

RESOLUTION

Board of Hennepin County Commissioners

RESOLUTION: 25-0297 R1

At a meeting of the Board of Hennepin County Commissioners, a motion was made by Commissioner Anderson, and seconded by Commissioner Fernando, that the Resolution be adopted. The motion passed.

WHEREAS, Hennepin Healthcare System, Inc. (HHS), is an integrated system of care that serves as a critically important safety net and teaching hospital for residents of Hennepin County and the State of Minnesota; with a nationally recognized Level I Adult and Pediatric Trauma Center; an acute care hospital; a clinic system; an outpatient Clinic & Specialty Center; an Emergency Medical Services fleet; and more; and

WHEREAS, prior to 2007, the Hennepin County Medical Center operated as a department of Hennepin County, under the direct control and oversight of the County Board; and

WHEREAS, in 2005, the Legislature enacted enabling legislation to create HHS as a public corporation and subsidiary of Hennepin County;

WHEREAS, since January 1, 2007, HHS has operated as a public corporation and a subsidiary of Hennepin County; and

WHEREAS, the County Board strives to promote the continued vitality of HHS and the high-quality health care services provided by its work force; and

WHEREAS, the County Board recognizes the nation-leading work of the HHS's providers and staff and strives to support them in providing excellent patient care; and

WHEREAS, the County Board supports the mission of HHS and recognizes the importance of this critical health care asset to the residents of Hennepin County, the State of Minnesota, and beyond;

WHEREAS, the County Board is committed to proactive, responsible stewardship of public resources for both HHS's healthcare functions and the County's other critically important work in health, human services, housing, justice, and more; and

WHEREAS, under Minnesota Statutes section 383B.908, the County Board retains several reserved powers relating to HHS, including specific controls over HHS's "mission, ability to incur indebtedness through the county, indigent care, and governance," as well as the right of the County Board to "dissolve the corporation, reorganize the corporation, or remove the entire corporate board in order to resume management of Hennepin County Medical Center upon a two-thirds vote of the entire county board"; and

WHEREAS, HHS has experienced an operating net loss for seven of the past eight years, despite receiving significant government support, including federal pandemic funds in 2020 and 2021 (totaling approximately \$61.5 million); directed payments beginning in 2022 (totaling at least \$90

million per year in supplemental funding for Medicaid); additional one-time funding from the County in 2024 (totaling approximately \$4.2 million for employee benefits and \$4.8 million for IT costs); and an increase in uncompensated care funding from the County (from \$26 million in 2022 to \$37.5 million in 2023, \$38 million in 2024, and \$38 million budgeted in 2025); and

WHEREAS, HHS's financial condition has continued to deteriorate at an unsustainable pace, despite HHS's ongoing efforts to implement margin improvement initiatives over a course of several years; and

WHEREAS, in its current financial state, HHS has been unable to self-fund its routine capital medical equipment expenditures in recent years, and recently requested a loan of up to \$30 million from the county; and

WHEREAS, HHS has proposed future campus redevelopment but is unlikely to be able to fund any share of such redevelopment; and

WHEREAS, based on its current financial condition and recent budget forecasts, HHS will not meet its proposed 2025 operating budget and must take immediate action to improve its performance, address its current cost structure, and mitigate a significant operating net loss for this calendar year; and

WHEREAS, in a joint meeting of the County Board and HHS board on June 12, 2025, HHS leadership informed the County Board of significant concerns about HHS's financial condition and long-term viability, including risk of HHS closure in the near future; and

WHEREAS, on the same date of June 12, 2025, the HHS board voted to create a Task Force of its own members to consider the strategic sustainability of HHS and to explore a full range of scenarios; and

WHEREAS, the HHS Task Force has met in person five times (June 27, July 1, July 11, July 18, and July 23) and another meeting planned for August 1, for the purpose of developing cost-saving recommendations regarding the 2026 HHS Budget proposal, to present at the HHS Board meeting on August 6; and

