

# House Research Act Summary

**CHAPTER:** 125

**SESSION:** 2005 Regular Session

**TOPIC:** Hennepin County Medical Center/ Hennepin Healthcare System, Inc.

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**Analyst:** Deborah A. Dyson

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## Article 1

### Hennepin Healthcare System (HHS)

This article creates Hennepin Healthcare System (HHS) as a public corporation and subsidiary of Hennepin County to take over the operation and management of Hennepin County Medical Center. Two county commissioners will serve on the corporation's board and the county reserves powers over the corporation related to its mission, budget, ability to incur debt, governance and care for the indigent.

- 1**      **Creation of a county subsidiary corporation.** Creates Hennepin Healthcare System, Inc. (HHS) as a public corporation and subsidiary of Hennepin County, with the county as the sole member of the corporation, to operate and manage the Hennepin County Medical Center (HCMC).
- 2**      **Definitions.** Defines terms used in the act.
- 3**      **Board (of new HHS).**

**Subd. 1. Governance.** Provides for a board of directors of 11 to 15 members, of which two must be Hennepin County commissioners.

**Subd. 2. Term, quorum, and manner of acting.** Provides that a majority vote of the board is required to hire or fire HHS's administrator, approve the budget, and any action that also requires the county board to approve (relating to HHS's mission, incurring debt, budget oversight, dissolution or reorganization of HHS, indigent care,

and governance). Permits meetings to be conducted by telephone conference or similar communications equipment. Provides that the bylaws govern the terms of board members, quorum, and manner of acting by HHS's board.

**Subd. 3. Appointment of board members.** Provides for the county board to appoint members. After the initial board appointment, the board of directors must appoint a nominating committee to nominate a slate for the county board to appoint. Provides for filling vacancies.

**Subd. 4. Qualifications.** Specifies qualifications for appointment to the HHS board, including a high degree of experience and knowledge in relevant fields, high interest in the corporation and support for its mission. Requires the corporation to follow Hennepin County's open appointment process.

**Subd. 5. Removal.** Permits removal of any director, other than a county commissioner, without cause by two-thirds vote of HHS's board. Permits the county board to remove the entire board by a two-thirds vote, or an individual member for causes listed.

4 **Officers.** Specifies officers and provides for election by majority vote of the board at HHS's annual meeting. The same person may hold any office, except the chair and vice-chair. Permits removing an officer without cause by a two-thirds vote of the board.

5 **Authority and duties of officers and directors.** Provides for the bylaws or the board to prescribe the duties of officers and directors. Provides for the officers and directors to perform duties in good faith and with the care of an ordinary and prudent person in a like position. Officers and directors are not trustees.

6 **Bylaws.** Provides for the county board to approve the initial bylaws, and after that the HHS board, except for listed bylaw topics that remain within the control of the county board.

7 **Corporate powers.**

**Subd. 1. Authority and powers of the board.** Gives HHS the powers of a nonprofit corporation under Minnesota Statutes, chapter 317A, except for any limitations in this bill or in the bylaws that reserve powers to the county board.

**Subd. 2. Other powers.** Gives HHS the powers necessary and convenient for the operation, administration, management, and control of HHS's affairs, except for limitations in this bill or in the bylaws. Provides that any listing of powers is not intended to limit.

8 **Limitations upon corporate powers; reserved powers.**

**Subd. 1. Powers reserved to the county.** Reserves to the county board powers over HHS relating to mission, debt, indigent care, and governance, which must be addressed in the bylaws and approved by the county board.

**Subd. 2. Restriction on disposition of the assets.** Provides that HHS does not have power to dissolve or reorganize without county board approval.

**Subd. 3. Distribution of assets upon dissolution.** Provides for assets to revert to the county for public use if HHS is dissolves.

**Subd. 4. Compensation and payment limitations.** No HHS earnings or assets may benefit private individuals.

**Subd. 5. Financial oversight.** Gives county board approval authority over the HHS budget and right to audit HHS. Requires addressing how to stabilize or reduce county liability for indigent care.

**Subd. 6. County services.** Permits the county board to require HHS to provide additional health services if the county provides funding.

**Subd. 7. Dissolution or reorganization of the corporation.** Permits the county board to dissolve or reorganize HHS, or remove the HHS board to assume management of HCMC.

9 **Corporate seal.** No seal.

10 **Board meetings.** Requires HHS to have annual, regular, and special meetings as provided in HHS bylaws.

11 **Public depository.** Gives HHS control over its accounts and payrolls and maintain a public depository. Permits HHS to use the county as its depository.

