are coming to an understanding as to the division of work between them.

3. **Clinic-Specific Reports and Practice Acquisition Status.** Steve Grygar next reported on the status of proposed acquisitions and other transactions, as summarized in the

clinic-specific reports and the Practice Acquisition Status report (a copy of each of which was contained in the Directors' Packet). Mr. Grygar's report may be summarized as follows:

(a) Staub - With respect to Staub Pediatric Clinic, Steve Grygar reported that UMHSAC had acquired the assets of Staub Pediatric Group as of August 1, 1994, and commenced operations at its sites on that date. Steve advised the directors that he was working with Dr. Staub to determine the final adjustments so as to compensate Dr. Staub fairly for prepaid items and other items that will benefit UMHSAC. In response to questions, Steve further advised the directors of the following points:

i) Four physicians and five or six non-physician employees work for UMHSAC and Staub Pediatric Clinic;

ii) Dr. Pamela Heggie, who is now an employee of Minneapolis Children's Medical Center, is providing some coverage services, and UMHSAC likely will hire some "moonlighters" to provide coverage services;

iii) UMHSAC will look into malpractice coverage as to Dr. Heggie and moonlighters," to ensure they are covered.

Tom Doyle advised the directors that his office is looking into the retrospective expenditure reporting with respect to the acquisition of assets of Staub Pediatric Group, P.A. He advised that since the binding agreement was entered into on July 29, 1994, his understanding was that UMHSAC would have 60 days to do any required retrospective expenditure reporting. Tom also advised the directors that his office was preparing the application to the Internal Revenue Service for recognition of tax-exempt status of UMHSAC, and that it seemed an appropriate time to submit that in the near future now that the acquisition of assets of Staub Pediatric Group, P.A. was complete (so that a complete application could be made). Some questions were asked of Tom as to the likelihood and timing of obtaining recognition of tax-exempt status, to which he responded.

(b) Palen - Steve Grygar then reported on negotiations with Palen Clinic, P.A., for acquisition of its assets (and subsequent operation by UMHSAC of clinic sites to be known as Heights Medical Clinic). Steve advised that UMHSAC is aiming for a September 15, 1994 closing.

4. **Long-Range Planning.** Cliff Fearing then stated that he wanted to discuss some long-range planning issues before moving on to reports as to other specific clinic acquisitions. Cliff reported on the long-range direction of the Board of Governors of The University of Minnesota Health System ("UMHS") in terms of affiliations with clinics and other providers. for the information of the UMHSAC Board of Directors. That report may be summarized as follows:

(a) UMHS management will take to the UMHS Board of Governors the possibility of some acquisition of or affiliation with clinics in Virginia and Grand Rapids, Minnesota, as part of the Board of Governors' previously articulated desire to develop an Iron Range health care network;

(b) UMHS management believes that an acquisition of a clinic in Mankato may present good opportunities for UMHS to further its mission of service, education and research, given an existing good rapport between the physicians in that clinic and UMHS and physicians on the faculty of the University of Minnesota Medical School;

(c) In the Twin Cities metropolitan area, Columbia Park Medical Group has expressed an interest to UMHS management in some affiliation with UMHS. Columbia Park Medical Group ("CPMG") has expressed a desire to participate in a comprehensive residency program with the University of Minnesota Medical School. CPMG's existing staffing would permit the opening of a new clinic in a part of the metropolitan area that is in need of service that is more convenient for its patients, and cooperation between CPMG and UMHS in that respect could allow UMHS to further its service mission. In addition, there are other possible synergies that might be brought to bear in some affiliation between CPMG and UMHS that would allow for greater efficiency in delivery of patient care, and thus hoped-for lower costs.

Cliff Fearing next led a report on the status of negotiations between UMHS and Mesaba Clinic in Hibbing, Minnesota. Cliff Fearing gave a general overview and then asked Tom Doyle to report on some of the details of the terms of an offer made by UMHS to Mesaba Clinic, and possible variations on that offer that were being considered and discussed. Significant time was spent on the tax consequences to all parties concerned of an acquisition, and the differences between an acquisition of equity and an acquisition of assets.

Following this presentation, Cliff Fearing had to depart for a previously scheduled meeting. Steve Grygar assumed the chairmanship of the meeting.

5. Practice Acquisition Status - Continued.

(a) Rush City Clinic - Steve Grygar next reported on the status of the proposed Rush City Clinic. Steve had recently met with Rush City Clinic representatives. He briefed the UMHSAC Board on the position of those representatives on the following points:

i) They want UMHSAC to entirely take over the Rush City Hospital and Clinic as soon as possible - not only manage it but actually employ the employees;

ii) The representatives want UMHSAC to be responsible for demolishing the existing Hospital and Clinic building;

iii) They want UMHSAC to buy all medical supplies on hand of Rush City Hospital and Clinic; and

iv) Rush City representatives want at least one position on UMHSAC's Board of Directors.

The general reaction of UMHSAC's Board of Directors was that most of these points would not be acceptable as presented, although it was acknowledged that buying usable medical supplies should not be a particular problem so long as at a commercially reasonable price. Steve further reported that he is working with a facility planning group for a new Rush City clinic. He advised that it is necessary to proceed with detailed facility planning which will entail a front-end cost of $10,000 - $15,000. By consensus of the Board members present, Steve was authorized to proceed with that. He was also asked to provide for the UMHSAC Board members a written summary of his meeting with Rush City representatives.

In connection with Rush City, Steve reported that Rush City representatives want the new Rush City clinic to be operated by UMHSAC, to be a "hub" of a network of Rush City, Pine City and Hinckley. This was noted but not commented on. Steve also noted in passing that from conversations he has had with Pine City Hospital and Clinic, that institution would be willing to add an ambulatory care facility to the existing facility if UMHSAC would be interested in taking on the operation on mutually agreeable terms.

[Director Pat Board had to leave during the Practice Acquisition Status report, following the discussion regarding Rush City Clinic.]

(b) Hinckley Clinic - Steve Grygar next turned to a report on Hinckley Clinic. This was brief, in that Steve advised he was simply waiting to hearing from Ryan Companies as to some facility planning and that he will then propose a working group to pursue facility planning and other clinic organizational issues.

(c) Central Internal Medicine and Wadena Medical Center - Steve Grygar reported on the proposed offers to Central Internal Medicine and Wadena Medical Center. Steve advised that the offer to Central Internal Medicine was probably not acceptable as made, in that although he had been advised that all four physicians at Central Internal Medicine were shareholders, only two were shareholders. Steve reported to the Board that he and Tom Doyle had met with the accountant for Central Internal Medicine and discussed the situation, and that thereafter Steve had worked up a possible follow-up offer that would provide for greater payment to the two physician-shareholders but still provide for some payment to the other physicians so as to tend to secure their continuing employment. That proposed second offer is awaiting review and comment by other members of UMHSAC management. As to Wadena Medical Center, Steve reported that UMHSAC had presented an offer, and that he had subsequently spoken with the administrator for

Wadena Medical Center. Steve believes that Wadena may want to wait a bit before proceeding with anything.

(d) Other Clinic Possibilities - Steve Grygar then reported in more general terms on other clinic practice acquisition possibilities. Grand Rapids and Granite Falls were discussed as possibilities. Steve reported that he and Dr. Ted Thompson had met with physicians in Granite Falls and expect some response in September from that preliminary meeting.

6. **Financial Information.** Steve Grygar noted to the directors that there was a summary balance sheet in the Directors' Packet. He advised that more complete financial statements should be available at the next meeting. In response to a question it was agreed that financial statements in the future would show a clinic-by-clinic income and expense statement.

7. **Next Meeting.** The next meeting was set for Friday, September 23, 1994, at 7:30 o'clock a.m. at the same location, and that date, time and location were announced.

8. **Other Business.** Steve reported briefly on an expression of interest in some affiliation from Doctors' Diagnostic Center. He advised that this was a physician practice group that had been negotiating with HealthSpan (now Allina Health System), but apparently had decided not to affiliate with Allina. The practice group, however, had set some preconditions to negotiations which Steve reviewed, and which were generally felt to be unacceptable if the group insisted upon them.

Steve also raised the point that now that there is a Medical Director of a UMHSAC clinic (to-wit, Dr. McLellan of Staub Pediatric Clinic), it may be appropriate to activate the Physicians Committee of the Board of Directors and have the chair of that Committee (presumably, Dr. McLellan) become a member of the UMHSAC Board of Directors. Tom Doyle was directed to prepare a Memorandum to the Board of Directors on the appropriate procedure for accomplishing this, and present it at the next meeting.

There being no further business to come before the meeting, the meeting adjourned at approximately 8:47 o'clock a.m.

Respectfully submitted,

Keith A. Dunder, Secretary of University of Minnesota Health System Affiliated Clinics, Inc.

The foregoing minutes were approved by the Board of Directors of UMHSAC at their meeting of September 23, 1994.

Keith A. Dunder, Secretary of
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DRAFT

Discussion Document

Characterization of 8/17/94 Rush City ("RC") Negotiations Meeting

1. **UMHC 6/13/94 Proposal:** UMHS will loan funds to UMHSAC for the purpose of acquiring land, constructing and equipping a new Clinic Facility in Rush City.

   8/17/94 RC Comment: RC identified a desire for the clinic facility to include the following: Ambulatory Surgery, Ambulance Garage, Dentistry, Pharmacy, Short-stay beds, Home Health Care, Emergency Room, physical therapy and an attached fitness center.

   In the event that UMHSAC decided to sell the clinic facility and its associated equipment, RC asked to be given the right of first refusal to acquire the building and equipment at a net book value basis.

   Action: That the formal "Role and Program" process be initiated for this facility. This would be accomplished by allowing the Wilkinson Project Group, Ltd. to assist UMHSAC in constructing, issuing and managing a Design/Build RFP for the Rush City site. The chosen Design/Build firm would have, at the outset, the responsibility of performing and completing a Role and Program for the clinic and creating block schematics. Once the Role, Program and Schematic design have been approved, we would proceed into detailed drawings and actual construction (assuming that we have come to terms with RC in all other aspects of the Management Services Agreement). By beginning this process now, UMHSAC risks spending front-end consulting costs without knowing if the entire project will proceed through the negotiation phase.

UMHSAC/RC needs to explore the licensing possibilities of "beds" in an ambulatory care center. UMHSAC can hardly allow beds of any type to occur in an unlawful manner.

RC needs to provide UMHSAC a funding commitment for the fitness center. Once we have a commitment, we can incorporate this idea into the Role and Program definition process relating to the clinic.

UMHSAC indicated that it has no problem in providing RC with a right of first refusal for building and equipment. UMHSAC would prefer, however, to sell building and equipment at Fair Market Value.

2. **UMHC 6/13/94 Proposal:** UMHSAC will purchase certain assets of the existing hospital and clinic for use within the new Clinic Facility.

8/17/94 RC Comment: RC asked that UMHSAC purchase supplies not identified in Equipment appraisal.

Action: UMHSAC responded that it would consider buying medical supplies from the existing hospital and clinic (since it would have to buy supplies to stock the new clinic). UMHSAC will need to be very clear with RC that it will only purchase "usable" and "non-obsolete" supplies; that it will only purchase as much as it needs; and that it will not purchase inpatient-related or other existing clinic equipment that it will not need in the new clinic facility. RC will be responsible for remarketing equipment that UMHSAC does not purchase. Fair Market Value for leased equipment that UMHSAC has included within the equipment appraisal will need to be reduced by the present value of future capital lease payments.

3. **UMHC 6/13/94 Proposal:** UMHSAC will perform or cause to be performed financial analysis that will determine the most appropriate size of the new Clinic Facility.

8/17/94 RC Comment: That sizing take into account RC's functional programmatic desires (see #1)

	Action:	UMHSAC agreed that the building size will, in part, be a function of the programs contained therein. UMHSAC must make it clear to RC that irrespective of their programmatic desires, the relative size of the facility will ultimately be a function of the financial projections; that UMHSAC will not construct a facility that is too large for its patient base.
4,5.	**UMHC 6/13/94 Proposal:**	UMHSAC will not purchase the existing hospital facility UMHSAC will not purchase the existing clinic facility
	8/17/94 RC Comment:	RC asked that UMHSAC purchase supplies not identified in Equipment appraisal RC asked that UMHSAC be financially responsible for demolition of the existing hospital facility.
	Action:	With respect to purchasing of supplies, see UMHSAC response to #2. With respect to demolition, RC needs to estimate the cost of demolition. This might be a negotiable item to which UMHSAC would agree to make some financial contribution; UMHSAC would not agree to underwriting the entire cost.
6.	**UMHC 6/13/94 Proposal:**	UMHSAC will not purchase any other assets of the existing hospital or clinic, e.g., cash, accounts receivable.
	8/17/94 RC Comment:	RC asked that UMHSAC purchase RC's accounts receivable @ $0.70 on the dollar.
	Action:	UMHSAC responded by saying that purchasing receivables could be an option. This is something that does not need to be decided now (although it does become a factor in the Mgmt Svcs Agmt - depending upon the extent of UMHSAC takeover).
7,8, 11,12.	**UMHC 6/13/94 Proposal:**	UMHSAC will not assume any responsibility for accounts payable or other liabilities of the hospital or clinic, to the extent the same exist at the closing, or are attributable to any action or period of time prior to the closing. Without limiting the generality of the term

"liabilities," liabilities which UMHSAC will not assume include any liabilities or obligations related to existing debt, hospital or clinic pension, retirement or deferred compensation plans, or any liabilities in connection with any existing employment contracts or relationships to which the hospital or clinic is now a party

UMHSAC proposes to enter into long-term employment contracts with the clinic's physicians.

UMHSAC would employ the existing physician and nurse practitioner employees of the hospital and clinic prior to the initiation of construction, on terms set by UMHSAC. UMHSAC would do so under some management contract by which it would take over the operation of the hospital and clinic. UMHSAC may put Mr. Lynn Clayton on its payroll during this period.

- UMHSAC, during construction, would manage the existing operation and pay day to day operating expenses of the hospital and clinic solely from hospital and clinic revenues. UMHSAC would not be responsible for any "liabilities" as described above.

- Rush City, during construction, would pay UMHSAC some management fee.

Post-construction, UMHSAC will continue to employ clinic physicians and nurse practitioner(s). UMHSAC, at its option, may choose to hire other present employees whose function is necessary to staff the new Clinic Facility, on terms set by UMHSAC.

8/17/94 RC Comment: RC seemed to combine points 7, 8, 11 and 12 into one larger point.

Action: UMHSAC has asked RC to elaborate on its response to UMHSAC in terms of employee issues and assumption of the debt between Rush City Hospital and Rush City ($205K)

10. **UMHC 6/13/94 Proposal:** UMHSAC's governance provides for the existence of a "Clinic-Specific" committee of the Board whose function will be to advise UMHSAC's Board on clinic matters. The composition of this local advisory committee will include some representation from UMHSAC, Rush City and the community at large.

8/17/94 RC Comment: RC accepts the idea of a local advisory Board. They indicated, however, that they would want a greater voice in the governance of UMHSAC; perhaps by having an actual seat on the UMHSAC Board.

Action: UMHSAC responded by saying that this is something that would have to be further investigated. There presently exists no Board seat beyond the initial five. Additional Board seats would have to be carefully considered. It is quite possible that every clinic community would want such a position - thereby diluting the University's position unless a corresponding majority number of University positions were added to the Board.

13. **UMHC 6/13/94 Proposal:** UMHS will assist Rush City in defining an optimal structure for the provision of Rush City area Emergency Medical Services (EMS). UMHS will also assist Rush City in identifying potential funding sources for EMS.

8/17/94 RC Comment: RC continues to make non-specific comments regarding their desire to have either an Emergency Room attached to the facility or some "free-standing" ER facility in their community.

Action: UMHS Medical Outreach is working with RC and LifeLinc to provide an emergency medical transport infrastructure. Another possibility for ER location is Pine City. UMHSAC will not build an ER attached to the clinic or a free standing facility. UMHSAC has discussed the possibility of providing "Urgent Care" services through the clinic; this would provide some bridge to classic ER functions and only require extended hours in the clinic.

UMHSAC Practice Acquisition Status

Version: 16-Sep-94

	Phase I				Phase II		Phase III		Phase IV	Phase V
	(A)	(B)	(C)	(D)	(A)	(B)	(A)	(B)		
Staub Pediatric Group	X	X	X	X	X	X	X	X	X	X
Palen Clinic	X	X	X	X	X	X	X	X	X	9/30/94
Hinckley (New Clinic)	X	X	X	X	X	X	X			
Rush City Clinic	X	X	X	X	X	X	X			
Pine City Clinic	X	X	X	X						
Grand Rapids	X	X								
Wadena Medical Center	X	X	X	X	X	X				
Central Internal Medicine	X	X	X	X	X	X	X			
Mesaba Clinic	X	X	X	X	X	X	X	X	X	
Granite Falls	X	X								
Mankato										
Mesabi Regional Medical Cntr										
West Side Comm Health Cntr	X	X	X							

Definitions:

Phase I (A)	*Introductory Meeting*
Phase I (B)	*UMHSAC follow-up*
Phase I (C)	*Clinic Confirmation; UMHSAC originated Letter-of-Intent, Micro-process outline, detailed financial information request*
Phase I (D)	*Information receipt by UMHSAC*
Phase II (A)	*Tangible and Intangible Valuations (Bldg, Eqpt & Practice)*
Phase II (B)	*UMHSAC offer presentation*
Phase III (A)	*Offer Negotiation*
Phase III (B)	*Offer Agreement*
Phase IV	*UMHSAC Due Diligence*
Phase V	*Closing*

University of Minnesota Health System
Affiliated Clinics, Inc.

Income Statement
For the Period Ending 8/31/94

	Staub Pediatric Clinic	UMHSAC Administrative	Consolidated Total
Patient Services Collections	$19,701.68	$0.00	$19,701.68
Other	7,268.47	172.99	7,441.46
Total Revenue	$26,970.15	$172.99	$27,143.14
Physician Compensation	$11,346.18	$0.00	$11,346.18
Physician Taxes & Benefits	1,444.10	0.00	1,444.10
Total Physican Comp & Fringe Benefits	$12,790.28	$0.00	$12,790.28
Non-Physician Compensation	8,640.40	0.00	8,640.40
Non-Physician Taxes & Benefits	2,514.12	0.00	2,514.12
Total Non-Physician Comp & Benefits	$11,154.52	$0.00	$11,154.52
Medical Supplies and Drugs	$15,272.97	$0.00	$15,272.97
Billing Fees	2,376.14	0.00	2,376.14
Office Related Expense	1,448.94	189.74	1,638.68
Occupancy Expense	10,611.61	0.00	10,611.61
Dues and Subscriptions	375.00	0.00	375.00
Miscellaneous	2,680.91	340.00	3,020.91
Total Expenditures	$56,710.37	$529.74	$57,240.11
Net Profit(Loss)	($29,740.22)	($356.75)	($30,096.97)

University of Minnesota Health System
Affiliated Clinics, Inc.

Balance Sheet
8/31/94

	Staub Pediatric Clinic	UMHSAC Administrative	Consolidated Total
Cash - Checking	79,133.62	17,920.23	97,053.85
Cash - Savings	263,980.36	81,749.52	345,729.88
Total Cash	343,113.98	99,669.75	442,783.73
Intangible Asset - Staub Pediatric Clinic	227,800.00	0.00	227,800.00
Fixed Assets			
Equipment - Fridley	43,650.00	0.00	43,650.00
Equipment - Shoreview	9,715.00	0.00	9,715.00
Less: Accumulated Depreciation	(889.41)	0.00	(889.41)
Total Fixed Assets	52,475.59	0.00	52,475.59
Total Assets	**$623,389.57**	**$99,669.75**	**$723,059.32**
Accounts Payable			
Trade A/P	7,678.28	40.00	7,718.28
Other - Due to Staub Pediatric Group, P.A.	41,613.05	0.00	41,613.05
Total Accounts Payable	49,291.33	40.00	49,331.33
Long-Term Liabilities			
Working Capital Loan Payable	325,000.00	0.00	325,000.00
Equipment Loan Payable	52,940.46	0.00	52,940.46
Practice Payable	227,800.00	0.00	227,800.00
Total Long-Term Liabilities	605,740.46	0.00	605,740.46
Total Liabilities	655,031.79	40.00	655,071.79
Fund Balance	(1,902.00)	99,986.50	98,084.50
YTD Net Income	(29,740.22)	(356.75)	(30,096.97)
Total Liabilities and Fund Balance	**$623,389.57**	**$99,669.75**	**$723,059.32**

MEMORANDUM

TO: THE BOARD OF DIRECTORS OF
UNIVERSITY OF MINNESOTA HEALTH SYSTEM AFFILIATED CLINICS, INC.

FROM: THOMAS J. DOYLE
FELHABER, LARSON, FENLON & VOGT, P.A.

DATE: SEPTEMBER 12, 1994

RE: PHYSICIAN DIRECTOR

Section 3.2 of the Bylaws of University of Minnesota Health System Affiliated Clinics, Inc. ("UMHSAC") provides that UMHSAC will have three "University Directors," one "Physician Director" and one "At-Large Community Director." All of the initial directors could have been appointed by the incorporator (Keith Dunder). After the initial directors have served their terms, the University Directors are to be appointed by UMHS, the Physician Director is to be the head of the Physicians Committee, and the At-Large Community Director is to be selected by unanimous vote of the other four directors.

The incorporator appointed the three initial University Directors and the first At-Large Community Director. No Physician Director was appointed.

UMHSAC's Bylaws establish a Physicians' Committee. It is to be composed of the Medical Directors of each separate UMHSAC Clinic. The chair of that Committee (to be elected by the members of that Committee) is presumptively to be the Physician Director (unless the Committee selects a different Physician Director). The Medical Director for each separate Clinic is to be selected by majority vote of those physicians who are employed

at that Clinic and who have practiced medicine at the Clinic for at least two years before the election. But then the candidate must be accepted and confirmed in the position of Medical Director by UMHSAC's Board of Directors.

Effective August 1, 1994, UMHSAC acquired its first clinic. The Medical Director (who I believe was named by the consensus of the other doctors at the Clinic) is Daniel S. McLellan, M.D.

I recommend the following course of action:

- The UMHSAC Board of Directors determine whether to confirm Daniel S. McLellan, M.D., in the position of Medical Director of Staub Pediatric Clinic,

- Assuming the UMHSAC Board of Directors does so, it should formally appoint Dr. McLellan as the Physicians' Committee, (pending UMHSAC's acquisition of another Clinic and the selection of a Medical Director for that Clinic),

- The Board of Directors ask the incorporator of UMHSAC to formally appoint Dr. McLellan as the initial Physician Director, and

- The Board of Directors ratify and confirm that appointment.

If this course of action is pursued at the September 23, 1994 meeting, presumably Dr. McLellan can then attend his first meeting of UMHSAC's Board of Directors at the October meeting.

I attach a copy of Sections 3.2,3.3 and 5.1 of UMHSAC's Bylaws. These describe the composition of the Board of Directors and terms which directors serve, and the Physicians' Committee.

dzg

ARTICLE 3 - DIRECTORS

3.1 General Powers. Except as provided otherwise in the Articles of Incorporation of the corporation, the business and affairs of the corporation shall be managed by or under the direction of the Board of Directors.

3.2 Directors - Qualifications, Appointment/Election. No more than 20% of the members of the corporation's Board of Directors may be interested in or financially related to, directly or indirectly, any employee of the corporation or any other physicians providing services in conjunction with the corporation, or to any owner, partner, shareholder or employee of any clinic, the assets of which have been acquired by the corporation. While the Physician Director of the corporation will be selected from among the physician employees of the corporation, it is the goal and intention of the corporation that other members of its Board of Directors should represent community interests of the state in which the corporation operates (Minnesota), and/or the region or regions in which the corporation has clinics, and/or the specific community or communities served by clinics of the corporation.

