

Testimony of Matt Hager, Board Member Jacobson Memorial Hospital

Mr. Chairman, members, good afternoon, my name is Matt Hager and for the last 11 months I have had the great privilege to serve on the board of directors at Jacobson Memorial Hospital Care Center. Today I come to you on behalf of that board in support of Bill 25.1408.01000. More specifically, through this bill we seek the authorization for the Bank of North Dakota to provide a bridge loan of \$5 million to service debt while we rightsize hospital operations and continue essential critical access care to SW ND.

Jacobsen includes the main hospital and clinic in Elgin with clinics in Richardson and Glen Ullin. The hospital is a 30 bed Critical Access Hospital providing care primarily to Grant, Morton, Sioux, Hettinger, and Adams counties. Jacobson sees over 240 long term care patients and conducts 5,000 clinic appointments annually. Our emergency room services support 800 visits annually and our ambulance services cover one of the largest areas in the state at over 900 square miles. Jacobson employs 130 community members or 5% of the grant county population.

In 2022 Jacobson began implementing multiple system conversions with the intent to modernized patient care, billing, and revenue cycle operations. The initial \$750,000 investment required to convert systems and the shortfall of qualified personnel within the business office to implement changes created significant, long-lasting impacts to operations. All this happened while Jacobson lost its CEO and CFO. To remedy the situation the hospital started outsourcing billing and revenue cycle operations to offsite contractors. From 2023-2024, multiple required updates to already new systems coupled with ineffective contractors and consultants started to prevent billing operations from turning appointments into revenue. A more recent independent financial assessment also determined the hospital was not fully taking advantage of certain revenue generating programs available such as the Federal 340B program. Topping it all off, insurance reimbursement rates began to fall while operational costs increased creating a perfect storm. Combined, these challenges have resulted in the hospital operating in the red with debt to vendors climbing.

So, why did it take so long to figure all this out? The answer is threefold; board education, accountability, and leveraging the right resources. Today's board understands what questions to ask, when to ask them, and when the answer doesn't sound right, they start digging deep. And even with this newfound understanding, more education is still necessary because hospitals are complex beasts and that is why you see board education listed today as a top priority in our brand-new strategic plan. Second, accountability, today's board is accountable for everything that does, and does not happen within the hospital, and in turn, holds hospital leadership accountable including our brand-new

Administrator. And finally, the board now understands all the resources available and is willing to leverage those resources to propel the hospital forward; from the ND Hospital Association to UND Center for Rural Health, to a plethora of for profit and nonprofit advisors skilled in rural hospital operations. This crisis has taught the board that we are not alone, and in fact over 700 rural hospitals across the nation are fighting similar challenges, hence the reason for this special session.

So, what have we done to fix the problem? First, the board removed the former Administrator and appointed Kirstin Heid to lead the hospital, bringing a new vision, strategy for change, and a wealth of knowledge and experience in rural hospital business office operations. Second, an independent financial assessment was conducted to both assess the issues impeding efficient revenue generation and recommended significant rightsizing measures. Kurt Waldbillig, the CEO of Sakakawea Medical Center and Darrold Bertsch a retired CEO and CFO led this effort and have been instrumental in recommending immediate fixes. To date, we have implemented almost all the recommendations these well-respected experts have provided. Some were simple procedural fixes such as that 340B program issue I mentioned earlier, which is now projected to earn the hospital \$1.2 million in revenue in 2026. Kurt and Darrold have also agreed to continue in a mentorship role to our board, and to our Administrator and CFO. Finally, as referred to earlier, the board implemented a new strategic plan which is aimed at rightsizing the hospital for future financial sustainability while maintaining the same capability the community has trusted for years. For the specifics of the rightsizing measures, I ask you to reference the point paper we have handed out, but to be clear, there are no mass layoffs included in this plan.

Jacobson has already implemented phase one of its rightsizing measures yielding \$847,000 in annual savings. With the bridge loan in place, Jacobson will reduce annual operating expenses from \$12.9 million to \$12.1 million by May of 2026. Following its second phase of rightsizing measures totaling \$511,000, the hospital is expected to reach a positive cashflow in December of 2026. Specifically, we are requesting a \$5 million loan over 11 years at 2 percent interest. We are not requesting a grant or gift. With these dollars all debt to vendors will be paid in full, the current line of credit will be paid off, and the hospital will maintain 30 days of cash on hand to execute the new strategic plan and ensure the future of critical access healthcare for our part of SW ND.

So have we done all that we can do? Well, we are still on a full-frontal attack for private and corporate donors, some of which have been successful; we have met with lending institutions and exhausted all possible means over the last 8 months which has

brought us to today. If we do not receive your approval today, we will not quit. We will continue to pursue every avenue while operating the hospital as efficiently as possible.

But in the end, in my humble opinion, what this situation really comes down to is **leadership**. From the top down. From our Presidents leadership in understanding that Rural hospitals are struggling and that Rural Health Transformation should be a priority. To your leadership here at the state level in ensuring those dollars are spent the right way. To our leadership at the rural hospital board level where we put the dollars to work for the wellbeing of our communities.

Today, we need your leadership to empower the leadership of one those small-town boards that many of you have sat on. If we can reduce this debt hanging over the hospital coupled with smart, tactical employment of possible Rural Health Transformation dollars coming our way we could completely turn the tide and take Jacobson from surviving to thriving. And maybe, just maybe, even leading the nation as an example of what this entire special session was supposed to be about.

With that, I would like to say thank you to our District 31 Representatives Karen Rohr, Dawson Holle and Senator Don Schaible. I imagine that there are few North Dakotans out there that wonder if their representatives in state government can actually have an impact on their facility or their little world. I don't have that problem; our team of legislators has shown us a herculean effort.

With that, I will stand for questions, and will mention that our new Administrator Kristin Heid, and board Member Dave Marion are here behind me in support of your questions.