WHEREAS, the 2025 County Board calendar was approved in December 2024, including two joint meetings of the County Board and HHS Board, and four Quarterly Briefing dates, with August 7 being the scheduled date for HHS Board and Leadership to present the 2026 HHS Budget proposal to the County Board; and

WHEREAS, the Quarterly Briefing scheduled for August 7 has since been converted to a joint meeting of the County Board and HHS Board; and

WHEREAS, HHS is a public safety net hospital, serving a high percentage of patients on federal and state programs and providing a significant amount of under- and uncompensated care, and the circumstances around HHS's financial condition have grown even more precarious and urgent in recent weeks due to recent federal legislation and anticipated state and federal funding reductions; and

WHEREAS, HHS faces a real risk of financial failure, which would have a devastating impact on health care access for Hennepin County residents and regional and statewide health systems; and

WHEREAS, the County faces a real risk of financial impacts, including a need to increase the

property tax levy, if further financial support from the County is requested or required to sustain HHS, especially given current uncertainty regarding state and federal funding streams, and given the County's need to sustain funding for current County operations and services; and

WHEREAS, the HHS task force and board have been working diligently to prepare and propose a recommended 2026 budget for the County Board's review and approval under Minnesota Statutes section 383B.908; and

WHEREAS, in order to exercise its statutory oversight powers in an effective, informed and fiscally responsible manner, the County Board intends to be actively involved in decision making regarding HHS's current financial crisis, implementing any turnaround strategies, and developing a long-term vision for HHS's viability and vitality, in order to take into account what is needed to support core HHS functions as well as core County functions, without unreasonable burdens on county residents and taxpayers

Resolution:

BE IT RESOLVED, pursuant to Minn. Stat. 383B.908, subd. 7, the County Board hereby removes the entire corporate board of Hennepin Healthcare System, Inc., in order to resume interim management of its subsidiary corporation HHS, including the Hennepin County Medical Center; and

BE IT FURTHER RESOLVED, the County Board affirms the subsidiary corporate structure of HHS, and remains committed to working with HHS leadership and staff during this transition to ensure operational continuity and to develop and implement a strategy that brings financial stability to the health care system, ensuring that residents across Hennepin County and the State of Minnesota can continue to access high-quality health care services; and

BE IT FURTHER RESOLVED, that the County Board recognizes the dedication and hard work of HHS employees at all levels and vocations, and their importance to delivering healthcare services to Minnesota residents; and

BE IT FURTHER RESOLVED, the County Board expresses appreciation for the time, service and dedication of HHS board members; and

BE IT FURTHER RESOLVED, the County Board directs the County Administrator to prepare recommendations regarding any necessary transition plan, including a transition team, any needed staff or consultants, communications plan, meeting dates through 2025, as well as any other recommendations; and

BE IT FURTHER RESOLVED, that the County Board directs the County Administrator to present a report to the County Board, no later than July 31, 2026, regarding steps taken since the passage of this resolution to ensure the financial stability of HHS, the then-current status of HHS finances, operations, and any recommendations for additional needed actions to ensure the stability of HHS finances, operations, and governance in the future.

BE IT FURTHER RESOLVED, the County Board will hold a special meeting to discuss

business related to HHS with the County Administrator and the HHS CEO along with any other invited County or HHS staff, including members of the HHS executive leadership team or the proposed transition team, on August 12, 2025, and will consider a motion to close the meeting to the public under Minnesota Statutes 383B.217, subd. 7 and 383B.917.

RESOLUTION ADOPTED ON 8/12/2025

The question was on the adoption of the resolution with the votes as follows:

Aye: 6 Commissioner Fernando, Commissioner Greene, Commissioner Conley, Commissioner Lunde, Commissioner Anderson, and Commissioner Goettel

Nay: 1 Commissioner Edelson

Maria Rose



Maria Rose