There shall be three classes of directors: one class consisting of three University Directors, one class consisting of a Physician Director, and one class consisting of a Community Director. The initial University Directors shall be appointed by the incorporator. Thereafter, the University Directors shall be appointed by the sole member of the corporation. The initial Physician Director shall be appointed by the incorporator of the corporation. Thereafter, the Physician Director shall be the chair of the Physician's Committee (or another member of that Committee selected by the Committee). As soon as the Physician's Committee elects a chair (or another member of the committee) to serve as Physician Director, such chair or other member shall replace the initial Physician Director. The first At-Large Community Director shall be appointed by the incorporator of the corporation. Thereafter, the At-Large Community Director shall be selected by unanimous vote of the University Directors and the Physician Director. The initial At-Large Community Director shall serve only until a successor At-Large Community Director is elected by the University Director and the first Physician Directors elected by the Physicians.

3.3 Term. Each University Director, except members of the first Board of Directors, whose terms of office shall be specified in the Organizational Resolutions of the sole member of University of Minnesota Health System Affiliated Clinics, Inc., shall serve for a three-year term and until his or her successor is elected and

qualified. Each Physician Director and At-Large Community Director shall serve for a one-year term.

3.4 Resignation. Any director may resign at any time by giving written notice to the Secretary. Such resignation shall take effect without acceptance upon receipt of the notice, unless a later date is specified in the notice.

3.5 Vacancies. Vacancies in the Board of Directors shall be filled by a new appointment in accordance with the appointment or election procedures set forth in Section 3.2 above. A person so appointed or elected to fill a vacancy shall serve as a director for the remainder of the term whose vacancy has been filled, and until his or her successor has been appointed or elected and qualified.

3.6 Removal. The Physician Director may be removed at any time by a majority vote of the Physicians Committee, or by the sole member. Any other director may be removed at any time by the sole member. Any Physician Director shall cease to be a director of the corporation should he or she cease employment with the corporation. In such circumstances, either the presiding officer of the Board or the corporation's President shall provide immediate written notice of removal of such Physician Director, which removal shall be effective upon the earlier of either (i) the date the notice is received; or (ii) the date the person ceases employment with the corporation.

3.7 Quorum; Voting; Conflicts of Interest. Except as provided below, a majority of the directors holding office at the time of the vote shall constitute a quorum for the transaction of business. Normally, a quorum shall not be deemed to exist if fewer than one Physician Director and two University Directors are present. But if the Physician Director misses two (2) consecutive meetings of the Board of Directors, of which due notice is given, then a majority of the directors holding office at the time of the vote shall constitute a quorum for the transaction of business.

In the absence of a quorum, a majority of the directors present may adjourn a meeting from time to time until a quorum is present, provided, that notice of a meeting's adjournment by less than a quorum of directors shall be provided to the absent directors. Except as otherwise required by law or these Bylaws, the acts of a majority of the directors present at a duly held meeting shall be the acts of the Board of Directors; provided, that if three or fewer directors are present at a meeting, a unanimous action by the directors shall be required for the Board of Directors to act.

deposit all notes, checks and drafts received by the corporation as ordered by the Board, making proper vouchers therefor; (d) disburse corporate funds and issue checks and drafts in the name of the corporation, as ordered by the board; (e) render to the President and the Board of Directors, whenever requested, an account of all of his or her transactions as Treasurer and of the financial condition of the corporation; and (f) perform such other duties as may be prescribed by the Board of Directors or the President from time to time.

4.7 Secretary. The Secretary shall, unless otherwise determined by the board, be secretary of and attend all meetings of members and board of Directors, and record the proceedings of such meetings in the minute book of the corporation and, whenever necessary, certify such proceedings. The Secretary shall give proper notice of meetings to members and directors and shall perform such other duties as may be prescribed by the Board of Directors or the President from time to time.

4.8 Vice President. Each Vice President shall have such powers and shall perform such duties as may be specified in these Bylaws or prescribed by the Board of Directors. In the event of absence or disability of the President, the Board of Directors may designate a Vice President or Vice Presidents to succeed to the power and duties of the President.

4.9 Other Officers. Any other officers appointed by the Board of Directors shall perform such duties and be responsible for such functions as the Board of Directors may prescribe.

4.10 Delegation. Unless prohibited by a resolution by the Board of Directors, an officer elected or appointed by the Board may delegate in writing some or all of the duties and powers of his or her office to other persons.

ARTICLE 5 - COMMITTEES

5.1 Physicians' Committee. The Board of Directors shall establish, and by adopting these Bylaws hereby does establish, a Physicians' Committee which shall have and exercise the authority of the Board of Directors in the following matters:

(a) Determination of physician work schedules, call coverage schedules, vacation and leave schedules, and all issues of a similar nature relating directly to the performance of work and services by physicians employed by the corporation.

(b) Assessment of staffing levels and recommendations to the Board of Directors of hiring for new employees.

(c) Review of patient complaints and conduct of peer and para-professional reviews and evaluations.

(d) Day-to-day handling of general medical practice and quality control matters.

The Physicians' Committee shall be composed of the Medical Directors of each separate Clinic, who shall annually from their membership elect a Chair. Such chair shall presumptively be the Physician Director on the Board of Directors (unless the Physician's Committee selects a different member to be the Physician Director). The Physician's Committee shall at all times be subject to the control and direction of the Board of Directors.

A Medical Director shall be selected for each separate Clinic. (The Medical Director for a Clinic shall be the physician-employee at that Clinic who is elected by a majority vote of those physicians employed at the Clinic who have practiced medicine at the Clinic for at least two years prior to the election, if that candidate is accepted and confirmed in that position by the Board of Directors.) The Medical Director of a Clinic shall be that Clinic's representative on the Physicians' Committee. The Medical Director or his or her administrative designee shall be responsible for carrying out the policies, procedures and directives of the Physicians Committee, the Board of Directors, and the other Committees, at and with respect to that Clinic.

5.2 Exempt Functions Committee. The Board of Directors shall establish, and by adopting these Bylaws hereby does establish, an Exempt Functions Committee which shall have and exercise authority over the following matters:

(a) Consideration and recommendation to the Board of Directors for approval policies on charity care, community education, outreach and other services, all in fulfillment of the corporation's educational and research missions, and for achievement of other like goals.

(b) Consideration and recommendation to the Board of Directors of changes to the policies recommended pursuant to Section 5.2(a) and adopted by the Board of Directors, for approval by the Board of Directors.

(c) Supervision and monitoring of implementation of all the foregoing policies as adopted by the Board of Directors.

The Exempt Functions Committee shall be made up of one member of the Physicians' Committee, one appointee of the sole member of the corporation, and one or more at-large community member(s) selected

UNIVERSITY OF MINNESOTA
HEALTH SYSTEM AFFILIATED CLINICS, INC.

Corporate Office

420 Delaware St. S.E. Box 704
Minneapolis, MN 55455
Telephone: (612) 626-5559
Facsimile: (612) 624-8128

DATE: December 7, 1994

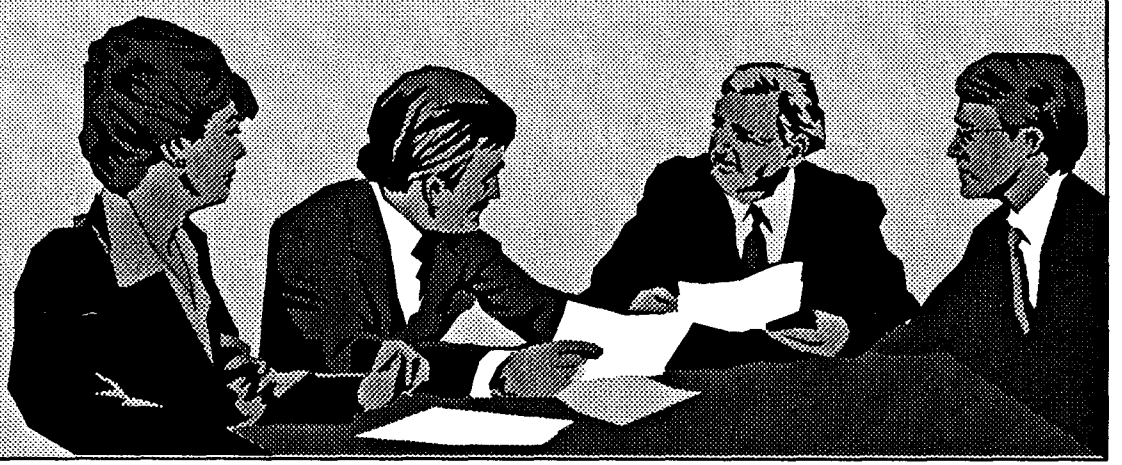
TO: Pat Board
Tom Doyle
Keith Dunder
Clifford Fearing
Dan McLellan, M.D.
Helen Pitt

FROM: Steve Grygar

Attached please find material for the Friday, December 9, 1994, UMHSAC Board Meeting. The meeting is scheduled for 7:30 - 9:00 A.M. in room C-365 (3) Mayo.

Attachment

UNIVERSITY OF MINNESOTA
HEALTH SYSTEM AFFILIATED CLINICS, INC.



Board of Directors Meeting
December 9, 1994

UNIVERSITY OF MINNESOTA
HEALTH SYSTEM AFFILIATED CLINICS, INC.
("UMHSAC")

12/9/94 Meeting of the Board of Governors

AGENDA

1. Approval of 8/19/94 Minutes
2. Approval of 9/23/94 Minutes
3. Introduction of Dr. Daniel S. McLellan
4. Submission of IRS Forms 990 and 1023
5. Heights Medical Clinic - Closing Status
6. Rush City Health Care Center
7. Hinckley Health Care Center
8. Central Internal Medicine, P.A. - Purchase Offer Status
9. Staub Pediatric Clinic - New Physician
10. West Side Community Health Center
11. Practice Acquisition Status
12. October, 1994 FYTD Financial Statements
13. Strategic Planning Retreat
14. Schedule Meeting Dates for CY 1995

UNIVERSITY OF MINNESOTA
HEALTH SYSTEM AFFILIATED CLINICS, INC.

TABLE OF CONTENTS

UNIVERSITY OF MINNESOTA
HEALTH SYSTEM AFFILIATED CLINICS, INC. ("UMHSAC")
Minutes of the 8/19/94 Meeting of the Board of Directors

Attendees

In Person

Patrick Board
Michael Fay
Clifford Fearing

Non-Director Attendees

Keith A. Dunder, Hospital Counsel
Stephen C. Grygar, UMHC Finance Department
Thomas J. Doyle, Attorney

Location

The Board Room of the University of Minnesota Hospital & Clinic (in Room C-360 of the Mayo Building, Harvard Street at East River Road, Minneapolis, Minnesota).

Order of Business

Cliff Fearing called the meeting to order at 7:35 o'clock a.m., pursuant to prior notice, after all attendees were present. All directors had received the Agenda, and packet including the minutes of the July 22, 1994 meeting of the Board of Directors, a general report on Practice Acquisition Status and UMHSAC's balance sheet as of August 1, 1994 (collectively the "Directors' Packet").

1. **Approval of 7/22/94 Minutes.** Cliff Fearing called for any changes to the minutes of the meeting of the Board of Directors on July 22, 1994. Hearing none, he called for approval. Pat Board moved approval of the minutes of the July 22, 1994 meeting as presented to the directors, Mike Fay seconded that motion, and all directors present voted for approval.

2. **UAFP Contract.** Steve Grygar reported that he had been promised the final Management Services Agreement between University Affiliated Family Physicians - University of Minnesota P.A. ("UAFP") and UMHSAC, pursuant to which UMHSAC will obtain clinic management services from UAFP, for Monday, August 22, 1994. He advised that UAFP personnel (particularly its human resources personnel) are already in use by UMHSAC, in managing operations of clinics at sites from which Staub Pediatric Group now operates, and that UMHSAC and UAFP are coming to an understanding as to the division of work between them.

3. **Clinic-Specific Reports and Practice Acquisition Status.** Steve Grygar next reported on the status of proposed acquisitions and other transactions, as summarized in the

clinic-specific reports and the Practice Acquisition Status report (a copy of each of which was contained in the Directors' Packet). Mr. Grygar's report may be summarized as follows:

(a) Staub - With respect to Staub Pediatric Clinic, Steve Grygar reported that UMHSAC had acquired the assets of Staub Pediatric Group as of August 1, 1994, and commenced operations at its sites on that date. Steve advised the directors that he was working with Dr. Staub to determine the final adjustments so as to compensate Dr. Staub fairly for prepaid items and other items that will benefit UMHSAC. In response to questions, Steve further advised the directors of the following points:

i) Four physicians and five or six non-physician employees work for UMHSAC and Staub Pediatric Clinic;

ii) Dr. Pamela Heggie, who is now an employee of Minneapolis Children's Medical Center, is providing some coverage services, and UMHSAC likely will hire some "moonlighters" to provide coverage services;

iii) UMHSAC will look into malpractice coverage as to Dr. Heggie and moonlighters," to ensure they are covered.

Tom Doyle advised the directors that his office is looking into the retrospective expenditure reporting with respect to the acquisition of assets of Staub Pediatric Group, P.A. He advised that since the binding agreement was entered into on July 29, 1994, his understanding was that UMHSAC would have 60 days to do any required retrospective expenditure reporting. Tom also advised the directors that his office was preparing the application to the Internal Revenue Service for recognition of tax-exempt status of UMHSAC, and that it seemed an appropriate time to submit that in the near future now that the acquisition of assets of Staub Pediatric Group, P.A. was complete (so that a complete application could be made). Some questions were asked of Tom as to the likelihood and timing of obtaining recognition of tax-exempt status, to which he responded.

(b) Palen - Steve Grygar then reported on negotiations with Palen Clinic, P.A., for acquisition of its assets (and subsequent operation by UMHSAC of clinic sites to be known as Heights Medical Clinic). Steve advised that UMHSAC is aiming for a September 15, 1994 closing.

4. **Long-Range Planning.** Cliff Fearing then stated that he wanted to discuss some long-range planning issues before moving on to reports as to other specific clinic acquisitions. Cliff reported on the long-range direction of the Board of Governors of The University of Minnesota Health System ("UMHS") in terms of affiliations with clinics and other providers, for the information of the UMHSAC Board of Directors. That report may be summarized as follows:

(a) UMHS management will take to the UMHS Board of Governors the possibility of some acquisition of or affiliation with clinics in Virginia and Grand Rapids, Minnesota, as part of the Board of Governors' previously articulated desire to develop an Iron Range health care network;

(b) UMHS management believes that an acquisition of a clinic in Mankato may present good opportunities for UMHS to further its mission of service, education and research, given an existing good rapport between the physicians in that clinic and UMHS and physicians on the faculty of the University of Minnesota Medical School;

(c) In the Twin Cities metropolitan area, Columbia Park Medical Group has expressed an interest to UMHS management in some affiliation with UMHS. Columbia Park Medical Group ("CPMG") has expressed a desire to participate in a comprehensive residency program with the University of Minnesota Medical School. CPMG's existing staffing would permit the opening of a new clinic in a part of the metropolitan area that is in need of service that is more convenient for its patients, and cooperation between CPMG and UMHS in that respect could allow UMHS to further its service mission. In addition, there are other possible synergies that might be brought to bear in some affiliation between CPMG and UMHS that would allow for greater efficiency in delivery of patient care, and thus hoped-for lower costs.

Cliff Fearing next led a report on the status of negotiations between UMHS and Mesaba Clinic in Hibbing, Minnesota. Cliff Fearing gave a general overview and then asked Tom Doyle to report on some of the details of the terms of an offer made by UMHS to Mesaba Clinic, and possible variations on that offer that were being considered and discussed. Significant time was spent on the tax consequences to all parties concerned of an acquisition, and the differences between an acquisition of equity and an acquisition of assets.

Following this presentation, Cliff Fearing had to depart for a previously scheduled meeting. Steve Grygar assumed the chairmanship of the meeting.

5. Practice Acquisition Status - Continued.

(a) Rush City Clinic - Steve Grygar next reported on the status of the proposed Rush City Clinic. Steve had recently met with Rush City Clinic representatives. He briefed the UMHSAC Board on the position of those representatives on the following points:

i) They want UMHSAC to entirely take over the Rush City Hospital and Clinic as soon as possible - not only manage it but actually employ the employees;

ii) The representatives want UMHSAC to be responsible for demolishing the existing Hospital and Clinic building;

iii) They want UMHSAC to buy all medical supplies on hand of Rush City Hospital and Clinic; and

iv) Rush City representatives want at least one position on UMHSAC's Board of Directors.

The general reaction of UMHSAC's Board of Directors was that most of these points would not be acceptable as presented, although it was acknowledged that buying usable medical supplies should not be a particular problem so long as at a commercially reasonable price. Steve further reported that he is working with a facility planning group for a new Rush City clinic. He advised that it is necessary to proceed with detailed facility planning which will entail a front-end cost of $10,000 - $15,000. By consensus of the Board members present, Steve was authorized to proceed with that. He was also asked to provide for the UMHSAC Board members a written summary of his meeting with Rush City representatives.

In connection with Rush City, Steve reported that Rush City representatives want the new Rush City clinic to be operated by UMHSAC, to be a "hub" of a network of Rush City, Pine City and Hinckley. This was noted but not commented on. Steve also noted in passing that from conversations he has had with Pine City Hospital and Clinic, that institution would be willing to add an ambulatory care facility to the existing facility if UMHSAC would be interested in taking on the operation on mutually agreeable terms.

[Director Pat Board had to leave during the Practice Acquisition Status report, following the discussion regarding Rush City Clinic.]

(b) Hinckley Clinic - Steve Grygar next turned to a report on Hinckley Clinic. This was brief, in that Steve advised he was simply waiting to hearing from Ryan Companies as to some facility planning and that he will then propose a working group to pursue facility planning and other clinic organizational issues.

(c) Central Internal Medicine and Wadena Medical Center - Steve Grygar reported on the proposed offers to Central Internal Medicine and Wadena Medical Center. Steve advised that the offer to Central Internal Medicine was probably not acceptable as made, in that although he had been advised that all four physicians at Central Internal Medicine were shareholders, only two were shareholders. Steve reported to the Board that he and Tom Doyle had met with the accountant for Central Internal Medicine and discussed the situation, and that thereafter Steve had worked up a possible follow-up offer that would provide for greater payment to the two physician-shareholders but still provide for some payment to the other physicians so as to tend to secure their continuing employment. That proposed second offer is awaiting review and comment by other members of UMHSAC management. As to Wadena Medical Center, Steve reported that UMHSAC had presented an offer, and that he had subsequently spoken with the administrator for

Wadena Medical Center. Steve believes that Wadena may want to wait a bit before proceeding with anything.

(d) Other Clinic Possibilities - Steve Grygar then reported in more general terms on other clinic practice acquisition possibilities. Grand Rapids and Granite Falls were discussed as possibilities. Steve reported that he and Dr. Ted Thompson had met with physicians in Granite Falls and expect some response in September from that preliminary meeting.

6. **Financial Information.** Steve Grygar noted to the directors that there was a summary balance sheet in the Directors' Packet. He advised that more complete financial statements should be available at the next meeting. In response to a question it was agreed that financial statements in the future would show a clinic-by-clinic income and expense statement.

7. **Next Meeting.** The next meeting was set for Friday, September 23, 1994, at 7:30 o'clock a.m. at the same location, and that date, time and location were announced.

8. **Other Business.** Steve reported briefly on an expression of interest in some affiliation from Doctors' Diagnostic Center. He advised that this was a physician practice group that had been negotiating with HealthSpan (now Allina Health System), but apparently had decided not to affiliate with Allina. The practice group, however, had set some preconditions to negotiations which Steve reviewed, and which were generally felt to be unacceptable if the group insisted upon them.

Steve also raised the point that now that there is a Medical Director of a UMHSAC clinic (to-wit, Dr. McLellan of Staub Pediatric Clinic), it may be appropriate to activate the Physicians Committee of the Board of Directors and have the chair of that Committee (presumably, Dr. McLellan) become a member of the UMHSAC Board of Directors. Tom Doyle was directed to prepare a Memorandum to the Board of Directors on the appropriate procedure for accomplishing this, and present it at the next meeting.

There being no further business to come before the meeting, the meeting adjourned at approximately 8:47 o'clock a.m.

Respectfully submitted,

Keith A. Dunder, Secretary of University of Minnesota Health System Affiliated Clinics, Inc.

The foregoing minutes were approved by the Board of Directors of UMHSAC at their meeting of _____, 1994.

Keith A. Dunder, Secretary of
University of Minnesota Health System
Affiliated Clinics, Inc.

UNIVERSITY OF MINNESOTA
HEALTH SYSTEM AFFILIATED CLINICS, INC. ("UMHSAC")
Minutes of the 9/23/94 Meeting of the Board of Directors

Attendees

In Person	Non-Director Attendees
Clifford Fearing	Keith A. Dunder, Hospital Counsel
Helen Pitt	Stephen C. Grygar, UMHC Finance Department
	Thomas J. Doyle, Attorney

Location

The Board Room of the University of Minnesota Hospital & Clinic (in Room C-360 of the Mayo Building, Harvard Street at East River Road, Minneapolis, Minnesota).

Order of Business

Cliff Fearing called the meeting to order at 7:35 o'clock a.m., pursuant to prior notice, after all attendees were present. All directors had received the Agenda, and packet including the minutes of the August 19, 1994 meeting of the Board of Directors, a draft "Discussion Document" characterizing the status of negotiations with Rush City as to a Rush City Clinic, a general report on Practice Acquisition Status, UMHSAC's income statement for the period ending 8/31/94 and balance sheet as of 8/31/94, and a memorandum from Thomas J. Doyle of September 12, 1994 with respect to the physician directors (collectively the "Directors' Packet").

1. **Minutes of 8/19/94 Meeting.** Cliff Fearing called for any changes to the minutes of the August 19, 1994 Meeting of the Board of Directors. None were heard. However, those minutes could not be approved because of the lack of a quorum.

2. **UAFP Contract.** Steve Grygar reported that he had the final Management Services Agreement between University Affiliated Family Physicians - University of Minnesota P.A. ("UAFP") and UMHSAC. He advised that he was just checking it after which he intended to provide the document to Cliff for signature. He advised that it was, to the extent of his checking it to this point, consistent with what had been reported at prior meetings.

3. **Heights Medical Clinic.** It was reported that closing of the acquisition of the assets of Palen Clinic, P.A. had not occurred on September 15, 1994, because details were still being worked out. Steve specifically reported that he was trying to reach agreement as

to which employees of Palen Clinic, P.A. would not be hired by UMHSAC at the time of the closing.

4. **Rush City.** Steve Grygar gave a report on the status of negotiations with representatives of Rush City. He made reference to the material in the Directors' Packet regarding the status of those negotiations. He advised that further negotiations with Rush City would be needed. In brief, issues include the following:

- Whether UMHSAC will purchase all equipment, or just equipment suitable for a clinic,
- Whether UMHSAC will purchase accounts receivable,
- Whether from the purchase of equipment and accounts receivable there would be sufficient funds to Rush City to satisfy its indebtedness with respect to the Rush City Hospital and Clinic, demolition costs of the existing Hospital and Clinic building and other miscellaneous expenses, and if not whether UMHSAC would bear any part or all of the shortfall,
- The exact terms of the agreement between Rush City and UMHSAC with respect to operation of the Rush City Hospital and Clinic (Rush City wanting to model the agreement after a prior agreement it had with St. Paul-Ramsey Medical Center),
- Whether UMHSAC would hire approximately 35 non-physician and non-nurse practitioner employees,
- The precise types of services that could be provided (including the issue of short-stay beds, emergency room services and emergency medical transport),
- Construction planning and commencement, and
- The participation of Rush City representatives in the governance of UMHSAC.

With respect to the issues, it was noted that UMHSAC should not purchase any equipment that it cannot use in a new Rush City Clinic, that UMHSAC should not hire employees other than will be needed in a new Clinic, and that emergency room services are not to be provided at the new Clinic. It was also noted that it would be impractical to expand UMHSAC's Board of Directors to include a seat for a Rush City representative, because to do so would set the precedent for each clinic having a seat on the Board (which would

lead to a Board that is too large and unwieldy). However, participation of Rush City representatives on a local advisory committee would be possible. Steve Grygar advised that UMHSAC's officers intend to contract with George Wilkinson to assist UMHSAC in construction planning. Helen Pitt suggested that it would be advisable for a consultation as to clinical services, accreditation and licensure issues, and the like. It was determined by consensus that Steve Grygar would follow-up with a named individual at The University of Minnesota Health System ("UMHS") with respect to these issues.

