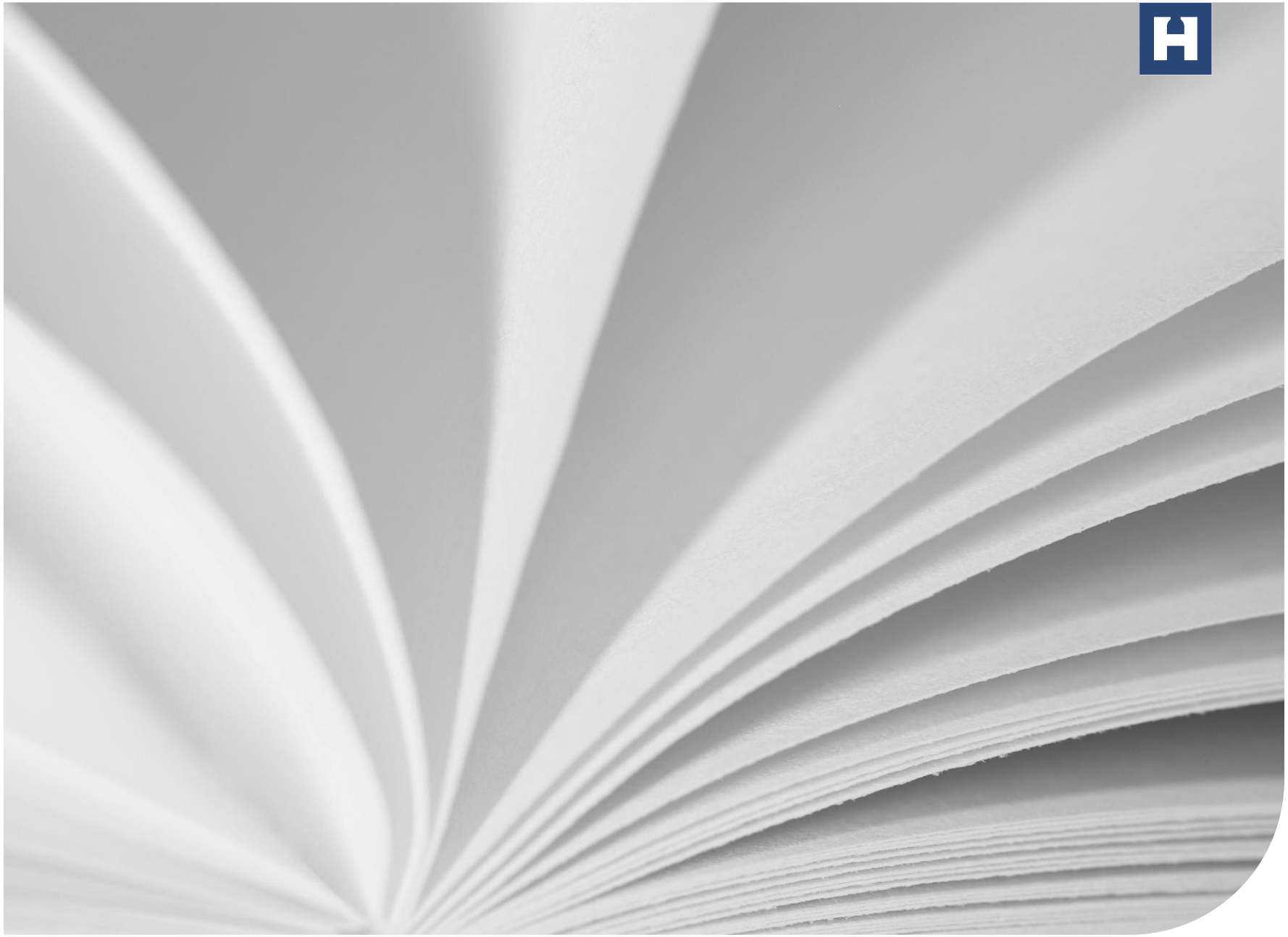
Hennepin County

Hennepin Healthcare System (HHS) Governance –

County administration proposal

Board Briefing

September 2026



Agenda

Background

County administration proposal

- Operating and funding agreement
- Lease
- HHS bylaws
- HHS board recruitment

Discussion

Background

Background and current state

- **In 2006, legislation passed giving Hennepin County authority to create HHS as a public subsidiary corporation**
- **Effective 1/1/2007, Hennepin County formally created HHS**
  - County board appointed initial HHS board, adopted initial HHS bylaws, authorized initial operating and funding agreement between Hennepin County and HHS, and authorized long-term lease of real estate to HHS
- **From 2007-2025, HHS governed by the subsidiary board**
- **In August 2025, county board resumed interim control, serving as governing body of Hennepin Healthcare System (HHS)**
- **In May 2026, State Stabilization Fund created to support HHS**

Drivers for short-term decisions

- **Legislative deadline: January 15, 2027**
  - Select new members and reconstitute the HHS board as outlined in statute
  - Transition governance to the new HHS board
- **State Advisory Task Force (2026-28)**
  - Developing recommendations on HHS ownership, governance, and financing
- **County-HHS governance documents**
  - Operating and funding agreement (expires 12/31/26)
  - Lease (in place)
  - HHS bylaws (partially suspended)
- **County governance review report (June 2026)**
  - Sharing feedback from stakeholders on the governance model