12 **Transfer of rights.** Makes HHS the successor to Hennepin County for all rights and obligations of the county with regard to HCMC. Permits HHS to take over any pending legal matters by or against HCMC or the county on behalf of HCMC. Provides for HCMC and the county to transfer all HCMC documents (e.g., leases, contracts, medical records) and other property to HHS. Provides for HCMC and the county for HCMC to transfer to HHS all funds.

13 **Lease or transfer of assets.** HHS is a “public corporation” for the purposes of the statute that allows local governments and public corporations to lease or convey lands for nominal or no consideration to another governmental body or public corporation for public use. (This permits the county to lease HCMC to HHS for nominal consideration.) Permits the county to lease real property used by the county for HCMC to HHS exclusively. Specifies certain issues that must be addressed in the lease. Permits county to enter into the lease with HHS without advertising for bids.

14 **Status of present employees; bargaining units; retirement coverage.**

**Subd. 1. Health system human resources system.** Provides for HHS to establish a human resources system for HHS employees that replaces the current general county human resources system. Provides for HHS to establish personnel policies, negotiate labor agreements, set compensation levels and benefits. Requires HHS to comply with the pay equity and veterans’ preference laws, and to provide a personnel appeals process.

**Subd. 2. Employee transfer.** Transfers employees accounted for in the county enterprise fund for HCMC to HHS. Provides that transfer does not trigger severance or termination benefits.

**Subd. 3. Current positions.** Provides for transferred employees to keep accrued benefits (sick time, vacation, deferred compensation).

**Subd. 4. Bargaining units.** Requires HHS to recognize bargaining units and to

adopt current labor agreements.

**Subd. 5. General employee retirement benefits.** Permits HHS to create alternative retirement plans that are not defined benefit pension plans to replace PERA for managers, supervisors, physicians, and independent health practitioners who bill independently for their time. No plan changes for other employees.

**Subd. 6. Employees eligible to continue participation in public employee retirement association correctional, police, and fire benefit plans.** Permits paramedics, emergency medical technicians, and protection officers, both those transferred to HHS and those newly hired by HHS, to continue participation in current retirement plans.

**Subd. 7. Participation in state deferred compensation plan.** Permits HHS employees, at election of HHS, to participate in the Hennepin County supplemental retirement plan or other state or county retirement plans if deemed eligible by HHS.

**Subd. 8. Subsidiaries.** Requires any subsidiary created by HHS be subject to the human resources requirements of subdivision 1.

**15 Bonding authority of corporation.** Makes HHS a municipality for the purposes of issuing bonds under Minnesota Statutes, chapter 475. Permits HHS to issue revenue bonds to finance capital improvements or to acquire and better facilities and property for health care, subject to county board's reserved powers. Authorizes the debt to be secured by a mortgage of or security interest in property owned by HHS, subject to county board's reserved powers.

**16 Financing through county.** Permits Hennepin County to finance improvements, equipment, and other property of HHS. These bonds may be general obligation bonds under the county capital improvement bonding statute and other statutes.

**17 Open meeting law; government data practices act.**

**Subd. 1. Data practices act.** Provides that HHS is subject to the government data practices act. Defines "competitive data" and specifies that it is nonpublic data or private data on individuals. Provides that a subsidiary, joint venture, association, partnership or other entity formed by HHS is not subject to the data practices act unless the contract is to perform any functions of HHS, in which case the contract must specify that the data is subject to the same requirements as HHS would be.

**Subd. 2. Open meeting law.** Provides that the HHS board is subject to the open meeting law, but may close all or part of a meeting to discuss competitive data or consider strategic, business, planning or operational issues, the disclosure of which, in the board's discretion, could cause competitive disadvantage. Requires open meetings for (1) the annual public meeting to report on HHS affairs, goals; (2) meetings held during the development and implementation phase of the health services plan; and (3) the portion of the meeting to approve the annual budget before submission to the county board. Other meetings of HHS are not subject to the open meeting law.

Provides that the open meeting law does not apply to a subsidiary, joint venture, association or partnership of HHS unless organized to assume management of HHS.