5. **Hinckley Clinic.** Steve Grygar reported on the status of negotiations and site selection. He advised that Ryan Construction had been selected by the Mille Lacs Band of Ojibwe to help plan, construct and facilitate the site and lease and related matters. He further reported that there would be an October 3, 1994 meeting with Chester Yanik of Ryan construction, representatives of the Mille Lacs Band of Ojibwe, and Steve, to start to finalize the Role and Program of the clinic, site selection, and other planning issues. With respect to site selection, Steve reported on Chester Yanik's opinion that a site of 20 to 22 acres would suffice, even for the potential addition of more services, long-term care or the like. Discussion ensued as to whether the site should be east or west of the freeway. By consensus of the Directors present, Steve Grygar was encouraged to ensure that there is some focus group or other research or investigation so as to assure that UMHSAC is aware of community needs and desires in determining whether to locate the site east or west of Highway 35.

6. **Central Internal Medicine.** Steve reported that a revised offer that had been approved by UMHSAC's chief executive officer had been presented to this group on September 13, 1994, and that UMHSAC is awaiting a response. This revised offer reflected no increase to the overall price to be paid, but reflected a reallocation of payments. Steve reported his view that the revised offer went quite a long way in attempting to meet the concerns that had been previously raised on behalf of Central Internal Medicine Associates.

7. **Wadena Medical Center.** Steve reported that UMHSAC is awaiting a response to its August 4, 1994 offer to this group. He advised that Dr. Ted Thompson had told him this group is reconsidering whether it wants to be acquired by UMHSAC. The reconsideration apparently does not indicate any desire to affiliate with anyone other than UMHS or UMHSAC, but simply a possible perception by this group that no affiliation is needed. Cliff Fearing suggested to Steve Grygar that Dr. Thompson be asked to provide a report on the status of discussions with this group. (Cliff raised this with respect to a couple of other groups who were mentioned during the general Practice Acquisition Status report. He finally suggested that perhaps the UMHSAC Board of Directors needs a regular outreach report from Dr. Thompson. Steve Grygar was asked to follow-up with Dr. Thompson on this possibility, as well as clinic-specific reports on Wadena, Grand Rapids, Granite Falls and Mankato.)

8. **Practice Acquisition Status - Generally.** Steve Grygar next reported on the status of acquisition efforts with respect to the clinics identified on the general Practice Acquisition Status report in the Directors' Packet. Highlights included the following:

- Steve reported that Staub Pediatric Clinic was working just as it should. He advised that UMHSAC is working on lease renewals for the space occupied by Staub Pediatric Clinic, and that the arrangement with UAFP for management services seems to be working out.

- With respect to Grand Rapids, Granite Falls and Mankato, Steve was asked to request of Dr. Thompson a report on discussions with those groups. It was noted that the clinic in Mankato is supposedly being pursued by Mayo Clinic, and that it might be appropriate to make extra efforts to come to some potential affiliation with that clinic.

- Steve Grygar reported on the September 22, 1993 meeting of UMHSAC officers and representatives with representatives of Mesaba Clinic. He noted generally that various issues have been discussed, including physician compensation philosophy, benefit plans, clinic work force, powers that would be reserved to UMHS, and other matters. He advised that the UMHS and Mesaba Clinic had set a target date of December 15, 1994 to consummate the affiliation.

- A report was made by Keith Dunder with respect to the status of negotiations between UMHS and Mesabi Regional Medical Center. Keith reported that the Medical Center Board of Directors had voted in favor of an affiliation with UMHS, and that negotiations would proceed first to a confidentiality and exclusive dealing agreement, and next for a more detailed letter of intent. He advised that any affiliation would have to be approved by the members of the Mesabi Regional Medical Center, and that the membership would not be "frozen" until some letter of intent had been negotiated. Keith advised that this left open the possibility that there would be a "membership battle," with interests adverse to the affiliation possibly encouraging persons to become members so as to vote against the affiliation. Keith advised that it is a situation that must be monitored by UMHS.

There was also some discussion about a possible affiliation with West Side Community Health Center, a non-profit, tax-exempt clinic, and how that conceivably could lead to affiliation with other tax-exempt clinics. Steve Grygar was directed to proceed with discussions with West Side Community Health Center.

9. **Financial Report.** Steve reviewed the income statement and balance sheet in the Directors' Packet. He noted that the income statement is on the cash method of accounting, although he intends to shift to the accrual method as soon as possible, as that is consistent with generally accepted accounting principles. He advised that there is just simply insufficient history with operations to be on the accrual method at this time. Questions were asked and points were raised. These included the following:

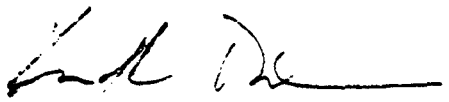
- Whether the entry for Medical Supplies and Drugs includes any inventory establishment, which it does;
- Why there is an entry for billing fees if UMHSAC has not yet paid UAFP, to which Steve responded that during a transition period, UMHSAC is keeping the billing for Staub Pediatric Clinic with the prior service provider;
- Whether UMHSAC should be paying UMHS some occupancy expense, based on a pre-existing space rental arrangement (so that UMHSAC has its own space), which is an expense that Steve advised would be reflected in the next Income Statement; and
- The fact that if the accounts receivable which had been collected for Staub Pediatric Group, P.A. instead accrued to UMHSAC (which may be expected in the future, assuming business loans remain the same), a monthly net profit of approximately $12,000 would have been realized.

10. **Physician Director.** Tom Doyle's memorandum of September 12, 1994 on this topic, included in the Directors' Packet, was reviewed, and questions were raised and discussed. Given the absence of a quorum, Tom Doyle was directed to prepare a resolution establishing the Physicians' Committee, accepting Dr. McLellan as Medical Director of Staub Pediatric Clinic, appointing him as the Physician Director of UMHSAC, and taking other appropriate ancillary action, and then circulate that for review by all Directors. If all Directors approve the document, all can sign the Unanimous Written Consent of the Directors in Lieu of a Meeting, so that Dr. McLellan will be the Physician Director by the time of the next meeting.

11. **Meeting Schedule.** Cliff announced a goal of getting the UMHSAC Board on a quarterly meeting schedule, with monthly informational mailings, rather than a monthly schedule. He advised that there would be no meeting in October or November, but that the next meeting would be the regularly scheduled December meeting. **The next meeting of UMHSAC's Board of Directors will be held on December 9, 1994, commencing at 7:30 o'clock a.m., at Room C-360 of the Mayo Building of the University of Minnesota Hospital and Clinic, Harvard Street at East River Road, Minneapolis, Minnesota.**

12. Adjournment. There being no further business to come before the meeting, the meeting was adjourned at approximately 8:50 o'clock a.m.

Respectfully submitted,



Keith A. Dunder, Secretary of University of Minnesota Health System Affiliated Clinics, Inc.

The foregoing minutes were approved by the Board of Directors of UMHSAC at their meeting of December __, 1994.

Keith A. Dunder, Secretary of
University of Minnesota Health System
Affiliated Clinics, Inc.

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UNIVERSITY OF MINNESOTA HEALTH SYSTEM AFFILIATED CLINICS, INC.
a Minnesota Non-Profit Corporation
("UMHSAC")

Unanimous Written Consent of Directors in Lieu of a Meeting

The undersigned, together constituting all of the duly-appointed and serving directors of UMHSAC, acting pursuant to Minnesota Statutes §317A.239 and waiving all notice of time, place or purpose pursuant to Minnesota Statutes §317A.231, Subd. 4, approve and adopt the following Recitals and Resolutions, to be effective when signed by the last signatory to this instrument (as conclusively evidenced by the dates entered adjacent to the signatures):

Recitals

WHEREAS, Section 5.1 of UMHSAC's Bylaws provides for a Physicians' Committee to be composed of the Medical Directors of each separate Clinic within UMHSAC, and

WHEREAS, UMHSAC has since August 1, 1994 owned and operated one Clinic, being Staub Pediatric Clinic, and

WHEREAS, Dr. Daniel S. McLellan has been elected the Medical Director of Staub Pediatric Clinic by the physicians employed at that Clinic who have practiced medicine at the Clinic for at least two years prior to the election, and

WHEREAS, we wish to assure the governance of UMHSAC in accordance with its Bylaws,

Resolutions

NOW, THEREFORE, BE IT RESOLVED that each of the following actions is approved and adopted by us:

1. Dr. Daniel S. McLellan is accepted and confirmed as the Medical Director of Staub Pediatric Clinic, subject at all times to the inherent authority of the Board of Directors of UMHSAC to remove any Medical Director of any UMHSAC Clinic from that position.

2. The Physicians' Committee contemplated by Section 5.1 of UMHSAC's Bylaws was established by the adoption of those Bylaws, and is now constituted in accordance with those Bylaws by the appointment, as the sole initial member of the Physicians' Committee, of Dr. Daniel S. McLellan.

3. In accordance with Sections 5.1 and 3.2 of UMHSAC's Bylaws, the chair of the Physicians' Committee is hereby appointed as the Physician Director of UMHSAC, to serve until the member(s) of the Physicians' Committee shall elect from their membership a different chair, as contemplated by Section 5.1 of UMHSAC's Bylaws. Absent written evidence of action by the Physicians' Committee to select a different member to be the Physician Director of UMHSAC, it shall be presumed that Dr. Daniel S. McLellan as the sole member of the Committee is the de facto chair of that Committee and is the Physician Director.

4. Each officer of UMHSAC is jointly and singly authorized and directed to execute such one or more instruments, or take such one or more other actions, as may be necessary, appropriate or helpful, in the discretion of each such officer, to give effect to the foregoing actions.

Pat Board, Director — Date Signed 10/31/94

Michael Fay, Director — Date Signed 11/4/94

Clifford P. Fearing, Director — Date Signed 10/31/94

Helen Pitt, Director — Date Signed 11/1/94

To the extent necessary or appropriate to appoint the chair of the Physicians' Committee as the Physician Director of UMHSAC pursuant to Section 3.2 of UMHSAC's Bylaws, the undersigned being the incorporator of UMHSAC signs below to evidence concurrence in the above action.

Keith A. Dunder, the incorporator of
University of Minnesota Health
System Affiliated Clinics, Inc.

Rush City Health Care Center
Transaction Status

- Status of Facility Planning
  - ► Finalizing Role and Program for Clinic
  - ► Several Meetings with "Facility Planning Committee"
  - ► Architect Selection

- Begin UMHS Promotional Campaign in City

- Status of Interim Transaction-Value Negotiations
  - ► Accounts Receivable
  - ► Unemployment Costs
  - ► Demolition
  - ► Asbestos Abatement
  - ► Proposed "Rush City Clinic Committee" language

- Future Activities
  - ► Begin Drafting Interim Management Services Agreement
  - ► Finalize New Facility timetable
  - ► Board Action for Construction and Equipment Loan

- Current Action
  - ► Contingent Approval of Accounts Receivable Loan
  - ► Proceed with Site Selection and continuing facility planning activities (architect selection, detailed drawings, construction bids, etc.)

Rush City Health Care Center
Schedule of Estimated Payments
Based Upon RCHC Financial Statements @ 8/31/94

Accounts Receivable Purchase Price (@.65 on the dollar)	$673,843
Equipment Purchase Price @ FMV	524,577 *
Purchased Supplies	85,254
Net Other Assets (See Schedule Below)	25,745
Total Cash In	$1,309,419

Less:

City Payable	$191,491
Bank Note Payable	20,000
Capital Lease Obligations	212,265
Trade A/P	53,422
A/P - Other (Payroll, Benefits, Etc.)	192,535
Estimated 3rd Party Settlements	24,000
Estimated Unemployment Costs	150,000
Estimated Demolition Costs	75,000
Estimated Asbestos Removal	65,000
Total Cash Out	$983,713
Net Cash to Rush City	$325,706

Other Assets Attributable to Rush City: **

Petty Cash	$140
Cash - Memorial Fund	44,278
Restricted Cash	24,170
Fortis Investments	722
Clinic Cash	9,108
Note Receivable - Dr. Novick	3,984
Investments - Capital Equipment Bond Fund	51,923
	$134,325

Other Liabilities Attributable to Rush City

Checks-In-Transit	$108,581
Net	$25,745

* Indicated FMV is Preliminary. FInal Purchase Price Subject to Equipment Needed as Per Recommended Role and Program Analysis.

** RC Has Agreed to Transfer to UMHSAC a $15,027 Medica Recruiting Grant

DRAFT 11/7/94

Proposed Recitals and Resolutions of the Board of Directors of University of Minnesota Health System Affiliated Clinics, Inc. With Regard to a Committee for a New Rush City Clinic

WHEREAS, the Board of Directors of University of Minnesota Health System Affiliated Clinics, Inc., a Minnesota non-profit corporation ("UMHSAC") has previously authorized and approved UMHSAC's construction and operation of a clinic in Rush City, Minnesota (the "Rush City Clinic" or the "Clinic"),

WHEREAS, a significant role of the Rush City community in the management of the Rush City Clinic would be consistent with basic principles underlying UMHSAC, including that UMHSAC's clinics should be responsive to and serve the needs of communities, and that those clinics should fulfill community outreach and educational roles,

WHEREAS, it is consistent with UMHSAC's basic principles, appropriate for the management of the Rush City Clinic, and it is in the best interests of UMHSAC, to establish a committee that, subject to certain specific restrictions, will have the authority of the Board of Directors of UMHSAC in the management solely of the Rush City Clinic, and

WHEREAS, establishment of such a committee is authorized and permitted by UMHSAC's bylaws and by applicable Minnesota law,

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. There is hereby established a committee of the Board of Directors of UMHSAC, to be known as the "Rush City Clinic Committee" (and in this and the following resolutions as the "Committee"), consisting of individuals from time to time appointed by the Board of Directors of UMHSAC. The term of each member of the Committee shall be for a period of one year from the date of his or her appointment, unless the Board of Directors of UMHSAC specifies a different term at the time of such member's appointment. Each member of the Committee shall at all times be subject to removal by the Board of Directors of UMHSAC. The Board of Directors of UMHSAC may from time to time appoint additional members of the Committee, and may fill vacancies on the Committee (whether due to death, resignation, removal or any other cause).

2. Except as provided below, the Committee shall have and may exercise the authority of the Board of Directors of UMHSAC in the management of the Rush City Clinic only. All actions of the Committee shall be

promptly reported to the Board of Directors of UMHSAC, and all minutes and other records and evidences of all proceedings and actions of the Committee shall be promptly provided to the Board of Directors of UMHSAC. Under Minnesota law the Committee is and shall remain at all times subject to the direction and control of the Board of Directors of UMHSAC, including but not limited to the right of the Board of Directors of UMHSAC to direct the Committee to revoke, rescind, reverse, modify, amend, change, supplement, or otherwise take or fail to take any action, or to desist from any action, with respect to any action or omission that has been approved, ratified, adopted or accepted by the Committee (even if the matter is one having to do with the management of the Rush City Clinic). In addition, the Committee shall not approve, adopt, ratify or authorize any of the following, or take any action in pursuit of any of the following, without first securing the approval of the Board of Directors of UMHSAC (or, where noted, the Administrator or Chief Executive Officer of UMHSAC):

(a) Any provider agreement with any third party payor (any provider agreement may instead be approved by the Administrator or Chief Executive Officer of UMHSAC);

(b) Implementation of any capital or operating budget for the Rush City Clinic, or any modification or amendment of any such budget in excess of one percent (1%) of the budget for any single expense or expenditure or other item, or in excess of five percent (5%) of the budget for all expenses, expenditures or other items during any budgetary period, or any modification or amendment of any such budget in any amount if the net result is to project an operating loss from the Clinic for any budgetary period;

(c) Any transfer or encumbrance of any equipment or other property of the Clinic (any transfer or encumbrance of any equipment or other property of the Clinic may be approved by the Administrator or Chief Executive Officer of UMHSAC);

(d) Any change to any mission statement or strategic, marketing or expansion plan of the Clinic;

(e) Any acquisition of any equipment or other property, or any change of the Clinic's operations to a new location or expansion of the Clinic's operations at any location, or any closure or significant reduction of staff at any location that is then staffed by the Clinic's personnel. (Any matter identified in this paragraph (e) may be approved by the Chief Executive Officer of UMHSAC.)

For purposes of clarifying subparagraph (b) above, examples of modifications or amendments of a budget include, but are not limited to, incurring indebtedness or entering into a contract if the same was not reflected in the capital or operating budget of the Clinic. For purposes of all of the subparagraphs above, if a sale or purchase of equipment or other property, or a change to a new location or expansion at an existing location, or any closure or significant reduction of staff at a location, or any other matter is clearly reflected and disclosed in a capital or operating budget that has been approved by the Board of Directors of UMHSAC, the Committee is not thereafter required to again obtain the approval of the Board of Directors of UMHSAC for actions that are consistent with what was reflected and disclosed in the approved budget.

With the assistance of and in consultation with the Administrator of UMHSAC, the Committee shall formulate a proposed operating and capital budget for the Rush City Clinic for each fiscal year. Each such budget shall be formulated at least 60 days in advance of the commencement of the fiscal year, for which the budgets are intended to be in effect, so as to permit prior review, potential modification, and approval by the Board of Directors of UMHSAC. If ever an operating or capital budget for the Rush City Clinic has not been approved by the Board of Directors of UMHSAC for a given fiscal year, the budget for The Rush City Clinic for the preceding fiscal year shall be continued, except that if the Clinic suffered an operating loss for the prior fiscal year, the prior fiscal year's budget shall be modified by the Administrator of UMHSAC to the extent (and in such categories and items) as the Administrator deems appropriate to avoid operating loss for the following fiscal year.

3. In its procedures, as to resignation of a member of a committee, quorum, voting, conflicts of interest, meetings, notice of meetings and waiver of notice, meetings by electronic conference and action without a meeting, and other procedures, the Rush City Clinic Committee shall be governed by the provisions of UMHSAC's bylaws as the same apply to the Board

of Directors of UMHSAC (with references to the Board of Directors to be read instead as references to the Committee, and references to a director to be read instead as references to a member of the Committee), except only to the extent such procedures would be inconsistent with a specific provision of any of these resolutions, or any other resolution of the Board of Directors of UMHSAC with respect to the Rush City Clinic Committee.

4. The following officers of UMHSAC are ex officio, voting members of the Rush City Clinic Committee: _____ _____. Otherwise, the initial members of the Committee are: _____ _____. _____ shall serve as Chairman, and _____ shall serve as Vice-Chairman. The Chairman shall preside at all meetings of the Committee, and maintain records of and certify proceedings of the Committee and its actions. The Vice-Chairman shall fulfill the responsibilities of the chairman in the absence of the Chairman. The Board of Directors of UMHSAC reserves the right to remove any member of the Committee, and to change the identity of either the Chairman or the Vice-Chairman of the Committee, or both. No compensation shall be paid to any member of the Committee for any service as a member of the Committee, and no expense shall be incurred by the Committee except to the extent reflected and disclosed in a capital or operating budget of Clinic that has been approved by the Board of Directors of UMHSAC.

5. The officers of UMHSAC are jointly and singly authorized and directed to delegate to an administrator of the Rush City Clinic (who may or may not be a member of the Rush City Clinic Committee), and/or to one or more members of the Rush City Clinic Committee, any authority of that officer as to any matter concerning or with respect to the Clinic (including by way of example but not by way of limitation the authority to establish and maintain a depository for funds and to make draws on those or other funds of UMHSAC for expenses of the Clinic), subject to such reporting or accounting requirements, or other established Delegation of Authority Policies and guidelines, terms and conditions, as the delegating officer deems appropriate. Any such delegation shall at all times be subject to rescission, revocation, amendment or supplement, and shall be rescinded, revoked, amended or supplemented in accordance with any resolution adopted by the Board of Directors of UMHSAC.

6. The Chairman and Vice-Chairman of the Rush City Clinic Committee are jointly and singly directed to provide to the Board of Directors of UMHSAC a written report concerning operations, affairs and management of the Rush City Clinic, such a report to be provided to the Secretary of UMHSAC sufficiently in advance of each meeting of the Board of Directors of UMHSAC so that it can be distributed in advance of the meeting and considered at the meeting of UMHSAC. Each such report shall cover the period since the last such report, except that the report following the close of UMHSAC's fiscal year shall review the operations, affairs and management of the Rush City Clinic for that entire fiscal year. Each report shall include such financial or other information as may be required by the Chief Executive Officer or Administrator of UMHSAC, or as may be specified by subsequent resolution of the Board of Directors of UMHSAC. The Chairman or Vice-Chairman of the Rush City Clinic Committee shall attend any meeting of the Board of Directors of UMHSAC to which he or she is invited, assuming he or she is provided reasonably sufficient advance notice of the same. In addition, the Administrator of the Rush City Clinic shall provide to both the Chief Executive Officer and Administrator of UMHSAC, and to the Rush City Clinic Committee, such financial and other information as may from time to time be required by the Chief Executive Officer or Administrator of UMHSAC, or by the Committee.

7. The Board of Directors of UMHSAC reserves the right to amend any aspect of any of the preceding resolutions, and to adopt any other resolutions with respect to the authority, activities, composition, governance or any other aspect whatever of the Rush City Clinic Committee.

Hinckley Health Care Center
Transaction Status

- Status of Building and Equipment Lease Documents
- Site Selection
  - ► Three acres vs. Thirty Acres
  - ► West Side cost vs. East Side cost
  - ► Mille Lacs Band Anxiety
- Physician Staffing Issues
- Administrative Management Issues
- Market Research Results

Ryan Companies

[illegible]
[illegible]
[illegible] MN 55402-[illegible]
[illegible]
[illegible] Fax

RYAN

Building Lasting Relationships

December 5, 1994

Mr. Stephan C. Grygar
Associate Director of Finance
University of Minnesota Health System
Box 704 UMHS
420 Delaware Street SE
Minneapolis, Minnesota 55455

RE: HINCKLEY LAND AVAILABILITY

Dear Steve:

Per your request we include a chart identifying eight properties located in Hinckley, four of which are west of I35 and four east of I35, which could be developed for the proposed new clinic. The chart identifies the location, number of acres, availability and cost for each parcel. Please note that availability is defined as property located within the City of Hinckley, zoned for medical use, and having all utilities available.

This past June we recommend to the Ojibwe Band that a minimum of 3¼ acres of raw land be purchased to accommodate the initial Phase I 15,000 GSF medical building and a future 7,500 GSF expansion. Included on the 3¼ acre parcel was all appropriate parking calculated at 6 parking spaces per 1,000 GSF of building area and typical side yard, front yard, rear yard setback requirements.

Also included is a description and copies of pictures of each of the properties. The location map easily identifies each parcel. There is an individual description sheet and an area photograph of each of the eight properties.

Steve, please advise if you need any additional information or wish for me to make a formal presentation of this data to your group. You should know that the Ojibwe Band has asked us to begin the process of purchasing this land as soon as possible. Their preferred site is Location #2.

Sincerely,

Chester J. Yanik
Vice President

Enclosure

c: Deron Dunkley
Doug Twait

UNIVERSITY OF MINNESOTA HEALTH SYSTEM
HINCKLEY MEDICAL CLINIC
December 5, 1994

Minimum land area required is 3¼ acres – 22,500 GSF Medical Building (Two Phases: 15,000 and 7,500)

West of 35					East of 35			
Location	Size	Availability	Cost/Acre	Overall Cost	Size	Availability	Cost/Acre	Overall Cost
1					4 acres	Immediately	$10,000	$40,000
2					6 acres	Immediately	$10,000	$60,000
5					4 acres	Requires land split	$72,000	$288,000
6					3.8 acres	Immediately	$115,337	$445,200
6a	4 acres	Requires land split	$100,000	$400,000				
9	3.9 acres	Requires land split	$56,410	$220,000				
10	5.5 acres	Immediately	$9,000	$49,500				
12	4 acres	Requires land split	$10,500	$42,000				

Availability is defined as a property located within the City of Hinckley, zoned for medical use, having all utilities available.