Short-term decisions within statutory framework

Current statutory framework (will not change before January 15, 2027)

- HHS will remain a subsidiary of the county
- County board has reserved powers including:
  (a) approve annual HHS budget;
  (b) approve Health Services Plan;
  (c) approve future slates of HHS board nominees
- County board appoints two commissioners to HHS board
- County board may meet with HHS in closed session
- HHS board has authority to hire or terminate the HHS CEO

Within county board's discretion

- Operating and funding agreement
- Lease
- Bylaws

Transition by January 15

- **Legislative deadline: January 15, 2027**
  - Select new members and reconstitute the HHS board as outlined in statute
  - Transition governance to the new HHS board
- **Initial focus**
  - Operate within existing statutory framework
  - Short-term timeframe of 2027-29
  - Review and update county-HHS governance documents
  - Focus on county board role and responsibilities

Anticipated timeline

August 26, 2026

County administration submitted proposal to county board on HHS governance

Sept

- Public board briefing on HHS governance proposal (**We are here)**
- Closed board briefing on HHS capital planning and needs

Oct/Nov

- HHS board candidate vetting and interviews
- Staff work on governance documents based on preliminary feedback and direction
- Updates to HHS board and county board

Dec

- Approve updated governance documents
- Approve HHS 2027 budget
- Appoint reconstituted HHS Board

Jan

Transition governance to HHS Board with plan for onboarding, engagement, and alignment

County administration's proposal on HHS governance & finance

-Operating and funding agreement

-Lease

-HHS board bylaws

-HHS board recruitment

Proposal: operating and funding agreement

Joe Mathews

Financial support

- State has provided a stabilization fund
- County would provide an additional general subsidy ($38M for 2027)
  - HHS would be able to use county funding at its discretion for urgent needs
  - County subsidy could be reduced if other revenue streams are made available to HHS
- HHS would continue to provide care to Hennepin County residents
- Any future funding (2028 and beyond) would be determined by the county's budgeting process
- County would outline an expedited process for HHS to request an emergency loan (one-time, $35M max)
- The emergency loan would allow time for county board to consider any additional funding requests or actions

Transparency, reporting and accountability

Transparency and reporting

- HHS would be required to provide data upon request to the county
- County would be able to work with HHS on the necessary level of detail for the county's financial decisions

Accountability

- County could withhold its general subsidy if HHS breaches lease or other aspects of the operating and funding agreement

Proposal: lease

Joe Mathews

Maintain county ownership of real estate

- No changes recommended to current lease
  - Maintains county ownership and control of real estate
  - Provides facilities at low cost to HHS ($1/year)
  - Outlines HHS's obligations to maintain the facilities in good order, condition, and repair
  - Requires that properties be used to operate a hospital
  - Ensures that the property would return to the county if no longer needed or used by HHS
- Lease is integrated with the operating and funding agreement
  - Proposed updates to the operating and funding agreement (OFA) will ensure that county receives timely information related to facilities

Proposal: HHS board bylaws

Beth Stack

Transparency and accountability

- **Budget:** HHS would be required to bring any significant budget amendment to the county board for approval
- **Delegation:** HHS board would have limited authority to delegate to the CEO, and would receive regular reporting on decisions made
- **Public notice:** HHS board would be required to timely post notice of meetings, agendas, and actions
- **Competitive data:** The bylaws would clarify the process and standards for use of the competitive data exception, to promote transparency regarding HHS board activities
- **County attendance:** County administrator or designee would be allowed to attend any HHS board or committee meeting, including closed portions
- **Code of conduct:** HHS board members would be subject to a code of conduct
- **Accountability:** HHS board members would be subject to removal for cause as determined by the county board

HHS board membership

Membership

- Voting members would include commissioners, plus public members appointed by the county board
  - Voting members must meet the updated statutory qualifications
  - CEO and president of the medical staff would serve ex officio as non-voting members
  - HHS employees and others would be able to serve on HHS board committees

Commissioner-appointees

- Members: 2 commissioners plus 1 alternate commissioner would be appointed to the HHS board by the county board
- Committees: At least one commissioner would serve on the HHS board governance committee and at least one on HHS board finance committee
  - At least one commissioner as part of the final interview for any HHS board candidate
- Terms: Appointed commissioners would serve a two-year term, subject to a two-term limit
- Voting rights: At HHS Board meeting, if two voting commissioners object to an item, it would be laid over (one time) to the following HHS Board meeting
- Disclosure: Commissioners would be able to disclose votes they cast at an HHS board or committee meeting

HHS board recruitment

Beth Stack

HHS board service and terms

- No compensation; reimburse approved expenses
- Minnesota residents
- Board matrix developed with county's consultant
  - Competency dimensions (new statutory requirement for at least 75% of non-commissioner members)
  - Community dimensions
  - Personal dimensions

Anticipated selection process

- **September:** Facilitated by county's consultant – applications and initial screening
- **October:** First interview with a panel of county & HHS staff leaders
- **November:** Second interview with a selection panel of two commissioners, county administrator, and HHS CEO
- **December:** Selection panel makes recommendations on appointment to the county board

Next steps

- Continue HHS board recruitment process
- Incorporate feedback into governance documents
- Bring updated governance documents to HHS board and county board for approval by year end
- Transition governance to new HHS board by January 15, 2027

Discussion and questions

Thank you