- 18 **Health services plan.** Requires HHS to prepare and submit to the county board for review and approval a plan that addresses HHS's role in the community, education and research, and how it will coordinate with the county to provide health-related services to county residents, including indigents.
- 19 **Tort liability.** Provides that the municipal tort liability statute applies to the corporation, but not to any action against a subsidiary, joint venture, association, or partnership of HHS alleging malpractice or other claims related to care unless that entity was organized to assume management of all of HHS.
- 20 **Revenue recapture act.** Provides for HHS to be able to collect unpaid charges by placing liens on tax returns of individuals, as the county may currently.
- 21 **Purchasing.** Exempts HHS from contracting and purchasing laws, including those that apply to Hennepin County for personal services. (Note that HCMC is currently exempt from procurement requirements for equipment and supplies.) Permits HHS to use nonprofit or governmental purchasing services.
- 22 **Legal counsel.** Provides for the Hennepin County attorney to provide legal services and for HHS and the county attorney's office to enter into an agreement regarding hiring of outside counsel. Requires HHS to reimburse the county for legal services provided.
- 23 **Self-insurance.**

**Subd. 1. Self-insurance.** HHS may self-insure.

**Subd. 2. Additional benefits to employees.** Permits HHS to provide for payment for additional benefits for employees entitled to leave for a compensable workers' compensation injury. Permits HHS to provide additional benefits under the workers' compensation law under a collective bargaining agreement.

- 24 **Hospital authorities.** Provides that the law governing and limiting a hospital's or hospital district's authority to enter into shared service and other cooperative ventures, enter partnerships, form other corporations, etc., does not apply. Any proposed joint venture by HHS will be subject to the county board's reserved powers.
- 25 **Tax-exempt status.** Exempts the corporation from income and sales taxation.
- 26 **Prepaid health plan.** Provides that HHS is a county-affiliated public teaching hospital for the purposes of general assistance medical services.
- 27 **Intergovernmental transfers.** Provides for HHS to receive payments from medical assistance, Medicaid, Medicare, and other public programs through intergovernmental transfers.
- 28 **Indigent care.** Requires HHS to provide care for the indigent under the terms of the lease with Hennepin County and for the county to pay for medical care for the indigent from a provider selected with or without public bidding.
- 29 **Effective dates.** In general, effective after local approval, except that the provisions relating to governance, corporate powers, establishing personnel policies, and application of the open meeting law and data practices act, are effective when the initial board of the corporation is appointed.

## Article 2

### Labor Relations; Related Issues

This article makes Hennepin Healthcare Systems, Inc. (HHS) subject to the Public Employees Labor Relations Act (PELRA). Except for managerial, supervisory, and confidential employees, HHS employees may be represented by bargaining units.

- 1       **Essential employee.** Defines all employees of HHS as essential employees under PELRA.  
2       **Public employee or employee.** Excludes managerial, supervisory, and confidential  
employees of HHS from the definition of public employee.  
3       **Public employer.** Includes HHS in the definition of public employer.  
4       **Right to organize.** Excludes supervisory, managerial, and confidential employees of HHS  
from organizing.  
5       **Hennepin Healthcare System, Inc.**

**Subd. 1. Units.** Establishes 11 bargaining units for HHS.

**Subd. 2. Nonconforming units.** Grandfathers-in existing bargaining units that do not conform to one of the 11 in subdivision 1. Provides a process for the nonconforming units to seek to become conforming.

- 6       **Equipment acquisition; capital notes.** Defines medical equipment that may be purchased with proceeds of capital notes issued by the county and requires combining the budgets of the county and HHS to determine the cap on the amount of capital notes that may be issued.  
7       **Purchasing, contracting, meetings, data.** Strikes references to HCMC in the statute governing purchasing and contracting and marketing for HCMC, the HMO, ambulatory care center and other clinics.  
8       **Transition.**

**Subd. 1. Initial board.** Requires a 13-member board for the first three years.

**Subd. 2. Initial human resources system.** Requires input from HCMC employees in developing the new human resources rules and policies for HHS and requires the rules and policies and labor agreements be final before the county votes to file the certificate of local approval.

- 9       **Repealer.** Repeals statute creating and governing the HCMC.  
10       **Effective date.** After local approval is complete, except the section providing for transition, which is effective June 3, 2005.

## Article 3

### Conforming retirement changes

- 1       **Excluded employees.** Adds HHS to the provision that allows foreign citizens working for Hennepin County to be included in PERA-general plan.  
2       **Optional membership.** Adds election language to PERA-general operational membership provision for future employees of HHS that will apply if HHS implements an alternative defined contribution retirement plan.

- 3 **Governmental subdivision.** Adds HHS to the definition of governmental subdivision under PERA law.
- 4 **Pension coverage for Hennepin Healthcare System, Inc.; paramedics and emergency medical technicians.** Clarifies employer references related to paramedic and EMT coverage under PERA – police and fire retirement plan.
- 5 **Medical center protection officer.** Clarifies employer references.
- 6 **Supplemental retirement account.** Adds references to the Hennepin County supplemental retirement plan coverage provision for the long-term county employees transferred to HHS.
- 7 **Effective date.** After local approval is complete.