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HINCKLEY CLINIC STUDY
SURVEY OF
RESIDENTS AND LEADERS

Nelson Research Services, Inc.

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BACKGROUND AND OBJECTIVES

The University of Minnesota Health System (UMHS) is exploring the viability of a joint venture with the Mille Lacs Band of the Ojibwe Tribe in the Hinckley area. Specifically, the Mille Lacs Band would fund the construction of a clinic in Hinckley and after its completion, the clinic would be managed and staffed by health care professionals from the local area in conjuction with UMHS.

The purpose of this study is to determine the attitudes of residents and leaders in Hinckley and the surrounding area toward the clinic. Specific information objectives are as follows:

- To determine where area residents are currently receiving health care and their satisfaction with clinic and emergency services currently available in their area.
- To determine which of two possible sites for the clinic (the east vs. the west side of highway 35 in Hinckley) is preferred.
- To determine interest in using the clinic at either site.
- To determine perceptions of the proposed clinic, in terms of the quality and breadth of care and service it would provide compared with other clinics in the area.
- To determine attitudes toward UMHS as a health care provider.
- To identify health care needs of area residents.

METHODOLOGY

Design

This study was a telephone survey of two respondent groups. The first group comprises residents of Hinckley and the surrounding area. The second group comprises leaders in the Hinckley area.

Resident Survey

Using local telephone directories, telephone interviews were completed with a random sample of 200 residents of Hinckley and the surrounding area. The resident sample includes two subsets, as follows:

GEOGRAPHIC AREA	COMPLETED INTERVIEWS
Primary Service Area	**100**
Hinckley	88
Brook Park	12
Secondary Service Area	**100**
Mora/Henrietta/Quamba	39
Pine City/Beroun	35
Sandstone	26
TOTAL SAMPLE	**200**

Potential respondents were screened to be at least 21 years of age and responsible for at least 50% of the decisions about health care for the household. A security screen was included, as well.

As a point of interest, 68% of respondents are female, 32% are male, and 3 of the 200 respondents (all from the immediate Hinckley area) are members of the Mille Lacs Band.

Leader Survey

Using a list provided by UMHS, interviews were completed with 30 leaders in the Hinckley area. The list included leaders of the Mille Lacs Band and political, business, and community leaders in Hinckley.

A list of leaders participating in this study is provided in the Appendix, as are the questionnaires used for the resident and leader groups.

Dates

Interviewing was completed from November 10 through 29, 1994.

Analysis of Results

Tabulation and Analysis

Results of this study have been tabulated and analyzed in total, by service area, and based on selected demographic and attitudinal characteristics. Differences that are relevant and statistically significant among sample subsets are detailed in this report.

Significance Testing Sampling Error

Significance testing is at the 95% confidence level using a two tail T-test.

All research that uses a sample of the total population is subject to sampling error. With a sample of 200 respondents, the sampling error is ±7.1 percentage points at the 95% confidence level. In other words, one can be 95% confident that results are representative of the population within ±7.1 percentage points. The range of error is higher for the smaller samples included in this study (e.g., ±9.8 percentage points for samples of 100).

Weighting the Data

One hundred interviews were completed for each of the two service areas. Because this distribution is not an accurate representation of the population, the data have been weighted to arrive at more realistic measurements for the total area. The weights used (based on the actual distribution of the population) are 11.9% for the primary service area and 88.1% for the secondary service area.

SUMMARY OF FINDINGS

Both residents and leaders in the Hinckley area indicate a preference for the proposed clinic to be built on the west side of highway 35 in Hinckley.

One of the major considerations driving preference for the west side is that of accessibility. The majority of Hinckley's residents are on the west side of the highway. As such, a clinic located on the west side of the highway is potentially within walking distance for many residents. This includes seniors, many of whom apparently live near the downtown area.

Another consideration driving preference for the west side is the amount of traffic that would be encountered on the east side of the highway because of the casino. Also, residents having to negotiate the I-35 interchange to access an east side clinic is perceived as a major problem.

While the west side is the preferred location, several leaders in the community argue the benefits of an east side location.

Several make the point that the community's growth is happening on the east side and, as such, an east side location makes better sense. Additionally, a few leaders point to the fact that since one of the purposes of the clinic is to serve the Mille Lacs Band, it is appropriate that the clinic be located on the east, since most of that population is on the east side.

Although leader and resident preference is for the west side of the highway, both groups are enthused about the clinic, regardless of which site is selected.

Nearly all of the leaders participating in this study believe that there is a need to improve the health care offerings in the community, and anticipate that the residents of the community would "welcome the clinic with open arms." The responses of the residents participating in this study support the leaders' attitudes, with consumers expressing a high level of interest in using the clinic on either side of the highway, although their interest is somewhat softer in an east side clinic.

Of particular importance is that racism and opposition to the clinic because of the involvement of the Mille Lacs Band does not appear to be a significant problem among either residents or leaders.

SUMMARY OF FINDINGS (Continued)

Despite the generally favorable attitude about the proposed clinic, some leaders are concerned about the effect of the clinic on existing health care providers, and the potential of "overkill" in light of the expansion plans of other providers.

Some leaders are concerned that the new clinic would drive the current provider, Hinckley Area Clinic, out of business. These leaders favor a cooperative effort rather than a competitive venture.

Additionally, two leaders stated that the Sandstone hospital is currently considering building a hospital in Hinckley, and expressed concern that the community would not be able to sustain three providers.

Leaders anticipate that some of the community's residents would have other concerns about the clinic.

These include such issues as the potential impact on resident taxes, potential financial gain to the Mille Lacs Band from the clinic's profits, the clinic perhaps "having an unfair advantage because of the Ojibwe's tax-exempt status," and the like.

With respect to the clinic's patient potential, 46% of the residents in the combined primary and secondary service areas indicate a positive intent to use the clinic if it were to be built on the west side of the highway. Slightly fewer (37%) indicate a positive intent to use on the east side.

Intent to use is especially high in the primary service area (Hinckley and Brook Parks), where 67% are positive to using the clinic on the west side and 57% are positive to using on the east side. Most of those who do not indicate a positive intent to use are undecided (rather than negative) about using the clinic.

As might be expected, anticipated incidence of use is lower in the more distant communities comprising the secondary service area. Among these residents, 43% express positive intent to use a west side clinic, and 34% are positive toward using an east side clinic.

SUMMARY OF FINDINGS (Continued)

The high level of interest residents express in the proposed clinic is not surprising, since consumers are not overly satisfied with the clinic offerings that are currently available to them.

To illustrate, Hinckley consumers indicate only moderate satisfaction with area clinics. Their lukewarm attitude is reflected in the fact that while the Hinckley Area Clinic (the Hinckley branch of Mora Medical Center) has a 44% share of households in the primary service area, the majority of Hinckley's residents go to other towns for their primary health care. As such, the possibility of a new local provider clearly has appeal to the community.

While residents in the secondary service area are perhaps somewhat more satisfied with their clinic situation, they are still only moderately satisfied with their health care offerings.

Residents and leaders alike anticipate that the proposed clinic would be as good or better than current clinic offerings based on the quality of care, staff attitude and competence, speed of service, physician continuity, having up-to-date equipment, and breadth of specialists and services.

Those areas in which consumers anticipate seeing the most noteworthy improvement over what is currently available to them include equipment being state-of-the-art and a broader range of specialists and services.

The fact that the UMHS would be a participant in this venture is very likely contributing to the enthusiasm residents and leaders alike are expressing for the clinic.

Virtually everyone in the area has an opinion of the University of Minnesota Hospital and Clinic, and that opinion is nearly exclusively favorable.

SUMMARY OF FINDINGS (Continued)

Emergency service, urgent care, and an OB/GYN are the services and physician specialties having the strongest appeal to area residents.

Physical and occupational therapy, the services of a pediatrician, and health and wellness education also have strong appeal.

Consumers express moderate interest in the proposed clinic offering eye care, mental health counseling, a pharmacy, treatment for alcohol and drug addiction, and dentistry services, although the "full service" nature of a clinic with all these product and service offerings appeals to some.

IMPLICATIONS

Results of this study do not indicate conclusively which side of highway 35 is the best choice for the clinic.

The west side of the highway is undoubtedly the safer choice at this point in time, since it is the preferred site of residents and leaders alike. However, several leaders make the point that the city's growth is happening on the east side, an important observation that warrants consideration. In this regard, the east side of the highway could be the better choice for the long term.

Emergency services, urgent care services, and the services of an OB/GYN should be high priority considerations for the clinic.

These services have the most consumer appeal of those proposed by UMHS, although other offerings, such as physical and occupational therapy services, a health and wellness program, and the services of a pediatrician have good potential, as well.

It will be extremely important for UMHS to provide the leaders and residents of the community with information regarding specifics of the clinic arrangement to allay their concerns.

The subjects that need to be addressed are predominantly financial in nature, including such issues as potential impact on taxes, financial gain to the Mille Lacs Band, and the like.

UMHS should capitalize on the strength of its reputation in its efforts to promote the clinic.

UMHS is widely recognized in the area, and is regarded as an outstanding health care provider by leaders and residents alike.

IMPLICATIONS

Clearly, UMHS should attempt to learn more about potential competitive ventures in the area.

Specifically, it is important for UMHS to explore the expansion intentions of Sandstone's Pine Area Hospital in Hinckley, and to evaluate the potential impact of this venture on the proposed clinic.

I. RESIDENT STUDY

A. RESIDENT DEMOGRAPHICS

Because this study is based on a random sample of residents in the Hinckley area, the profile of this sample provides a good indication of resident demographics (within the sampling error constraints described in the Methodology of this report).

The sample profile (Exhibit 1) suggests the following conclusions about the market the proposed clinic would serve:

- The market comprises 20% seniors. Stated another way, **80% of potential patients are under age 65**. There is no difference between the primary and secondary service areas in this regard.

- About half (46%) of residents in the overall service area have children. Residents in the **primary services** area are **less likely to have children** (32%) than residents in the secondary service area (48%). This difference is also reflected in the **average household size,** with households in the primary service area being slightly smaller than those in the secondary service area.

- The **income profile** is **fairly low** for the area. Income levels appear to be somewhat lower in the immediate Hinckley area than in the cities making up the secondary service area.

- Residents in the total service area are fairly evenly divided based on **which side of highway 35 they live on.** In the primary service area specifically, results of this study suggest that 65% of residents live on the west side, and that 35% live on the east side.

- Overall, 7% of area residents (10% of primary service area residents and 6% of secondary service area residents) are **employed by Grand Casino Hinckley.**

Exhibit 1

SAMPLE PROFILE

INTENT TO USE	TOTAL SAMPLE (Weighted)	PRIMARY SERVICE AREA	SECONDARY SERVICE AREA
	(n=200)	(n=100)	(n=100)
Age			
21 - 44 years	46%	33%	48%
45 - 64 years	34	45	32
65 years or older	20	22	20
Presence and Age of Children			
Children present	46%	32%	48%
Under age 6 present	16%	13%	16%
Age 6 - 12 present	23%	16%	24%
Age 13 - 17 present	25%	17%	26%
No children present	54	68	52
Household Size			
One or two	48%	58%	46%
Three or four	37	29	39
Five or more	15	13	15
Average	3.0	2.7	3.0
Annual Family Income			
Less than $20,000	27%	34%	26%
$20,000 - $29,999	30	20	32
$30,000 - $49,999	30	27	30
$50,000 or over	5	8	4
Refused	8	11	8
Location of Residence			
West side of 35W	53%	65%	51%
East side of 35W	46	35	48
Don't know/Refused	1	-	1
Someone in Household Employed by Grand Casino Hinckley			
Yes	7%	10%	6%
No	93	90	94

B. CURRENT PRIMARY CARE PROVIDER AND SATISFACTION WITH CLINICS AND EMERGENCY SERVICE

Current Clinic (Exhibit 2)

Mora Medical Center currently owns 58% of the resident population in the combined primary and secondary service areas of the proposed clinic in Hinckley. Share of specific Mora Medical Center sites are 33% for the main medical center in Mora, 14% for Pine City Area Clinic, and 11% for Hinckley Area Clinic.

Other noteworthy providers are **Sandstone Medical Group** (with a 13% share of the combined primary and secondary service areas), **Cambridge Clinic** in Cambridge (8%), and Rush City Area Clinic (6%).

While **Hinckley Area Clinic** is the predominant provider in the immediate Hinckley area (44% share), over half of Hinckley residents go to clinics in surrounding areas for their health care, suggesting that Hinckley residents are not overly satisfied with the local health care offerings that are available to them.

Satisfaction With Clinics and Emergency Service (Exhibit 3)

Consistent with this hypothesis, residents of Hinckley and the surrounding area express only **moderate satisfaction** with area clinics.

While nearly half of these residents (47%) describe themselves as "extremely" or "very" satisfied with the care provided by area clinics, at least as many (51%) describe themselves as only "somewhat" satisfied or dissatisfied. As such, a significant portion of the population is only moderately satisfied (at best) with clinics, pointing to a potential opportunity for UMHS.

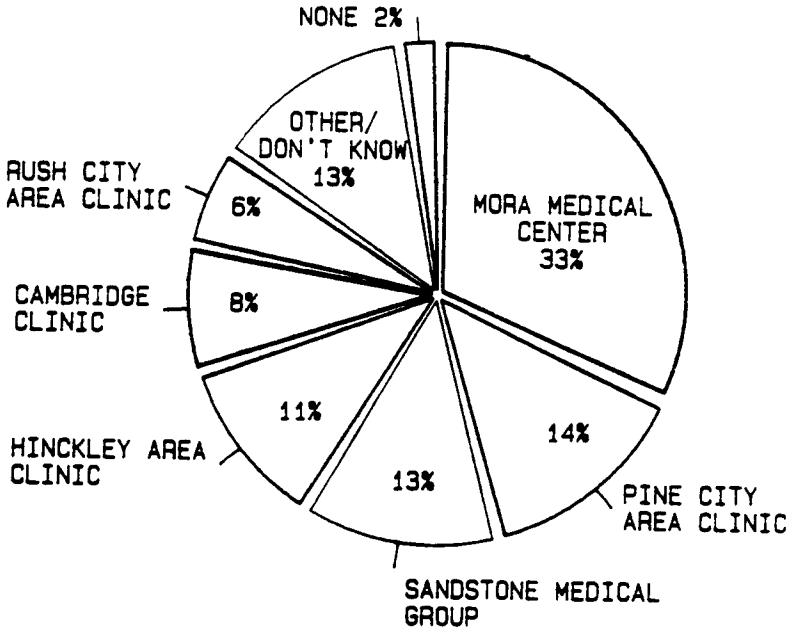
There is less certainty among consumers regarding the probable quality of the emergency service, which no doubt reflects lack of experience. Overall, 45% of consumers indicate a high level of satisfaction with the emergency service currently available, while 38% are only moderately satisfied or dissatisfied. (The remaining 17% have no opinion.)

HINCKLEY CLINIC STUDY

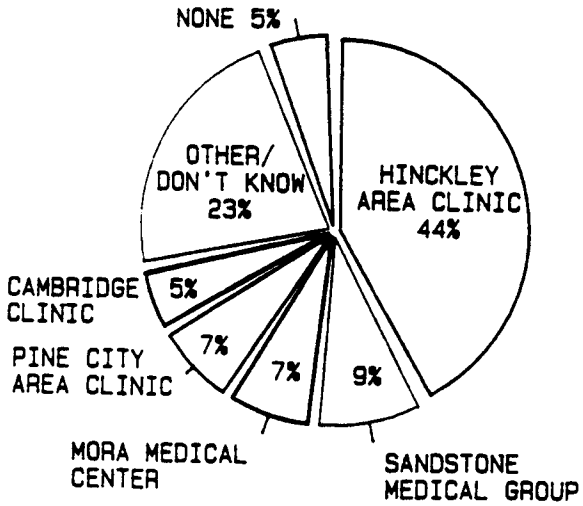
EXHIBIT 2

CURRENT CLINIC

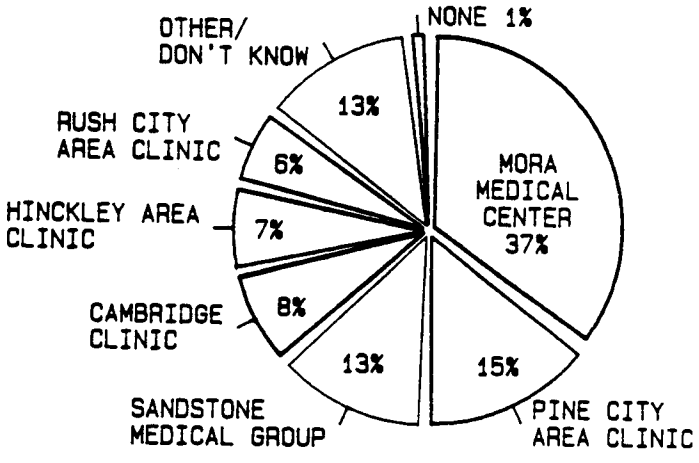
TOTAL SAMPLE (WEIGHTED)
(n = 200)



PRIMARY SERVICE AREA
(n = 100)



SECONDARY SERVICE AREA
(n = 100)



HINCKLEY CLINIC STUDY

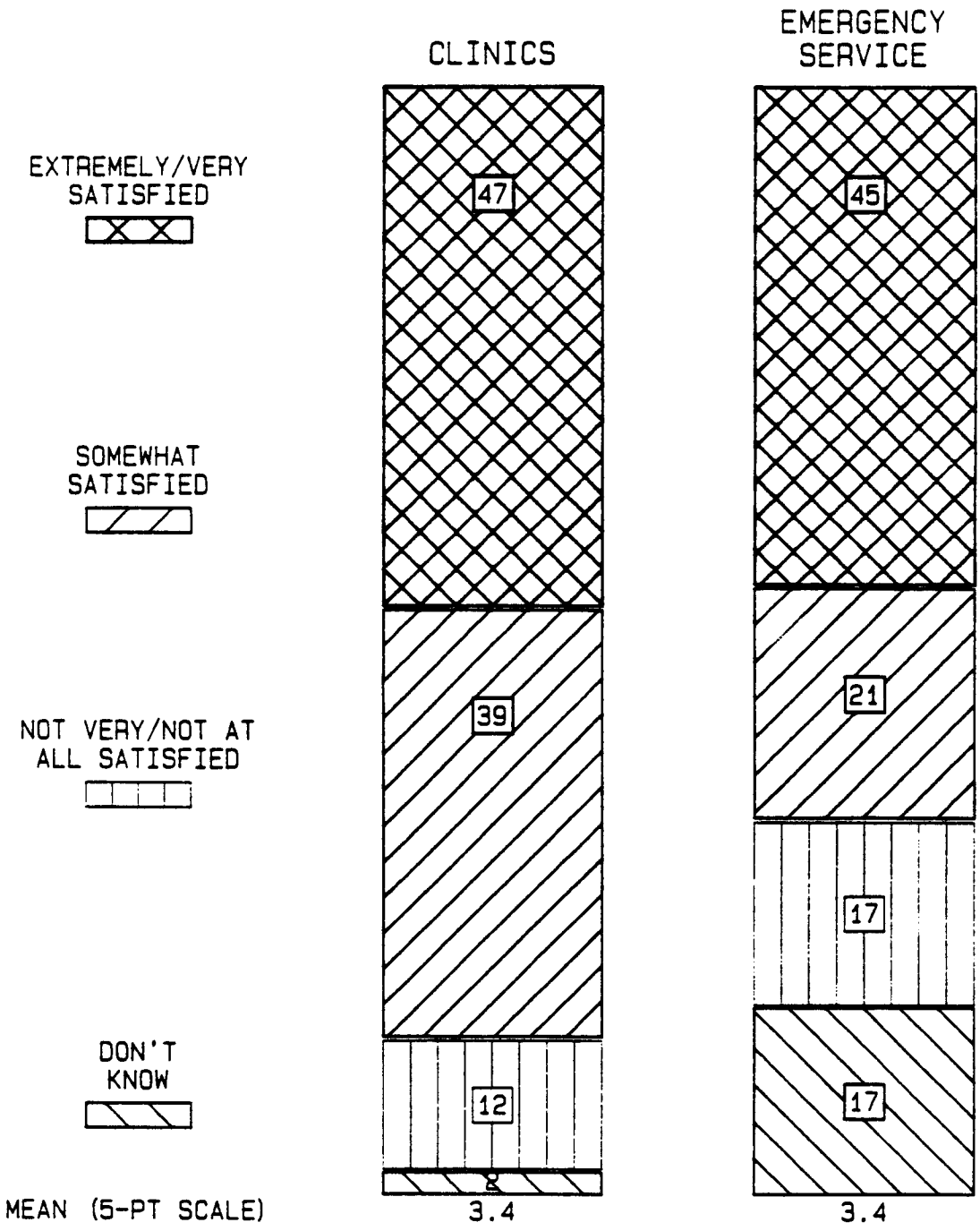
EXHIBIT 3

SATISFACTION WITH CURRENT HEALTH CARE SERVICES

(in percent)

TOTAL SAMPLE (WEIGHTED)

(n = 200)



C. PREFERRED SITE AND INTENT TO USE PROPOSED CLINIC

Introduction

Respondents participating in this study were read the following description of the proposed clinic:

> "The Ojibwe Band and University of Minnesota Hospital and Clinic are exploring the possibility of establishing a new, state-of-the-art clinic in the Hinckley area. The construction of the clinic would be funded by the Ojibwe Band. Once the clinic was built, it would be managed and staffed by primary health care professionals from the local area in conjunction with the University. Also, specialists from the University Hospital and Clinic would come to the clinic on an "as needed" basis. The clinic would be open to the public, serving residents of Hinckley and the surrounding area."

In evaluating consumer response to and attitudes toward the proposed clinic, it is important to keep this description and the promises it contains in mind.

Preferred Site (Exhibit 4)

Residents of both the primary and secondary service areas indicate a **significant preference** for the proposed clinic to be located on the **west side** of 35 in Hinckley. (The margin is two to one in both areas.)

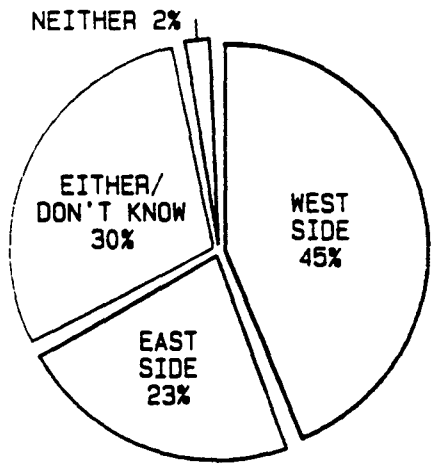
This attitude is consistent across most of the various demographic segments considered in this study. In fact, the only group preferring the east side of the highway are Hinckley residents who live on the east side, who are in the minority based on their numbers.

HINCKLEY CLINIC STUDY

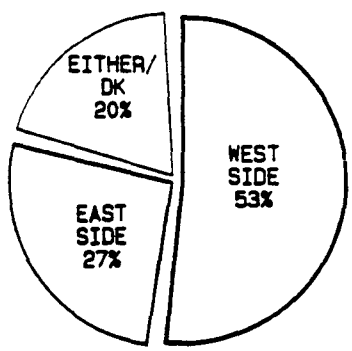
EXHIBIT 4

SITE PREFERENCE: RESIDENTS

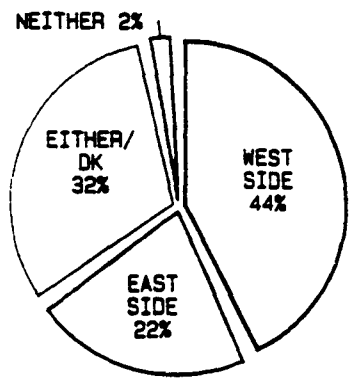
TOTAL SAMPLE (WEIGHTED)
(n = 200)



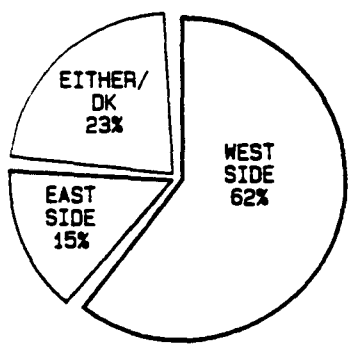
PRIMARY SERVICE AREA
(n = 100)



SECONDARY SERVICE AREA
(n = 100)

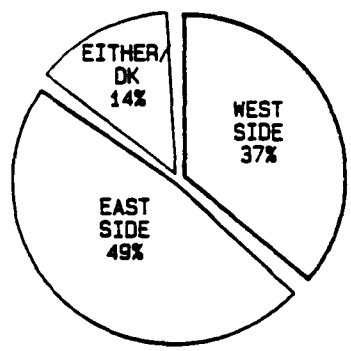


LIVES IN HINCKLEY
ON WEST SIDE
(n = 35) *



* CAUTION: SMALL SAMPLE

LIVES IN HINCKLEY
ON EAST SIDE
(n = 53)



Likelihood of Using the Proposed Clinic (Exhibits 5 and 6)

A particularly favorable finding of this study is that no matter which side of the highway the clinic is on, consumers (especially those in the primary service area) express **strong interest in using the clinic** (Exhibit 5).

- The large majority of **primary service area residents** (67%) state that they "definitely" or "probably" would use the clinic if it were located on the **west side** of the highway. While this intent to use drops to 57% if the clinic were to be on the east side of the highway, positive response is still high. Also, regardless of which side the clinic is on, primary service area residents who do not express a positive intent to use are **uncertain** (rather than negative) about whether or not they would use it.

- As might be expected, positive intent to use is **somewhat lower** among consumers in the **secondary service area**, although 43% of these consumers also express a positive attitude toward using a clinic on the west side of the highway, and 34% say that they would use it if it were located on the east side.

While intent to use percentages are typically overstated in marketing research studies, these results are very favorable, considering that most consumers presumably have an established relationship with a clinic.

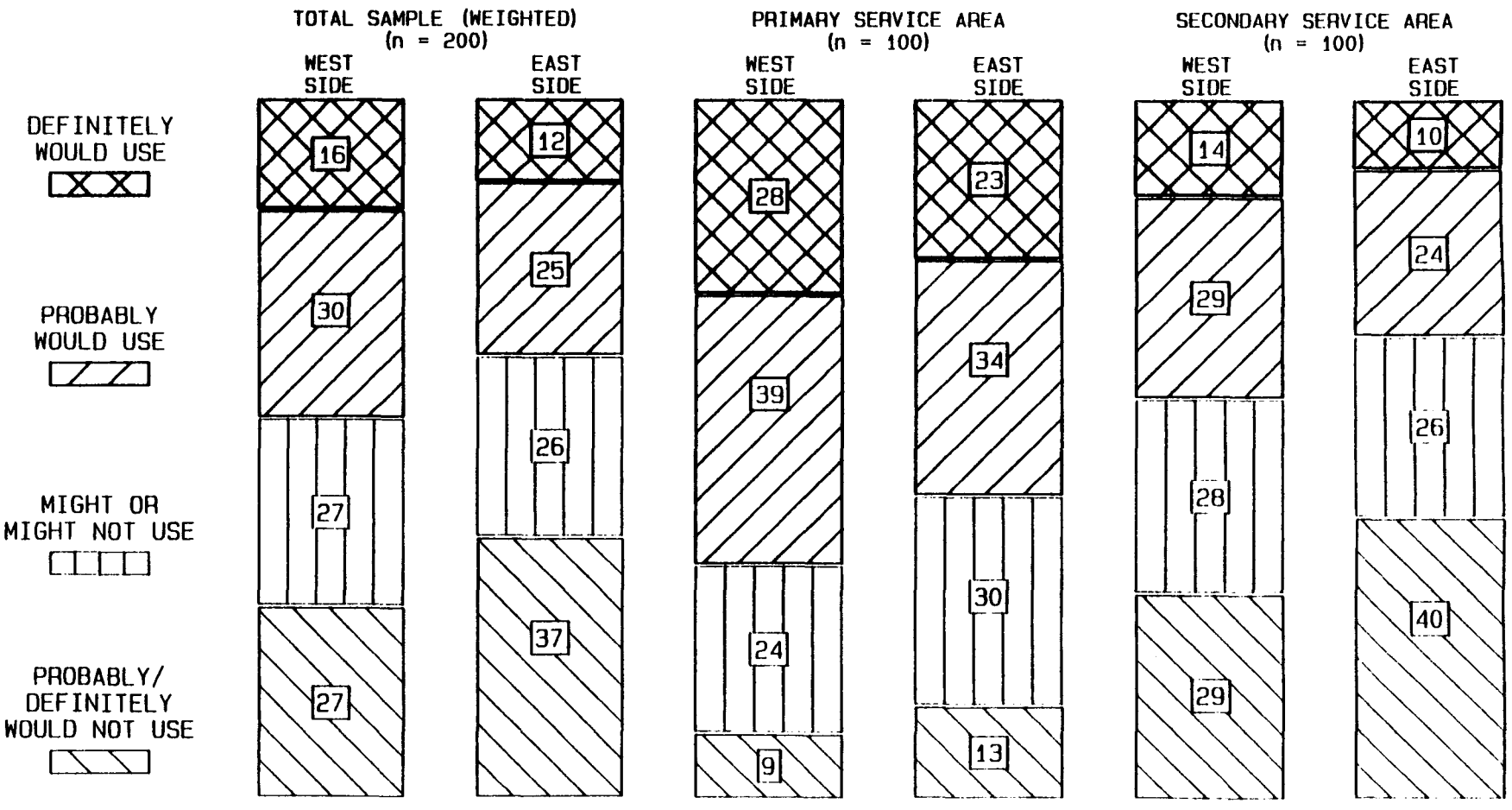
While interest in using the clinic is fairly high regardless of which side of the highway it is on, it is important to note that **consumers who prefer the west side of the highway are less agreeable to crossing over than those who prefer the east side** (Exhibit 6). This observation also points to the west side as the safer alternative.

HINCKLEY CLINIC STUDY

EXHIBIT 5

INTENT TO USE PROPOSED CLINIC

(in percent)



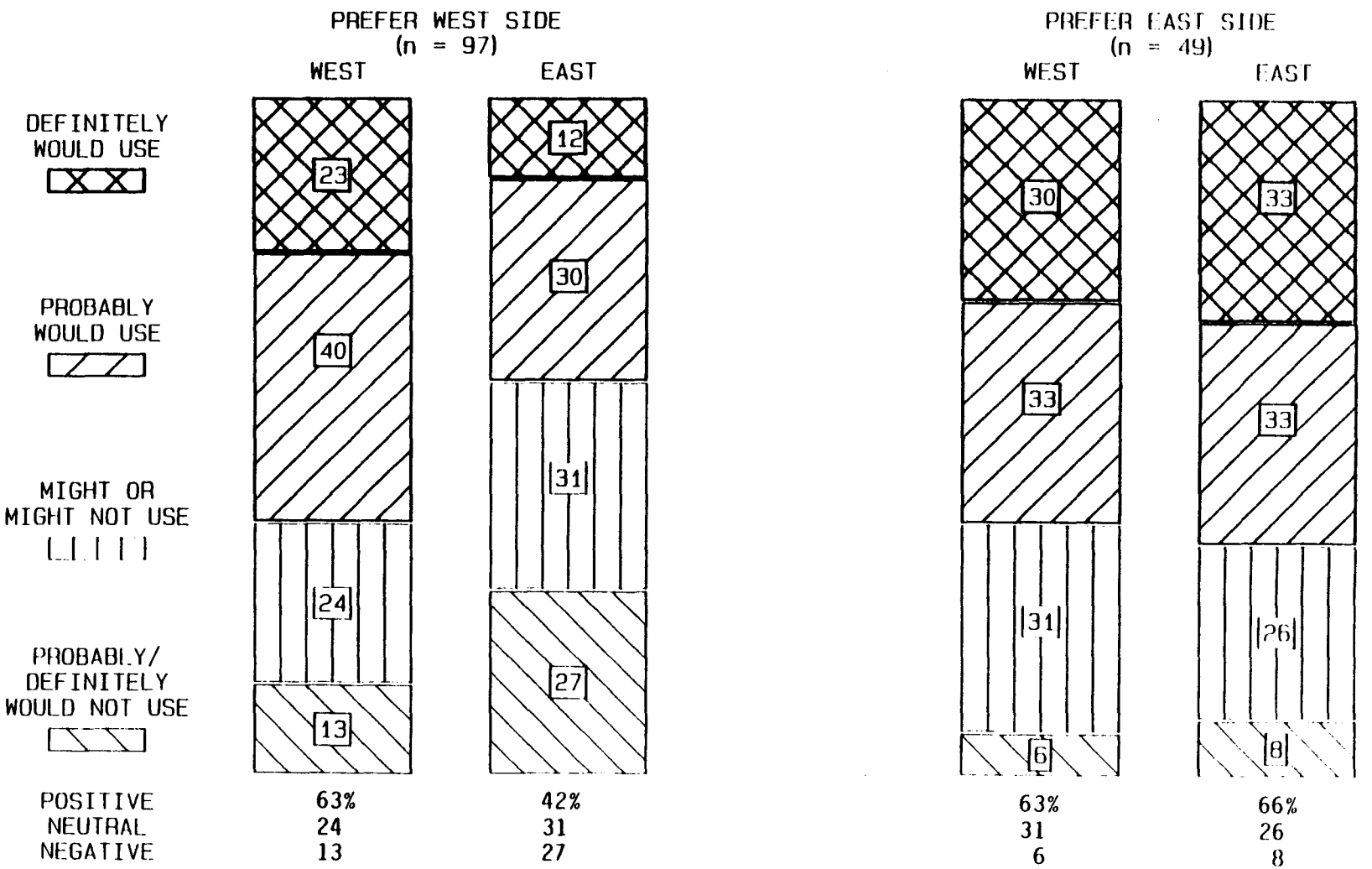
	TOTAL SAMPLE (WEIGHTED) (n = 200)		PRIMARY SERVICE AREA (n = 100)		SECONDARY SERVICE AREA (n = 100)	
	WEST SIDE	EAST SIDE	WEST SIDE	EAST SIDE	WEST SIDE	EAST SIDE
POSITIVE	46%	37%	67%	57%	43%	34%
NEUTRAL	27	26	24	30	28	26
NEGATIVE	27	37	9	13	29	40

HINCKLEY CLINIC STUDY

EXHIBIT 6

INTENT TO USE PROPOSED CLINIC BY SITE PREFERRED

(in percent)



D. PERCEPTIONS ABOUT THE PROPOSED CLINIC AND ABOUT UMHS AS A HEALTH CARE PROVIDER

Importance of Performance Factors (Exhibit 7)

Consumers were asked to indicate their anticipation about the performance of the proposed clinic based on a number of considerations. In order to understand their priorities, they were also asked to rate the importance of each factor.

With respect to the importance issue, results of this study indicate that each of the eight factors considered is important to consumers. There are, however, some that are more important than others. To illustrate:

- **Staff competence** is a critical criterion upon which residents evaluate clinics.
- Second-tier considerations include the **staff having a caring attitude**, the clinic having **up-to-date equipment,** and **being able to see the same doctor** on most clinic visits.
- Tertiary criteria (although they are still important) include the **range of services and specialists** available at the clinic, the **length of the wait to get into the clinic**, and **speed of service** at the time of the clinic visit.

These priorities are consistent across consumers in the primary and secondary service areas.

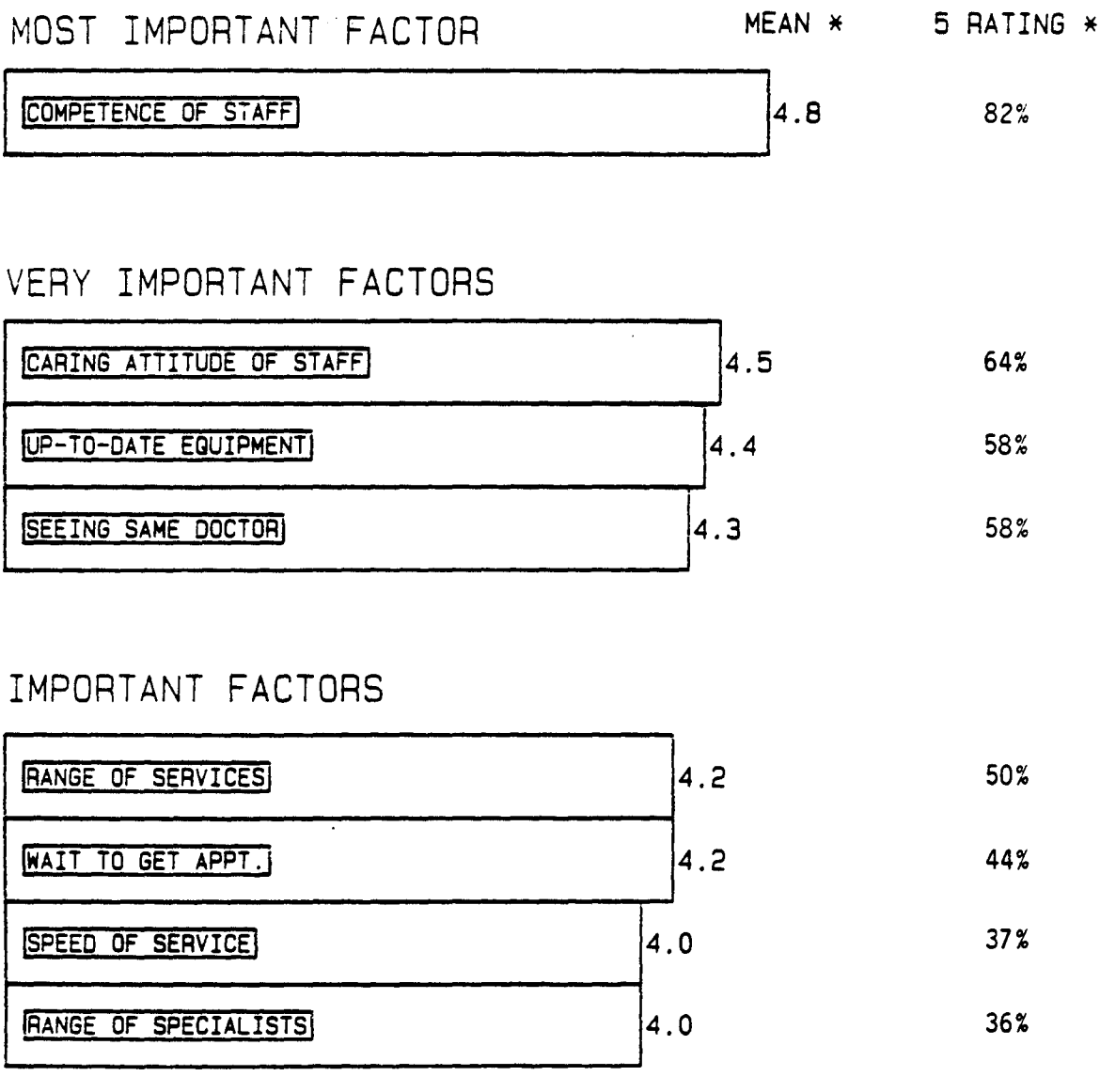
HINCKLEY CLINIC STUDY

EXHIBIT 7

IMPORTANCE OF SELECTED FACTORS

TOTAL SAMPLE (WEIGHTED)

(n = 200)



* Based on a 5-point scale where 5= "Extremely important" and 1= "Not at all important."

Anticipated Clinic Performance Based on Key Factors (Exhibit 8)

With respect to consumer perceptions of what the proposed clinic would be like based on these same criteria, results of this study indicate that most consumers anticipate that the new clinic would be **as good or better** than the clinic offerings currently available to them. Consumers in the primary service area are especially likely to believe that the new clinic would be an improvement over the current situation.

There are three areas in particular where consumers anticipate that the new clinic would be superior to other clinics in the area. These include

- the clinic having **up-to-date equipment,**
- the **range of services** available at the clinic, and
- the **range of specialists** available at the clinic.

Exhibit 8

ANTICIPATED PERFORMANCE OF PROPOSED CLINIC

(In percent: Total Sample n=200, Primary Service Area n=100, Secondary Service Area n=100)

CRITERIA	IMPORTANCE MEAN SCORE	ANTICIPATED PERFORMANCE			
		Better	Same	Worse	Don't Know
OVERALL QUALITY OF CARE	**N/A**	**31%**	**55%**	**4%**	**10%**
Primary Service Area		44	40	1	15
Secondary Service Area		29	57	5	9
Competence of staff	**4.8**	**27%**	**56%**	**3%**	**14%**
Primary Service Area		34	55	-	11
Secondary Service Area		26	56	4	14
Caring attitude of staff	**4.5**	**20%**	**60%**	**7%**	**13%**
Primary Service Area		26	55	2	17
Secondary Service Area		19	61	8	12
Having up-to-date equipment	**4.4**	**65%**	**25%**	**1%**	**9%**
Primary Service Area		70	24	2	4
Secondary Service Area		64	25	1	10
Being able to see the same doctor on most clinic visits	**4.3**	**21%**	**51%**	**11%**	**17%**
Primary Service Area		32	50	5	13
Secondary Service Area		19	51	12	18
Range of services	**4.2**	**46%**	**38%**	**4%**	**12%**
Primary Service Area		54	36	2	8
Secondary Service Area		45	38	4	13
Length of time to get an appointment	**4.2**	**22%**	**56%**	**7%**	**15%**
Primary Service Area		29	58	2	11
Secondary Service Area		21	56	8	15
Speed of service at the clinic	**4.0**	**19%**	**63%**	**7%**	**11%**
Primary Service Area		28	55	3	14
Secondary Service Area		18	64	8	10
Range of specialists	**4.0**	**51%**	**34%**	**4%**	**11%**
Primary Service Area		54	31	1	14
Secondary Service Area		50	34	5	11

Attitudes Toward UMHS (Exhibit 9)

Awareness of UMHS as a health care provider appears to be high in this area, since nine out of ten area residents have an opinion about the quality of care provided by UMHS.

Moreover, this opinion is typically **very favorable,** with 72% of residents rating UMHS as an "excellent" or "very good" provider.

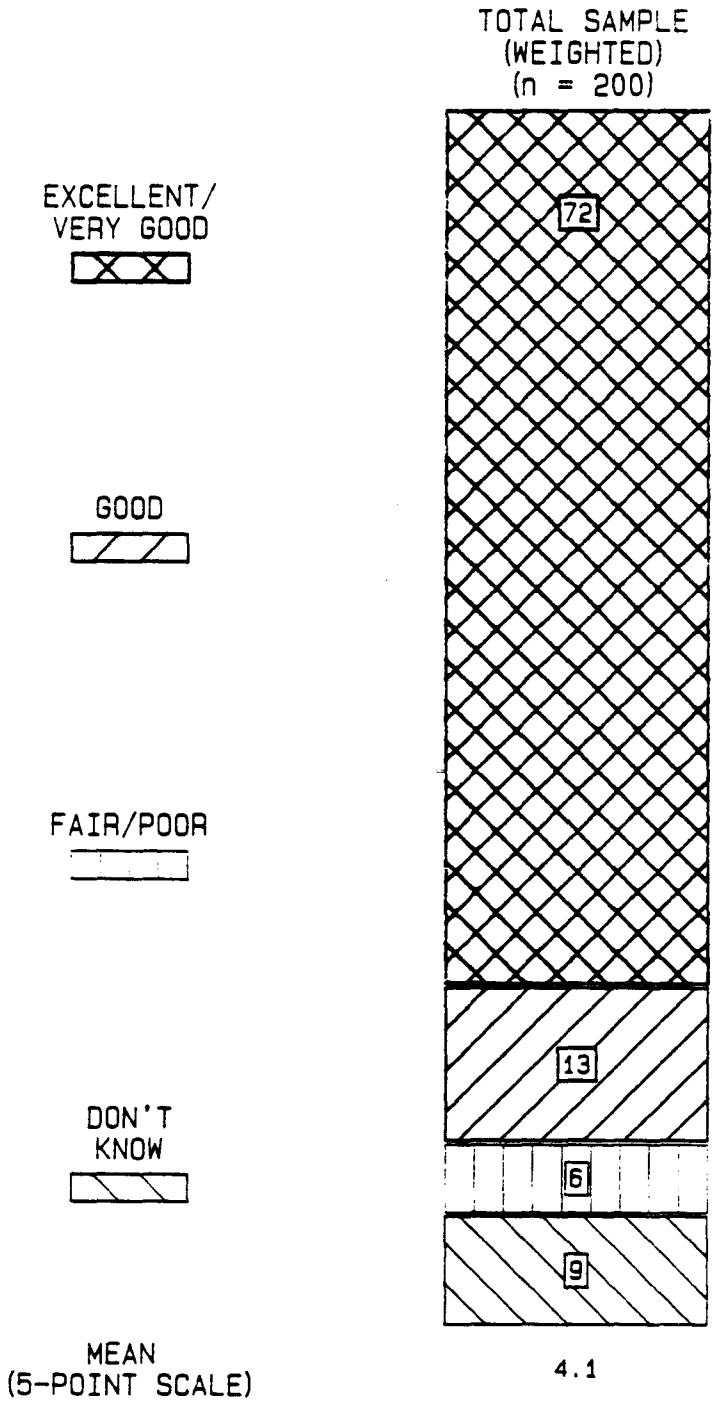
Among the small number of consumers (only 13 respondents) who rated UMHS as only a "fair" or "poor" provider, the most common explanation is that they have had a bad experience with UMHS or that they dislike the fact that UMHS is a teaching hospital.

HINCKLEY CLINIC STUDY

EXHIBIT 9

ATTITUDES TOWARD THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC AS A HEALTH CARE PROVIDER

(in percent)



E. NEEDS ASSESSMENT

Interest in Selected Services (Exhibit 10)

UMHS is exploring the appeal of a variety of products and services that the proposed clinic might offer. These products and services fall into three groups based on their relative appeal:

- Those services that have the highest appeal among area residents include **emergency and urgent care services**, and the services of an **OB/GYN.**

- Other high interest services include **physical and occupational therapy**, the services of a **pediatrician,** and **health and wellness education.**

- On the other hand, consumers express only moderate interest in **eye care, mental health counseling,** a **pharmacy,** treatment services for **drug and alcohol addiction**, and **dentistry** services.

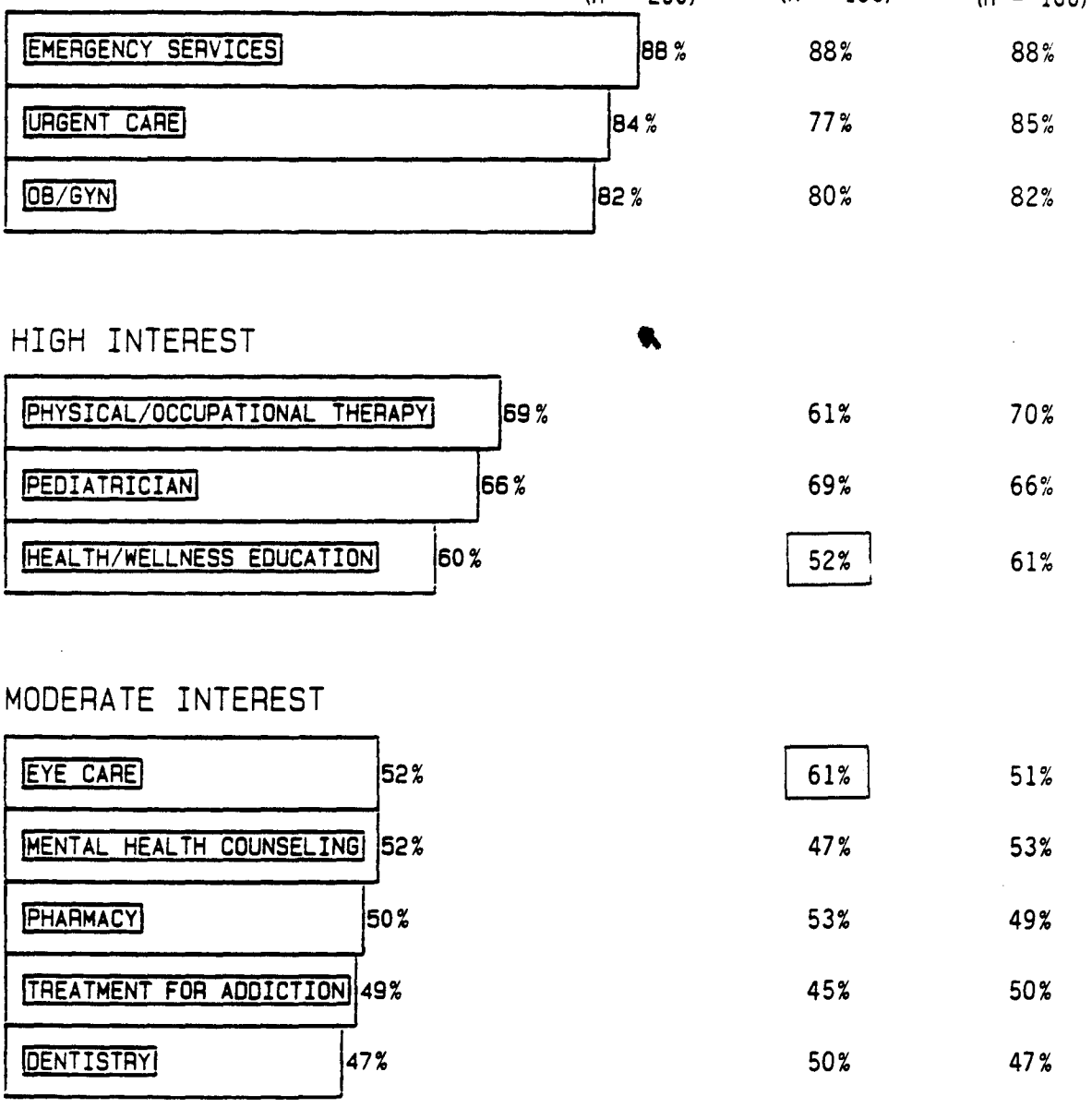
With only one exception, there are no differences in these results comparing the attitudes of residents in the primary vs. secondary service areas. The exception is that in the primary service area, eye care scores as a high interest service, while health and wellness education falls into the moderate interest group.

HINCKLEY CLINIC STUDY

EXHIBIT 10

INTEREST IN SELECTED SERVICES

4, 5 RATINGS *



* Based on a 5-point scale where 5= "Very interested" and 1= "Not at all interested."

II. LEADER STUDY

A. PREFERRED SITE AND RATIONALE

Preferred Site

(Exhibit 11)

Site preference attitudes among leaders are consistent with those of residents, in that the leaders **prefer a west side site** to the east side alternative by about a two to one margin.

Of particular importance, however, is that the majority of leaders in the Hinckley community would favor the clinic, regardless of which side of the highway it might be built on (although there is clearly more indecision about an east side clinic). Several made the point, "It doesn't matter which side of the highway they put it on, so long as they build it."

Pros and Cons: East Side vs. West Side

The predominant reasons leaders offer for favoring the west side of the highway for the clinic are centered around issues of accessibility and congestion. They offer these **arguments in favor of the west side:**

- The majority of Hinckley's population resides on the west side of 35; therefore, it is the better site to serve community residents.

- There is less traffic and congestion on the west side, especially during the summer months when the traffic swells to the point where the services of the State Highway Patrol are required. Accessing an east side clinic would require Hinckley residents negotiating the I-35 interchange. Also, the high traffic level would pose a problem for emergency vehicles. (In response to these arguments, one respondent made the point that only weekend traffic is notably problematic, and that a clinic's business is typically a weekday, rather than weekend, business.)

- An east side location would be especially prohibitive to seniors, who are "scared to death" of east side traffic. They could walk to a west side clinic. (One respondent, however, suggested that seniors would very likely stay with their current provider, and pointed out that there is already a clinic on the west side to serve them.)

- The east side is "really not part of the community."

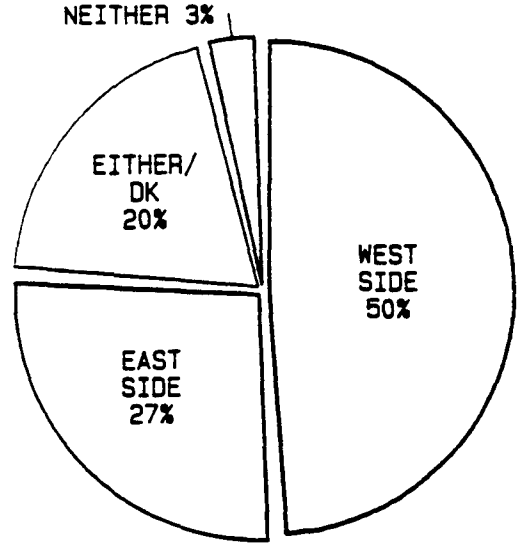
HINCKLEY CLINIC STUDY

EXHIBIT 11

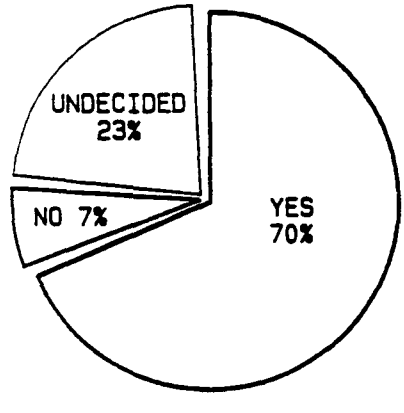
SITE PREFERENCE: LEADERS

(n = 30)

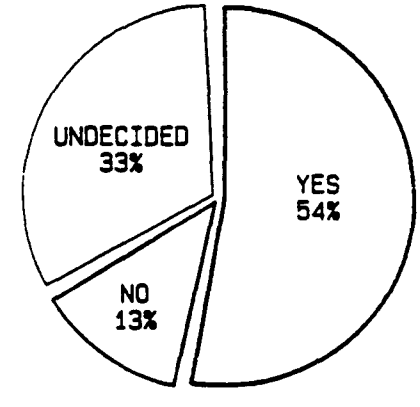
PREFERRED SITE



WOULD FAVOR CLINIC IF BUILT
ON THE WEST SIDE OF 35 W



WOULD FAVOR CLINIC IF BUILT
ON THE EAST SIDE OF 35 W



Pros and Cons: East Side vs. West Side (Continued)

- Property costs are less on the west side.
- A clinic would be a poor use of east side land. Rather, the east side strip should be reserved for tourism-related businesses.
- A clinic located on the west side would be more likely to benefit the rest of the businesses in Hinckley, since clinic goers from out of town would be more likely to shop other Hinckley businesses if the clinic were located on the west side.

On the other hand, leaders who favor (or are amenable to) an east side location make these points about the **benefits of locating the clinic on the east side:**

- It is logical to locate the clinic on the east side because the growth is happening on the east side--the community is moving east.
- Accessibility to the east side has improved and will continue to improve. In fact, the east side is actually easier to access because one wouldn't have to drive through the residential area.
- There is already a clinic on the west side. The need is for a clinic on the east side to address the more comprehensive needs of the east side population.
- The building is being funded by the Mille Lacs Band. Therefore, it is logical to locate the clinic on the east side, since the majority of that population lives on the east side. It would be easier to market an east side to the Mille Lacs Band.
- It would be easier for residents of nearby communities to access the clinic on the east side.
- An east side clinic would be closer to the casino, where the need for emergency service would be greater because of the number of people.
- There is more land available on the east side; there is no suitable land on the west side.

With respect to the thoughts of leaders who are undecided about whether or not they would favor the clinic (regardless of the site), two pointed to the fact that the Sandstone Hospital is currently considering building a hospital in Hinckley. These respondents expressed concern about whether or not the community could sustain three providers--the Mora branch clinic, the Sandstone hospital located in Hinckley, and the proposed clinic. Regardless of whether or not the new hospital were to be built, some leaders expressed concern about the fate of other providers should the new clinic be established.

Verbatim responses regarding why leaders favor, oppose, or are undecided about a clinic located at either site are provided in the Appendix to this report.

B. LEADER ANTICIPATION ABOUT COMMUNITY RESPONSE TO THE PROPOSED CLINIC

Most of the leaders participating in this study believe that the residents of Hinckley would be enthused about a new clinic in their community. Several spoke of general dissatisfaction among the residents of the community with the current situation (i.e., the Mora branch clinic in Hinckley). Specific problems that were mentioned include limited hours and not being able to see the same doctor from visit to visit.

Leaders believe that area residents will perceive the new clinic to provide a variety of benefits to the community, as follows:

- More jobs.
- Having the opportunity to **choose** between local providers.
- High quality and more comprehensive health care locally.
- Access to specialists locally, and more timely referral to specialists because of the University affiliation.
- Faster access to UMHS in an emergency situation.

There are a few leaders, however, who feel that response to the clinic will be a mixed bag, with some residents favoring the idea and others opposing it. They offered these "words of warning:"

- There is a resident faction in Hinckley that is very concerned about the livelihood of the Sandstone Hospital, which is currently " barely surviving." These residents would see the new clinic as a threat to the hospital's welfare.
- Some residents would be concerned about whether or not the Mille Lacs Band would reap financial gain from the clinic, and would oppose it if that were the case.
- Some residents would worry about their taxes increasing.
- Some residents still pine for the quiet, pre-casino days, and oppose expansion of any kind.
- There are some people who are skeptical of any change, and would be skeptical of this proposal, as well.
- Finally, a few leaders stated point blank that some people in the community resent the Mille Lacs Band and will be against the clinic for that reason only.

One respondent made the key point that "it depends on what's communicated to them and how," emphasizing the need for clear communication that would respond to the concerns the community might have about the clinic.

Verbatim responses addressing the probable response of community residents are provided in the Appendix, as well.

C. PERCEPTIONS ABOUT THE PROPOSED CLINIC AND ABOUT UMHS AS A HEALTH CARE PROVIDER

Anticipated Clinic Performance Based on Key Factors (Exhibit 12)

With respect to perceptions of what the proposed clinic would be like, the leaders are even more positive than residents based on anticipated performance of the proposed clinic.

Like the residents, leaders perceive the most obvious points-of-difference between the proposed clinic and current offerings in the areas of having state-of-the-art equipment and the range of specialists and services.

Attitudes Toward UMHS (Exhibit 13)

Also like the residents, leaders in the Hinckley area hold the University of Minnesota in **high regard** as a health care provider. In fact, 29 of the 30 leaders participating in this study give the University an "excellent" or "very good" rating.

Exhibit 12

ANTICIPATED PERFORMANCE OF PROPOSED CLINIC

(In percent: Residents n=200, Leaders n=30)

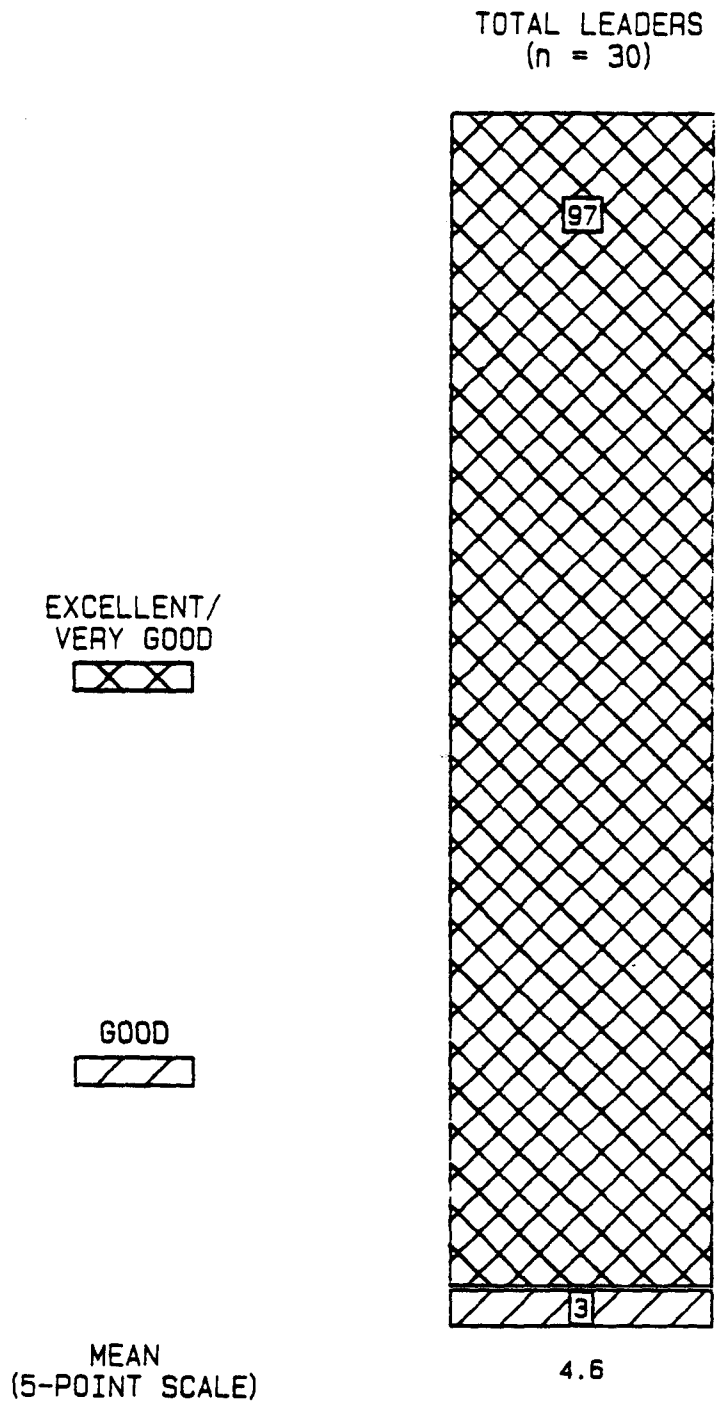
CRITERIA	IMPORTANCE MEAN SCORE (Provided by Residents)	ANTICIPATED PERFORMANCE			
		Better	Same	Worse	Don't Know
OVERALL QUALITY OF CARE	**N/A**				
Leaders		50%	33%	-	17%
Residents		31	55	4	10
Competence of staff	**4.8**				
Leaders		44%	33%	-	23%
Residents		27	56	3	14
Caring attitude of staff	**4.5**				
Leaders		23%	51%	3%	23%
Residents		20	60	7	13
Having up-to-date equipment	**4.4**				
Leaders		83%	10%	-	7%
Residents		65	25	1	9
Being able to see the same doctor on most clinic visits	**4.3**				
Leaders		43%	23%	17%	17%
Residents		21	51	11	17
Range of services	**4.2**				
Leaders		73%	20%	-	7%
Residents		46	38	4	12
Length of time to get an appointment	**4.2**				
Leaders		44%	33%	3%	20%
Residents		22	56	7	15
Speed of service at the clinic	**4.0**				
Leaders		33%	44%	-	23%
Residents		19	63	7	11
Range of specialists	**4.0**				
Leaders		80%	13%	-	7%
Residents		51	34	4	11

HINCKLEY CLINIC STUDY

EXHIBIT 13

ATTITUDES TOWARD THE UNIVERSITY OF MINNESOTA HOSPITAL AND CLINIC AS A HEALTH CARE PROVIDER

(in percent)



D. NEEDS ASSESSMENT

With only a few exceptions, the attitudes of leaders regarding area needs are consistent with those of the residents themselves (Exhibit 14). The exceptions are that the residents indicate significantly greater interest in the services of an OB/GYN, mental health counseling, and physical and occupational therapy services than the leaders.

With respect to this difference in attitudes, the resident data is very likely more reliable than the leader data, since the residents are indicating their own needs, while the leaders are trying to anticipate residents' needs.

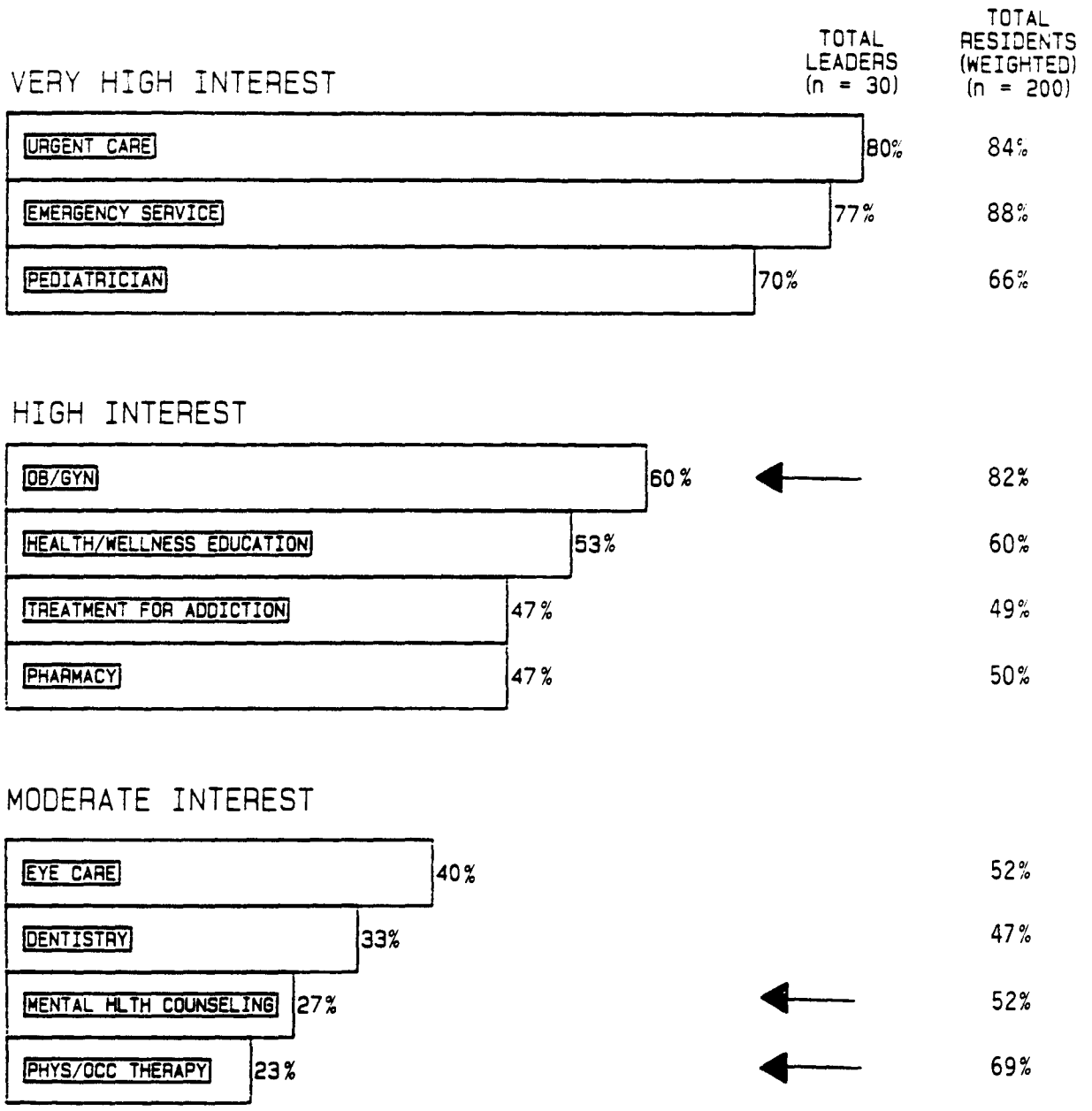
More importantly, both groups assign **top priority** to **emergency** and **urgent care services.** Additionally, both groups express **fairly or very high interest** in the services of an **OB/GYN** and **pediatrician.**

HINCKLEY CLINIC STUDY

EXHIBIT 14

INTEREST IN SELECTED SERVICES

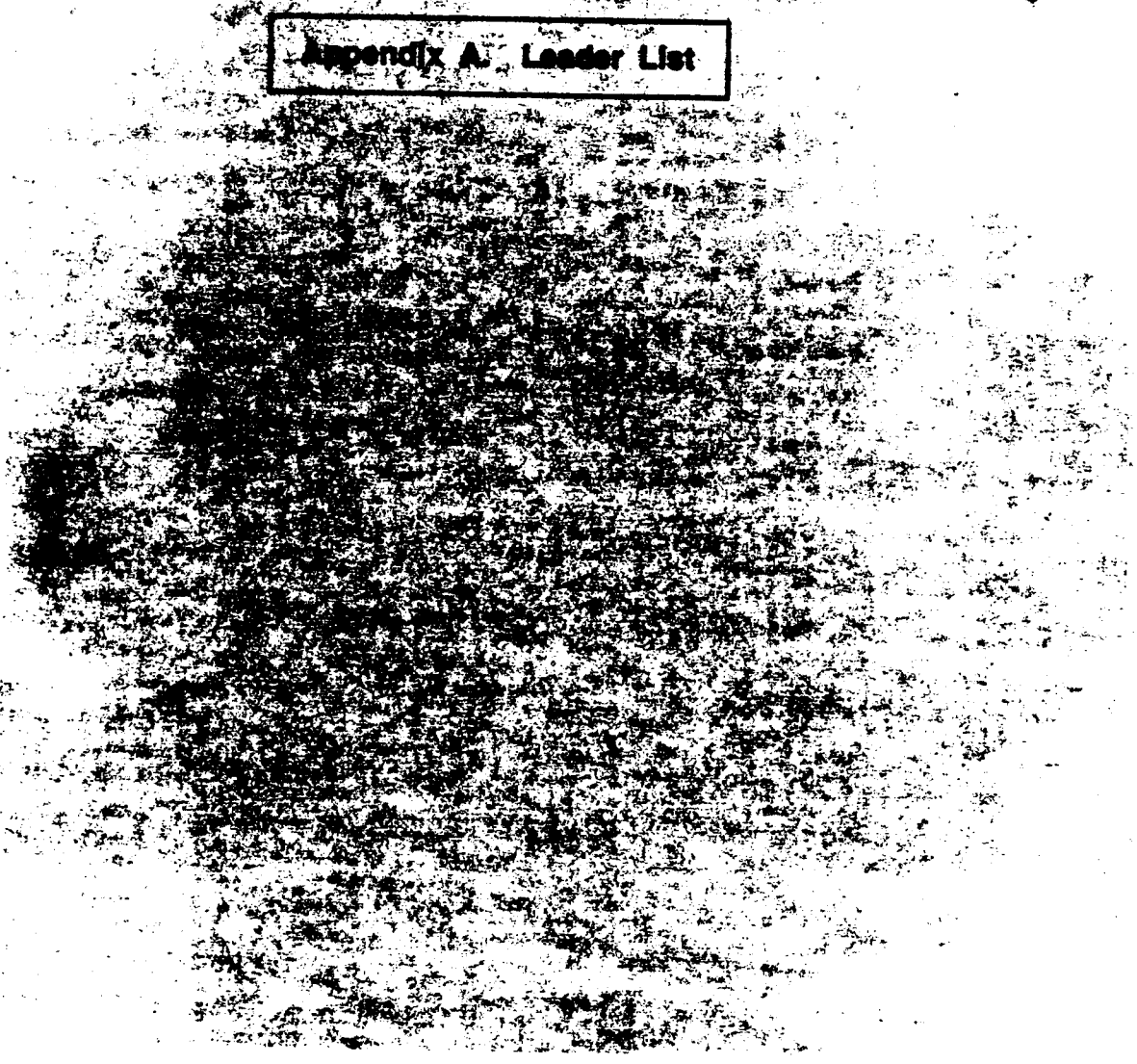
4, 5 RATINGS *



* Based on a 5-point scale where 5= "Very interested and 1= "Not at all interested."

Arrow denotes significant difference.

Appendix A: Leader List



Appendix A

LEADER LIST

Survey participants are noted with an asterisk (*).

MILLE LACS BAND LEADERS

Geraldine Germann

Dan Milbridge*

Chester Vanik*

Darrin Dunkley*

Mitch Corbine

Doug Twait

SCHOOL

Jack Almos--Superintendent*

Mrs. Norman Belland--School Nurse*

Florence Berquist--Elementary Counselor*

SCHOOL BOARD MEMBERS

Todd White*

Larry Sederstrom*

Dean Hauge*

Dan Doren*

BUSINESSES

John Bassett--Bassett Insurance*

Tom Buetil--Bernicks Pepsi (also village council)

Dan Berglund--Berglund Drug*

Cassidy's Best Western Inn

John or Bea Daggett--Daggett's Super Valu*

Tim Davis--Cellular 2000

Kurt Cabek--Don's North Star

Pres. Dennis Volden, Pres.--Farmers and Merchants State Bank

Dr. Donald Grote (DDS)*

Kevin Gustafson--Gustafson Lumber

John Lyons--Hinckley News*

Dr. Curt Zempel--Hinckley Vet Clinitc*

Jim Felger--Jeffrey's Patisserie

Jerry Schmidt--Schmidt Construction

Julie Whited--Roffler Hair

Dave Ubl--Slim's Sinclair

BUSINESSES (Cont'd)

Randy Hickle--Tobie's Restaurant*

Skip Tagerstrom--Wickstrom Motor*

Jack Nelson--St. Croix State Park

Steve Drazowski--Pine Co. Extension Office*

CASINO MANAGEMENT

Gloria Clark*

Mike Hughes

Jim Lincoln

David Hopkins (also fire chief)*

SENIOR CITIZENS

Lynnae Ruedy*

Lucille Winkler

Alice Von Rueden*

CLERGY

Pastor Norman Belland

Father Jim Schreur*

Pastor Dick Chromy*

Dr. Kevin Carr

CITY COUNCIL

Jim Ausmus--City Clerk*

Tom Cieluch--Mayor*

Joe Jarvis

Tom Lynburner*

COMMUNITY

Mary Ann Lyons (Bank)

Pat O'Donovan (Paper)*

Tom Barnick

Don Tatting

Harvey Schroeder Jr.*

Appendix B. Questionnaires

NELSON RESEARCH SERVICES, INC.

Hinckley Clinic Study
Project # 72 - 01
November, 1994

RESIDENT QUESTIONNAIRE

RESPONDENT NAME:_____ PHONE:_____

ADDRESS:_____

CITY:

PRIMARY SERVICE AREA	SECONDARY SERVICE AREA
Brook Park.....1	Mora/Henrietta/Quamba.....3
Hinckley.....2	Pine City/Beroun.....4
	Sandstone.....5

INTERVIEWER:_____ DATE:_____

ONCE YOU HAVE AN ADULT ON THE LINE, ASK TO SPEAK TO THE PERSON IN THE HOUSEHOLD WHO IS RESPONSIBLE FOR AT LEAST 50% OF THE DECISIONS ABOUT HEALTH CARE.

Hello, my name is [YOUR NAME] from [YOUR AGENCY], an independent marketing research firm. We're conducting a study on health care among residents in your area and would very much like to include your opinions. We are not selling anything, and our questions will take just a few minutes of your time. Also, your answers to our questions will be strictly confidential and will only be shown grouped with the answers of other persons in the area who participate in this study.

1. First of all, we are talking with people in different age groups. Is your age. . . **READ LIST.**

   Under 21→**SAY:** I'm sorry, but my quota in that age group is filled. **THANK AND DISCONTINUE.**

   21 to 44.....1

   45 to 64, or.....2

   65 or older?.....3

2. Do you, or does anyone in your household work for a doctor's office, clinic, or hospital?

   YES →**THANK AND DISCONTINUE.**

   NO →**CONTINUE.**

3-A. How would you describe your overall satisfaction with the health care provided by the clinics in your area? Would you say that you are . . . **READ LIST.**

B. And how would you describe your overall satisfaction with the emergency service--that is, the emergency room and ambulance service that is available in your area? **REPEAT SCALE AS NECESSARY.**

	A. CLINICS	B. EMERGENCY
Extremely satisfied	5	5
Very satisfied	4	4
Somewhat satisfied	3	3
Not very satisfied, or	2	2
Not at all satisfied?	1	1
DO NOT READ DON'T KNOW	6	6

4. What is the name of the clinic that you usually use for your health care needs? **DO NOT READ LIST. CIRCLE ONE ANSWER. IF MORE THAN ONE CLINIC GIVEN, ASK WHICH IS MAIN CLINIC . NOTE: IF RESPONDENT SAYS "THE CLINIC IN CAMBRIDGE," SAY:** Would that be Cambridge Clinic or Health Source Community Clinic?

*BRAHAM MEDICAL CLINIC (Braham Branch of Cambridge Clinic) 1
*CAMBRIDGE CLINIC (Cambridge) 2
DULUTH CLINIC 3
GATEWAY FAMILY HEALTH CLINIC (Moose Lake) 4
GRANTSBURG CLINIC 5
HEALTH SOURCE COMMUNITY CLINIC (Cambridge) 6
**HINCKLEY AREA CLINIC (Hinckley Branch of Mora Medical Clinic) 7
**MORA MEDICAL CENTER (Mora) 8
NORTH BRANCH MEDICAL CENTER 9
**PINE CITY AREA CLINIC (Pine City Branch of Mora Clinic) 10
RUSH CITY AREA CLINIC 11
SANDSTONE MEDICAL GROUP 12
OTHER (SPECIFY):_____ 13
NONE 14
DON'T KNOW 15

5. I'm going to read you a list of factors that may or may not be important to you when choosing a health care clinic. For each factor I read, please use a number from 5 to 1 to tell me how important that factor is to you. A "5" would mean that it's extremely important to you and a "1" would mean that it's not at all important. You may use any number from 5 to 1 to give your answer. The first factor is . . . . **READ LIST, BEGINNING WITH RED CHECKED ITEM. BE SURE TO READ ALL OF THE ITEMS.**

	NOT AT ALL				EXTREMELY	DON'T KNOW
The competence of the staff	1	2	3	4	5	6
The caring attitude of the staff	1	2	3	4	5	6
The equipment being up-to-date	1	2	3	4	5	6
The length of time you have to wait from the time you call for an appointment until the appointment date	1	2	3	4	5	6
Speed of service while you are at the clinic	1	2	3	4	5	6
Being able to see the same doctor most of the time	1	2	3	4	5	6
The range of specialists at the clinic	1	2	3	4	5	6
The range of services at the clinic	1	2	3	4	5	6

6. Health care clinics can offer a variety of special services to their patients. I'm going to read you a list of services that a clinic could provide. Please give me a number from 5 to 1 to tell me how interested you would be in having your clinic provide that service. A "5" would mean that you're very interested in having your clinic provide that service, and a "1" would mean that you're not at all interested in having your clinic provide that service. You may use any number between 5 and 1 to give your answer. The first service is . . . **.READ LIST, BEGINNING WITH RED CHECKED ITEM. BE SURE TO READ ALL OF THE ITEMS.**

	NOT AT ALL				VERY	DON'T KNOW
Dentistry services	1	2	3	4	5	6
Eye care services	1	2	3	4	5	6
A pharmacy	1	2	3	4	5	6
The services of a pediatrician--in other words, a children's doctor	1	2	3	4	5	6
Services of an obstetrician/ gynecologist--in other words, a women's doctor	1	2	3	4	5	6
Urgent care--in other words after hours care	1	2	3	4	5	6
Emergency services--in other words, emergency room and ambulance services	1	2	3	4	5	6
Mental health counseling	1	2	3	4	5	6
Treatment for drug and alcohol addiction	1	2	3	4	5	6
Health and wellness education	1	2	3	4	5	6
Physical and occupational therapy services	1	2	3	4	5	6

7. Now I'd like to get your opinion of a new clinic that is being considered for the Hinckley area:

   The Ojibwe Band and University of Minnesota Hospital and Clinic are exploring the possibility of establishing a new, state-of-the-art clinic in the Hinckley area. The construction of the clinic would be funded by the Ojibwe Band. Once the clinic was built, it would be managed and staffed by primary health care professionals from the local area in conjunction with the University. Also, specialists from the University Hospital and Clinic would come to the clinic on an "as needed" basis. The clinic would be open to the public, serving residents of Hinckley and the surrounding area.

   If the proposed clinic were to be built, it could be built either on the east side of highway 35 or on the west side of the highway in Hinckley. Of these two locations, which would you prefer? **DO NOT READ LIST. CIRCLE ONE ANSWER.**

NOTE: IF RESPONDENT NEEDS ASSISTANCE WITH WHICH SIDE IS EAST AND WHICH IS WEST, PAUSE AND SAY: I think that the casino is on the east side.

EAST SIDE 1

WEST SIDE 2

EITHER/DOESN'T MATTER/DON'T KNOW.....3

NEITHER 4

8-A. If the new clinic were to be built on the east side of highway 35 in Hinckley, which of the following statements best describes your attitude about using the clinic, assuming it were covered by your health insurance? **READ LIST. CIRCLE ONE ANSWER.**

B. If the new clinic were to be built on the west side of highway 35 in Hinckley, which of the following statements best describes your attitude about using the clinic, assuming it were covered by your health insurance? **READ LIST. CIRCLE ONE ANSWER.**

	A. EAST SIDE	B. WEST SIDE
I definitely would use the clinic	5	5
I probably would use the clinic	4	4
I might or might not use the clinic	3	3
I probably would not use the clinic	2	2
I definitely would not use the clinic	1	1
DO NOT READ DON'T KNOW	6	6

9. Now I'd like to ask you some specific questions about the proposed clinic. First of all, do you think that the overall quality of care would be better than the quality of care provided by other clinics in the area, about the same as other clinics, or not as good as the quality of care provided by other clinics in the area?

	BETTER	SAME	NOT AS GOOD	DON'T KNOW
OVERALL QUALITY OF CARE	1	2	3	4

How about **CONTINUE WITH LIST, BEGINNING WITH RED CHECKED ITEM.** Would that be better, the same, or not as good as other clinics? **CONTINUE WITH LIST, REPEATING SCALE AS NECESSARY. BE SURE TO READ ALL ITEMS.**

	BETTER	SAME	NOT AS GOOD	DON'T KNOW
The competence of the staff	1	2	3	4
The caring attitude of the staff	1	2	3	4
The equipment being up-to-date	1	2	3	4
The length of time you would have to wait from the time you called for an appointment until the appointment date	1	2	3	4
Speed of service while you were at the clinic	1	2	3	4
Being able to see the same doctor most of the time	1	2	3	4
The range of specialists at the clinic	1	2	3	4
The range of services at the clinic	1	2	3	4

10-A. Based on your own experience or what you have seen or heard, what is your opinion of the University of Minnesota Hospital and Clinic as a health care provider? Would you say that as a health care provider the University of Minnesota is . . . **READ LIST. CIRCLE ONE ANSWER.**

Excellent	5	
Very good	4	→**SKIP TO Q.11.**
Good	3	
Fair, or	2	
Poor?	1	→**CONTINUE WITH B.**
DO NOT READ DON'T KNOW	6	→**SKIP TO Q.11.**

B. What would you say are the main reasons you feel that the University of Minnesota Hospital and Clinic is a **[READ ANSWER FROM 10-A]** health care provider? **PROBE ONCE CLARIFY FULLY.**

_____

_____

_____

_____

_____

11. Your answers to these last questions--like all the others--are confidential and will be used only to group your answers with those of other people.

A. Do you live on the east side or west side of highway 35?

EAST SIDE 1

WEST SIDE 2

DON'T KNOW/REFUSED.....3

B. How many people, including yourself, live in your household at the present time?

_____ →**IF ONLY ONE, SKIP TO D.**

C. Do you have children living at home in any of the following age groups? **READ LIST. CIRCLE ANSWER FOR EACH.**

	YES	NO	REFUSED
Under age 6	1	2	3
Age 6 to 12	1	2	3
Age 13 to 17	1	2	3

D. Is your annual family income before taxes . . . **READ LIST.**

Under $20,000 1

$20,000 to $29,900 2

$30,000 to $39,900 3

$40,000 to $49,900 4

$50,000 to $74,900 5

$75,000 or more.....6

DO NOT READ DON'T KNOW/REFUSED.....7

E. Do you, or does anyone in your household work at Grand Casino Hinckley?

YES 1

NO.....2

REFUSED 3

F. Are you, or is anyone in your immediate family a member of the Ojibwe Band?

YES 1

NO.....2

REFUSED 3

G. **RECORD BY OBSERVATION: RESPONDENT IS A**

MALE.....1

FEMALE.....2

12. **CONFIRM RESPONDENT'S NAME AND TELEPHONE NUMBER ON COVER PAGE AND SAY:** Those are all my questions. Thank you very much for helping us with this study.

NELSON RESEARCH SERVICES, INC.

Hinckley Clinic Study
Project # 72 - 01
November, 1994

LEADER QUESTIONNAIRE

RESPONDENT NAME:_____ PHONE:_____

INTERVIEWER:_____ DATE:_____

ASK TO SPEAK TO THE PERSON WHOSE NAME IS ON THE LIST.

Hello, my name is [YOUR NAME] from [YOUR AGENCY], an independent marketing research firm. The University of Minnesota Health System has engaged our services to conduct a study on health care among persons who are business, community, or political leaders in your area. You have been identified as one such leader, and we are most anxious to include your opinions in this study. Our questions will take just a few minutes of your time. Also, your answers to our questions will be held in strict confidence and will be shown only grouped with the answers of other leaders who participate in this study. Would you be willing to give us a few minutes of your time so that we might ask you some questions?

YES →**CONTINUE.**

NOT NOW, BUT WILL RESCHEDULE

_____

DAY/DATE TIME

NO →**THANK AND DISCONTINUE.**

1. I'd like to ask you to think about the needs of the persons who live in and around your community. As you know, health care clinics can offer a variety of special services to their patients. I'm going to read you a list of services that a clinic could provide. As I read the list, please give me a number from 5 to 1 to tell me how great the need is for that service among the persons who live in and around your community. A "5" would mean that you think it's a high need service in your area, and a "1" would mean that you think it's a low need service. You may use any number between 5 and 1 to give your answer. The first service is . . . **.READ LIST, BEGINNING WITH RED CHECKED ITEM.**

	LOW NEED				HIGH NEED	DON'T KNOW
Dentistry services	1	2	3	4	5	6
Eye care services	1	2	3	4	5	6
A pharmacy	1	2	3	4	5	6
The services of a pediatrician--in other words, a children's doctor	1	2	3	4	5	6
Services of an obstetrician/ gynecologist--in other words, a women's doctor	1	2	3	4	5	6
Urgent care--in other words after hours care	1	2	3	4	5	6
Emergency services--in other words, emergency room and ambulance services	1	2	3	4	5	6
Mental health counseling	1	2	3	4	5	6
Treatment for drug and alcohol addition	1	2	3	4	5	6
Health and wellness education	1	2	3	4	5	6
Physical and occupational therapy services	1	2	3	4	5	6

2-A. Now I'd like to get your opinion of a new clinic that is being considered for the Hinckley area:

The Mille Lacs Band of the Ojibwe Tribe and the University of Minnesota Hospital and Clinic are exploring the possibility of establishing a new, state-of-the-art clinic in the Hinckley area. The construction of the clinic would be funded by the Mille Lacs Band. Once the clinic was built, it would be managed and staffed by primary health care professionals from the local area in conjunction with the University. Also, specialists from the University Hospital and Clinic would come to the clinic on an "as needed" basis. The clinic would be open to the public, serving residents of Hinckley and the surrounding area.

If the proposed clinic were to be built, it could be built either on the east side of highway 35 or on the west side of the highway in Hinckley. Of these two locations, which would you prefer? **DO NOT READ LIST. CIRCLE ONE ANSWER.**

NOTE: IF RESPONDENT NEEDS ASSISTANCE WITH WHICH SIDE IS EAST AND WHICH IS WEST, PAUSE AND SAY: I think that the casino is on the east side.

EAST SIDE	1	
WEST SIDE	2	→**SKIP TO Q.3.**
EITHER/DOESN'T MATTER/DON'T KNOW	3	
NEITHER	5	→**CONTINUE WITH B.**

B. Why is that?

SKIP TO Q.7.

3. Which of the following statements best describes your attitude about this clinic, assuming it were to be built on the <u>east</u> side of highway? **READ LIST.**

   I would favor the proposed clinic 1

   I would not favor the proposed clinic..... 2

   I am undecided about whether or not I would favor the proposed clinic..... 3

4. What would you say are the main reasons you [<u>would favor/would not favor/are undecided about</u>] the clinic if it were to be built on the east side of highway 35? **PROBE ONCE. CLARIFY FULLY.**

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5. Which of the following statements best describes your attitude about this clinic, assuming it were to be built on the west side of highway 35? **READ LIST.**

   I would favor the proposed clinic 1

   I would not favor the proposed clinic..... 2

   I am undecided about whether or not I would favor the proposed clinic..... 3

6. What would you say are the main reasons you [would favor/would not favor/are undecided about] the clinic if it were to be built on the west side of highway 35 ? **PROBE ONCE. CLARIFY FULLY.**

7. Now I'd like to get your perceptions of what the proposed clinic would be like. First of all, do you think that the overall quality of care would be better than the quality of care provided by other clinics in the area, about the same as other clinics, or not as good as the quality of care provided by other clinics in the area?

	BETTER	SAME	NOT AS GOOD	DON'T KNOW
OVERALL QUALITY OF CARE	1	2	3	4

How about **CONTINUE WITH LIST, BEGINNING WITH RED CHECKED ITEM.** Would that be better, the same, or not as good as other clinics? **CONTINUE WITH LIST, REPEATING SCALE AS NECESSARY. BE SURE TO READ ALL ITEMS.**

	BETTER	SAME	NOT AS GOOD	DON'T KNOW
The competence of the staff	1	2	3	4
The caring attitude of the staff	1	2	3	4
The equipment being up-to-date	1	2	3	4
The length of time you would have to wait from the time you called for an appointment until the appointment date	1	2	3	4
Speed of service while you were at the clinic	1	2	3	4
Being able to see the same doctor most of the time	1	2	3	4
The range of specialists at the clinic	1	2	3	4
The range of services at the clinic	1	2	3	4

8-A. Based on your own experience or what you have seen or heard, what is your opinion of the University of Minnesota Hospital and Clinic as a health care provider? Would you say that as a health care provider the University of Minnesota is . . . **READ LIST. CIRCLE ONE ANSWER.**

Excellent	5	
Very good	4	→**SKIP TO Q.9.**
Good	3	
Fair, or	2	
Poor?	1	→**CONTINUE WITH B.**
DO NOT READ DON'T KNOW	6	→**SKIP TO Q.9.**

B. What would you say are the main reasons you feel that the University of Minnesota Hospital and Clinic is a **[READ ANSWER FROM 10-A]** health care provider? **PROBE ONCE CLARIFY FULLY.**

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9. What do you think the people in your community will think of the proposed clinic? **PROBE TWICE CLARIFY FULLY.**

10. Are there any other comments you would like to make about the proposed clinic? **DO NOT PROBE.**

11. **SAY:** Those are all my questions. Thank you very much for your time and input. We very much appreciate your participation in this study. **COMPLETE BOX ON COVER PAGE.**

Appendix C: Leader Verbatim Responses

VERBATIM COMMENTS

What would you say are the main reasons you would **favor** the clinic if it were to be built on the **east side** of highway 35?

1. I think the best place would be on the west side; but for the town and the other towns around here, there is a definite need for the clinic so it wouldn't matter where it is. It's not that big of a town, so it's only a mile from the rest of town. Also, it might be easier for people from other towns to get there.

2. I think we have need for more medical services. It would be nice to be able to see a specialist without having to go to Mora or Cambridge or the Twin Cities. I'd like it to be a cooperative effort between the clinic in Mora, the hospitals in Cambridge and Sandstone, and the Band instead of them competing against each other. We have the need--this is a tourist area. The population increases by thousands on the weekends. We have thousands of people coming here on the weekends to play. Whether they are going to their cabin or whether they're here to go deer hunting or visit the casino, they're here to play. People have accidents when they play and they need care.

3. It needs to address the more comprehensive health care needs of that area. Expanded services, more availability of physicians, expanded services such as mental health services. It would take congestion out of the residential area.

4. I think the clinic would be an asset to the community no matter what side of the road it was on, although I'd prefer the west side. The location isn't as important as the fact that you'd have a clinic.

5. If you were going to be using it as an emergency center it would be closer to the casino. There would be more calls just because of the vast number of people going there. Either spot--it would make no difference. I'd just like to see it built.

6. Availability of land mostly, I guess. The road systems are adequate, the water systems are adequate, and the sewer systems are adequate. It's really a toss up--both sides are good.

7. I believe that we need the clinic in the area. I would like to see it on the west side, but I would support it on the east side, as well. I just believe we need another facility here. I haven't had very good experience with the clinic that's here now. Presently, my family goes to Moose Lake for hospital and clinic services, and that's a fair distance to drive.

8. I suppose its presence would lead to a greater and more varied medical care facility than is currently available. Access is there already and would continue to be easier to obtain than on the west side. If you think about the starting point as 35W, the access has already been improved to the east side and it would continue to be improved.

VERBATIM COMMENTS (Continued)

9. To provide quality, first class health care service to the immediate community from the spectrum of the services you listed earlier; hopefully, all in one place. A clinic of this type is necessary and the east side is the growth side. It would be easier to access a clinic on the east side. It's easier to get to--you don't have to drive through the city. From what I understand, the city is annexing more land and they want it to grow that way.

10. It seems to me that's the direction the town is moving. More of the businesses are being built there. It's where most of the growth is happening. It's easily accessible--that's where most of the growth is taking place. I think it's important for the ambulances to be able to hop right off the freeway. If I were Ojibwe people--paying for the building--I'd want it on the east side, close to them. I know a good number of their people live east of Hinckley.

11. Well, I think the present clinic we have is sometimes overloaded. I guess I see a need for pediatrics. I see a need for counseling. I see a need for parenting-type things, particularly for the Native American community--if they're supporting the costs there.

12. The main reason is just because of the fact of the additional access to health care is very high on people's agenda. It wouldn't seem to me that a clinic would be a good use of that strip of land on the east side. It would be better utilized for a tourism-related business. It would be closer to the Casino and to the Native American community. It would be easier to market to their population.

13. Because we already have one on the west side. They need one on the east side to service the whole community, as well as the east side community. It think it's easy to get to--Hinckley isn't that big. It wouldn't be that hard to access. Weekends, it's hard to access 35 because of the casino, but not during the week and most clinics aren't open on weekends, anyway. We do need a clinic here.

14. Accessibility. It would be easier to get to. It would be more noticed. That's where expansion seems to be. That's the growing part of town--towards the east.

15. Need for the services you mentioned initially because of the growing population and the large number of families, just to name a few.

16. Strictly because of the need. I think there's a perceived need for more dentists, as well as optometrists and general practitioners. The only other reason is that most of the new businesses are going out that way.

VERBATIM COMMENTS (Continued)

What would you say are the main reasons you would **not favor** the clinic if it were to be built on the **east side** of highway 35?

1. The location of the general public and the people would be using the clinic--the accessibility would be too far out of line. The traffic in the summertime--five months out of the year is terrible. It would be hard for senior citizens to access it with all the traffic. I would see no other problem, just strictly getting to it, being that most of the people that would use it would be on the west side of the freeway. Being that the casino's on the east side, there'd be too much traffic, especially in the summertime. It would be too difficult for people from town to access it.

2. Because to me, that's not part of town. The tourists--the casino--come in and come out, it's not the actual community.

3. Because east of highway 35 is more adaptable for tourist development. I don't think that the east side of highway 35 is part of the Hinckley community. I mean, it is, but most of the community of Hinckley is on the west side.

VERBATIM COMMENTS (Continued)

What would you say are the main reasons you are **undecided** about the clinic if it were to be built on the **east side** of highway 35?

1. Most of the population concentration is on the west side. There's so much traffic in that area from the interchange of interstate 35.

2. Older people would have trouble getting there. It would create more traffic. There would be more congestion out that way. It's already terrible the way it is.

3. I'd like to know first of all if it would include urgent or emergency care. There are real traffic issues on the east side of town. I'd also like information on whether they'd integrate with other medical services in town. I think those are the biggest things. Those of us who live here try to avoid the east side of 35, not only the interchange, because there are traffic backups because it's so heavily traveled.

4. It really doesn't matter to me where it's built--if it's built on the east, west, or south side of Hinckley. In other words, I don't take sides between the businesses on the east side or west side.

5. Because I'd take a hospital over a clinic if I could get it. I've heard that a hospital is going to be built--it's in the proposal stage right now. I don't object to either one if they want to build them. We have a clinic here already, run by an out-of-town hospital. And if they build a hospital and clinic and they have all three, that could be overkill. I'm not so sure--some of the University people might be involved with the hospital, too.

6. I do know that the Sandstone hospital is thinking about building a hospital in Hinckley. It would matter on which side it was on. You said it was going to be funded by the Mille Lacs Band. If my tax dollars are going to be funding the Sandstone hospital, I'd rather go to the hospital where my tax dollars are going. It's relative to the Sandstone hospital, basically. Is it a profit-making organization or a non-profit organization?

7. Because I don't know the exact location. I don't know if it would be beneficial to who or what. I don't know the specific area where it would be, how far or how close to Hinckley. I need more specifics.

8. I don't really know. Availability, ease of access, residual effects to the city. The road out there isn't adequate for the amount of traffic.

VERBATIM COMMENTS (Continued)

9. I guess I would like to know what all would be included in the clinic. If it would be supported by gambling money, I think that would give it an unfair advantage with other clinics operating in the area. It might drive them out of business. Also, if they have tax exempt status like for their other businesses, that would be unfair. It would be difficult for people on the west side to access it. Most of the people live on the west side and it would be difficult to get to. There's only one access over the freeway, and it's always really crowded.

10. I guess I would have to find out what the clinic would provide that the clinic we have now wouldn't provide. You said they'd have specialists from the University of Minnesota--that would be an added plus. I guess I couldn't say until I knew what they'd provide compared to what we have now. If they'd provide a lot of services we don't have now, I'd be for it. I think all the expansion should be done on the east side because that's the way the town is growing.

VERBATIM COMMENTS (Continued)

What would you say are the main reasons you would **favor** the clinic if it were to be built on the **west** side of highway 35?

1. The location is unimportant. I don't care where it's built. The access would be easier because you wouldn't be involved with casino traffic flow. I would be in favor of it wherever they decide to build it.

2. It would be more easily accessed by the population of the city. It would be away from the interchange, and we have enough seniors that live on the west side near downtown that it would be better accessed by them. I think if it was on the west side it would help to reinforce the community as being a community rather than a highway 35 interchange.

3. It's closer to the business part of the community--the downtown area. More accessible to pedestrian traffic--it's more centrally located to the housing.

4. I guess the accessibility to the townspeople. The older people wouldn't have to drive into the area of the interchange. Most of them are scared to death of it. I'm in favor of it wherever they decide because it would be an asset to the community, especially if they provide emergency care. It's too long a haul--anything with close to state-of-the-art equipment is 40 to 50 miles away. If it were in the limits of the city, it would be favorable to the tax base, but even that wouldn't be that big of a deal as long as they build it.

5. I think for the area residents it would have easier access because of the congestion on the freeway. There are times where it's a real congested area out by the freeway. A lot of times with the casino there, they have to have the State Highway Patrol directing traffic because it's so congested. Also, the property costs would be much cheaper.

6. Easy accessibility--less traffic and congestion. By the time you get half a dozen restaurants, two or three hotels, and a casino on that [the east] side of the freeway, you just get all kinds of traffic. The land might be cheaper than on the east side of the freeway--it's pretty spendy on the east side.

7. Expanded medical resources in the immediate area. That's the only reason I can think of. The people in the area would have medical specialists more readily available.

8. Just the fact that it needs to be built. I think it needs to bring a higher level of health care to the area. More providers and improved accessibility to them.

VERBATIM COMMENTS (Continued)

9. I think there's less congestion on the west side, what with the casino and all the other building on the east side, it's very congested. On the west side, it would serve the community. The local people would be served by the clinic--it would be a lot easier for people to reach it if it was built on the west side. That's the main reason.

10. It would add to the capability of handling the local health needs of people in the community. The one clinic we have now is part of the Mora hospital and it doesn't meet the needs of all the residents. Accessibly to the east side for emergency vehicles becomes a real traffic hazard. It would be much easier to access for emergency vehicles if it was on the west. It would be close to downtown and people that are walking or have minimal driving capabilities--it would be much easier for them to reach, since there are no taxis or buses here. Plus on the west side, we have the communities of Pine City and Sandstone. It would be easier for them to access, too.

11. Because it would be closer to my home. I might be more convenient for the other people would reside within the city of Hinckley--closer to their homes, since 95% of people who live in town live on the west side of the highway.

12. For one reason. I live here. When I got older, I could walk to it and a lot a seniors live downtown and could probably walk to it. They don't drive. They'd have easier accessibility. If the clinic that's already on the west side would merge with the proposed one, it would be better on the west side. It's not too far from school. It's nicer for the students. It would be in their location.

13. It's closer to the residential community. Traffic is slower there. People wouldn't get run over going to the hospital. It would minimize congestion. It's already pretty bad on the east side.

14. It doesn't matter to me where they put it. I'd favor it. The only thing I might add if it was west side, it would be part of the downtown. I think we're looking for expansion there. If it was a part of that locality it would be accessible for people in the downtown and in our residential area.

15. If it has to be built on the west side, I'm in favor of it, but my preference is definitely the east side, because I don't think there's any property suitable that's close enough to the freeway. There's no land near the older part of downtown, so you'd end up building on the western edge of town that would be too far from the freeway--too hard to reach.

16. Because of off-shoot possibilities caused by an increase of traffic in the area. People who were coming to go to clinic might go to buy groceries or gasoline. I think if it was away from the casino, it might do more business. There's some resentment of the Band among members of the community. They would be more likely to use the clinic on the west side because people wouldn't associate it with the Band as much.

VERBATIM COMMENTS (Continued)

17. I think it would be a plus for the community regardless of where its located. It would meet more needs.

18. For the same reasons I would favor it if it were to be built on the east side--growing population and more families with children.

19. Because more people as far as the community is concerned would have better access to it. They wouldn't have to cross over the freeway. It's closer to the main business district and the vast majority of the residential district.

20. I believe our community needs expanded health care and if it were built on the west side of highway 35, then I believe it would be part of our community. I believe it would be easier for our citizens to use the clinic. It would be more convenient--both the distance they have to travel and the traffic congestion they have to deal with.

21. Because of the medical in our town--we have to go to Mora or Sandstone for a hospital. The ambulance department is wide spread in an emergency. It would be an asset to our community. Just the hometown atmosphere and not having to leave town for medical services.

VERBATIM COMMENTS (Continued)

What would you say are the main reasons you **would not favor** the clinic if it were to be built on the **west side** of highway 35?

1. It would be difficult to get to through the residential community--that would be the primary thing. Also, the availability of property to build it.

VERBATIM COMMENTS (Continued)

What would you say are the main reasons you are **undecided** about the clinic if it were to be built on the **west side** of highway 35?

1. It would be the same reasons I gave for the east side. I'd need to know if it would include urgent or emergency care. I'd also be concerned about how it would integrate with the medical services in town.

2. It really doesn't matter to me where it's built. I would be in favor of it being built. It doesn't matter where.

3. It doesn't matter what side it's on, as long as they build it. I think the east side would be a little better, because they have more area to work with. Accessibility will be reasonably the same on either side.

4. The location doesn't really matter. The closest hospital is 22 miles away. The closest full service hospital is 35 miles away. The difference between 2 miles and 5 miles is nothing. If Sandstone hospital decides to build a hospital here and my tax dollars go for that then I'd want to go where my tax dollar are going. Is it going to be for profit or non-profit?

5. Being I don't know the specific area or exactly where it might be built, I couldn't say whether I'd favor it or not. I'm not opposed to it, that's for sure.

6. I'd have to know what's in the clinic and I need to know how it's being financed, too.

7. It would depend on what it brings to the community. I wouldn't be opposed to it on either side of the highway. I think it would be best on the east side.

VERBATIM COMMENTS (Continued)

What would you say are the main reasons you are **opposed to the clinic regardless of which side of the highway it would be built on?**

1. I don't think it ought to be built at all, no matter where it is. Period. We have what we need. I think my main reason is we have private people here--doctors and pharmacists who have been here along time. The Mille Lacs Band and the University will come in here and build a clinic without consulting them or trying to cooperate with them and put them out of business. They'll take business away from people who have been here a long time.

VERBATIM COMMENTS (Continued)

What do you think the people in your community will think of the proposed clinic?

1. I would think that they would favor it. I'm not really sure--I don't know them too well. I know that a lot of people do have dissatisfaction with the clinic that's there already. It's only open a few days a week. If someone is ill and clinic's not open, they have to go to Mora or Rush City. I think another reason they might favor it is it would be a comprehensive service--a place where you could stop and have your teeth and/or eyes checked and also stop there and get your prescription filled. I think the alliance with the U of M will give the people the confidence that they will be receiving very good health care.

2. I think it will be split. Some people will like it because they'll see it as an opportunity for more and better health care in the community. There will be people who will be for it because of new jobs it will create and the way it will help the local economy. Then there's people who wish the town could go back to the way it was before the casino. They'll be against it; but they would be against anything the Band proposed.

3. [I think the people will] accept it, anticipate it. I represent the Indian community and the clinic would be culturally sensitive to that. More continuity of care. The University has had a reputation for quality care.

4. I think they'd favor it. I worked with the local ambulance crew for 12 years and I think there's a need for it and it would be an asset to the community. I don't know--if they're not affiliated with an area hospital--I think the doctors here that are affiliated with the local hospital hold onto a patient a little longer. Where they could be sent to a hospital like the University a little quicker. If they were affiliated with the University, patients would be sent there sooner.

5. I think it would be accepted quite favorably. They would have a choice. It would be accepted quite well just because they're not going to have to drive to do this. Overall to the average person, it would be an asset because it will give them a choice. We have no choice right now unless you want to commute. I suppose from the standpoint of an emergency situation, it would fill a real need to have a state-of-the-art emergency care. I'm a cop, and when people get banged up, we have to drive them 40 to 50 miles. Some people that didn't make it would be alive today.

6. I think it would be positive. They'd welcome it. It would be a plus. You'd have more specialists. You wouldn't have to travel as far to see a specialist. They'd have more available as far as specialists and specialized equipment. They'd see more jobs probably. I think mostly selection of specialists and updated equipment.

VERBATIM COMMENTS (Continued)

7. I would think people would be excited about it. I would think it would mean opportunities for new jobs, opportunities for good health care services within the community. I know right now a lot of people go out of town for health care. It would be nice to be able to go in town.

8. Overall I think it would be favorable. It would hopefully provide better or more complete medical services than what's presently available.

9. I think that they'll be behind it. There's been a lot of complaints about the lack of specialty services. The local clinic won't refer you to specialists even when you ask. With the University, it would improve the availability of specialists.

10. I think they would be pleased with the prospect. Because I guess they would welcome the idea of having more medical resources on site. I guess the might wonder what might happen to the Mora Clinic--will it be healthy competition or will it overpower the Mora clinic. The University approach to medicine seems kind of limited--it's too closed. It should be more open to other approaches, alternative approaches to healing.

11. Well, we already have one clinic. I'm not sure. Some of them will be in favor of it and some will be against it. I don't even know if it will be a 50/50 split. The older people that are used to using the local doctors won't switch. The younger people might use it more. I think it will be all right. On any given day, the population can increase from 1,000 to 5,000 people, what with the state park near by, the private campground, and the casino. Plus, the area is growing so, I think it would be all right.

12. I think reaction will be mixed. There's some people who are real loyal to the hospital in Sandstone and they'll be concerned about what would happen to that. That hospital is barely surviving. I think some of them would be glad to see it. The clinic in town is really, really, busy. There's probably enough business for both.

13. I think that it will be a favorable attitude. They'll have better health care. It could only benefit the community, and right now I think the services that are provided right now aren't the best. They're not people-oriented people. They're rude. The hours are horrible for the clinic. They need better hours. And better staffing. They're only open Monday through Friday from 8 to 4--regular business hours. Otherwise, you have to go to the emergency room. Like for me this weekend, I called them and they told me to wait three hours because the doctor was at lunch.

14. I think they'll think it's a good idea. I think health care is a big issue today, and people are looking for more options. I think it will give more flexibility to people in the area--people will have more choices.

15. You got two sides of the fence here. There are still a number of people that are still upset about the casino--about the Indians making money. Will the Indians make money off the clinic? If we went there to see a doctor would be have to wait? It's an issue of racism pure and simple. The rest of us wouldn't really care. I'd be inclined to go wherever I can get in first or within my own time frame. My wife would like to see a gynecologist, so she might go for that. I wish them well.

16. They'll be in favor of it and fully supportive of it. It brings state-of-the-art medical care to Hinckley. The proposed mixture of services isn't available in Hinckley today. I believe people will fully support the University's efforts to do such a project in Hinckley. I'm 100% in favor of it.

17. I think they would be elated. They would welcome it with open arms, because the closest facility now--there's one clinic in town but you don't get to see the same doctor all the time, and it's based in Mora. The other is the hospital in Sandstone. This clinic would be right in town. I'd have to believe that 99.9% of the people in town would be in favor of that. I know they'd think of it as a wonderful addition. I don't think they'd view it as something just for the Ojibwe Tribe. They'd use it and take ownership--make it their own. We here at [BUSINESS NAME DELETED] would welcome it, because we sometimes have accidents or our customers have accidents. it would be nice to have a first class facility close by.

18. If it doesn't raise their taxes, they're going to love it. If it does, they'll question it. I guess I think that many would welcome another clinic, especially with special services available. This is something new, and people here tend to be cautious about new developments. Without knowing more about the proposal, I really couldn't say how people would react to it.

19. I think that'll depend on what type of information they're given about it, what type of educational effort is conducted. I think initially in small towns they're somewhat conservative about development, so there's always some cynicism to begin with. I think that after they have some time to think about and evaluate it, they'll be positive about it. It depends on the type of information they get about it and how it's presented to them.

20. I think it would be pro and con. Some would like it and some would worry about their taxes going up. On the whole, I think they'd like it, because lots of the time at that little clinic they have here it's hard to get an appointment. I think as a rule they would like it. Some of them wouldn't. Sometimes when you go to the little clinic here, they don't have a lot of the equipment they need, like heart monitors, and they have to send you somewhere else. It would be nice to have those services here. I do hope it will become a reality, because of the surrounding area. I think it would service the communities in the surrounding area as well as Hinckley. It would help those communities, as well.

VERBATIM COMMENTS (Continued)

21. I really don't know. I'd think they'd probably be in favor of it. It would give them more access to more medical facilities.

22. I think they'd be in favor if it because of having a greater range of specialty doctors than we have here now. It would bring jobs to the area.

23. I think it would be favorable if it's in town here, especially because of the emergency care--the long distance you have to go to a hospital. I think the community would be favorable.

24. I think they'd be in favor of it. We've got some good doctors here now, but we need some more of them. It's tough for doctors to operate in small communities. Some of them work in three separate communities, so their caseload is pretty heavy. I think a certain amount of people won't be in favor of it because they resent the Mille Lacs Band and the casino; but regardless of that, I think it will be accepted.

25. I think most people would be generally in favor, just so they'd promote it as a University of Minnesota health care facility instead of an Indian health care facility, which is the way it's perceived now. I think, in general, the perception would be favorable, except for physicians--because you've got the Mora people here and there's another doctor who is willing to come here if they can find a space for him. So they might not want the competition--speaking for myself a s a dentist, there would be plenty of work to go around for another dentist, whether or not he'd be in my clinic. Also, there's only a half-time optometrist here currently, so we can use those services [too].

26. Definitely in favor of it because of the need, the number of families. You have to wait sometimes to see a doctor. The clinic is always full. It would be good for the Mora clinic to have some competition. They'd be for it because of the increased use of the emergency serves since the casino. I know some people on the ambulance crew, and they'd like it if they had an emergency center here they could use.

27. I guess they're fairly open to it. I guess they'd view it as positive step for the Band--in creating more jobs, higher paying jobs for non-Band members. They view the casino as being good in some respects and not good in others, the thinking being that the clinic would provide higher paying jobs than dealing Blackjack. They'd be open and interested in using it. There's some concern about what would happen in Sandstone, and what would happen to the Mora clinic. They're interest in having a real up-to-date emergency trauma center.

28. I think it would be favorable. I don't have any particular basis for that, just judging from the people that I know that have to travel to go to see specialist and so on.

29. I think they'll be totally against it. Most people here feel the Mille Lacs Band is taking over and smashing out the small businesses. We did fine before the Mille Lacs Band built the casino here. I don't even like gambling. If the University is looking for someone to cooperate with, they should cooperate with what's already here. I've talked with doctors that already work here, and they'd be willing to cooperate with them. But I guess money talks--the money is the bottom line.

30. I would think that it would be mixed for the most part. I think the community leaders would be for it. Our community is small, but there are about 25 people--key people that I know--they all want to see the town progress and grow--and the growth is on the east side. But there are a lot of people who would like to see the town remain the same. If we actually had local doctors, that would be a plus. We don't have a doctor now who works at the clinic with a Hinckley address.

UMHSAC Practice Acquisition Status

Version: 06-Dec-94

	Phase I				Phase II		Phase III		Phase IV	Phase V
	(A)	(B)	(C)	(D)	(A)	(B)	(A)	(B)		
Staub Pediatric Group	X	X	X	X	X	X	X	X	X	X
Palen Clinic	X	X	X	X	X	X	X	X	X	?
Hinckley (New Clinic)	X	X	X	X	X	X	X			
Rush City Clinic	X	X	X	X	X	X	X			
Grand Rapids	X	X								
Central Internal Medicine	X	X	X	X	X	X	X			
Mesaba Clinic	X	X	X	X	X	X	X	X	X	
Granite Falls	X	X								
Mankato										
Mesabi Regional Medical Cntr										
West Side Comm Health Cntr	X	X	X							
East Range Clinics	X									

Definitions:

Phase I (A)	***Introductory Meeting***
Phase I (B)	***UMHSAC follow-up***
Phase I (C)	***Clinic Confirmation; UMHSAC originated Letter-of-Intent, Micro-process outline, detailed financial information request***
Phase I (D)	***Information receipt by UMHSAC***
Phase II (A)	***Tangible and Intangible Valuations (Bldg, Eqpt & Practice)***
Phase II (B)	***UMHSAC offer presentation***
Phase III (A)	***Offer Negotiation***
Phase III (B)	***Offer Agreement***
Phase IV	***UMHSAC Due Diligence***
Phase V	***Closing***

University of Minnesota Health System
Affiliated Clinics, Inc.

Income Statement
For the Period Ended July 1, 1994 to October 31, 1994

October MTD				October YTD		
Staub Pediatric Clinic	UMHSAC Admin	Consolidated Total		Staub Pediatric Clinic	UMHSAC Admin	Consolidated Total
$56,732	$0	$56,732	Patient Services Collections	$106,435	$0	$106,435
2,707	280	2,987	Other	14,617	653	15,270
59,438	280	59,719	**Total Revenue**	121,053	653	121,705
24,067	0	24,067	Physician Compensation	69,452	0	69,452
2,688	0	2,688	Physician Taxes & Benefits	6,676	0	6,676
26,756	0	26,756	Total Physican Comp & FB	76,128	0	76,128
17,994	0	17,994	Non-Physician Compensation	52,951	0	52,951
5,653	0	5,653	Non-Physician Taxes & Benefits	10,649	0	10,649
23,647	0	23,647	Total Non-Physician Comp & FB	63,600	0	63,600
1,330	0	1,330	Medical Supplies	16,647	0	16,647
208	0	208	Medical Consulting Fees	208	0	208
10,498	0	10,498	Drugs	27,726	0	27,726
2,523	0	2,523	Billing Fees	7,428	0	7,428
2,022	175	2,197	Office Related Expense	6,562	421	6,983
7,374	424	7,798	Occupancy Expense	26,947	2,968	29,915
889	0	889	Depreciation	2,668	0	2,668
826	0	826	Professional Liability Insurance	826	0	826
2,027	0	2,027	Interest Expense	5,954	0	5,954
197	0	197	Payroll Services	506	300	806
930	0	930	Dues and Subscriptions	1,761	0	1,761
52	0	52	Miscellaneous	573	40	613
79,279	599	79,878	**Total Expenditures**	97,806	3,729	241,263
($19,841)	**($319)**	**($20,159)**	**Net Profit(Loss)**	**($116,481)**	**($3,076)**	**($119,557)**

University of Minnesota Health System
Affiliated Clinics, Inc.

Statement of Cash Flows
For the Period July 1, 1994 to October 31, 1994

	Staub Pediatric Clinic	UMHSAC Admin	Consolidated Total
Operating Activities and Non-Operating Revenues:			
Net Profit(Loss)	($19,841)	($319)	($20,159)
Adjustments			
Depreciation	889	0	889
(Increase)Decrease in Prepaid Expense	11,884	0	11,884
Increase(Decrease) in Accounts Payable	8,581	136	8,717
Increase(Decrease) in Accrued Liabilities	(10,499)	0	(10,499)
Total Adjustments	10,855	136	10,991
Net Cash Provided by Operating Activities	(8,985)	(183)	(9,169)
Investing Activities			
Acquisition of PPE	(595)	0	(595)
Change in Promissory Notes	0	0	0
Net Cash From(Used) in Investing Activities	(595)	0	(595)
Financing Activities			
Repayment of Notes Payable	(429)	0	(429)
Change in Cash	**($10,009)**	**($183)**	**($10,193)**
Cash at September 30, 1994	**$234,534**	**$846,112**	**$1,080,646**
Cash at October 31, 1994	**$224,524**	**$845,928**	**$1,070,452**

University of Minnesota Health System
Affiliated Clinics, Inc.

Balance Sheet
10/31/94

	Staub Pediatric Clinic	UMHSAC Admin	Consolidated Total
Cash - Checking	$97,691	$14,556	$112,247
Cash - Savings	126,833	82,229	209,062
Cash - Other	0	749,143	749,143
Total Cash	224,524	845,928	1,070,452
Intangible Asset - Staub Pediatric Clinic	227,800	0	227,800
Prepaid Expenses	3,252	300	3,552
Fixed Assets			
Equipment - Fridley	44,245	0	44,245
Equipment - Shoreview	9,715	0	9,715
Less: Accumulated Depreciation	(2,668)	0	(2,668)
Total Fixed Assets	51,292	0	51,292
Total Assets	**$506,868**	**$846,228**	**$1,353,096**
Accounts Payable			
Trade A/P	$12,102	$175	$12,277
Other - Due to Staub Pediatric Group, P.A.	8,274	0	8,274
Total Accounts Payable	20,376	175	20,551
Long-Term Liabilities			
Working Capital Loan Payable	325,000	0	325,000
Equipment Loan Payable	52,076	0	52,076
Practice Payable	227,800	0	227,800
Loan Payable - Palen	0	749,143	749,143
Total Long-Term Liabilities	604,876	749,143	1,354,019
Total Liabilities	625,251	749,318	1,374,569
Fund Balance	(1,902)	99,987	98,085
YTD Net Income	(116,481)	(3,076)	(119,557)
Total Liabilities and Fund Balance	**$506,868**	**$846,228**	**$1,353,096**