

TO: Karl Klimek, Chairman
Kalkaska Memorial Health Center Board of Trustees

FROM: Kevin Rogols, President and Chief Executive Officer
Jeremy Cannon, Vice President and Chief Nursing Officer
Daniel Conklin, Vice President, Outpatient Services and Kalkaska Medical Associates
Sandy Dilley, Vice President, Human Resources
Andrew Raymond, Vice President and Chief Financial Officer
Laura Zingg, Vice President, Administration
Doreen Birgy, Service Line Director, Kalkaska Medical Associates
Christine Bissonette, Service Line Director, Acute Care Services
Connie Farrier, Service Line Director, Support Services
Amber Phillips, Administrator, Long Term Care
Chandra Whiting, Executive Assistant

RE: Act 47 vs. 501.c.3 Not-for-Profit Structure

DATE: May 21, 2024

Please consider this memorandum as unanimous support for converting Kalkaska Memorial Health Center from a Municipal Act 47 healthcare entity to a 501.c.3 Not-for-Profit entity.

Specifically, over the past year, the KMHC Senior Leadership Team (SLT) completed an extensive deep dive into the question of:

Which corporate structure (Act 47 vs. 501.c.3 Not-for-Profit) provides KMHC with the greatest ability to achieve its mission of “Improving the Health and Quality of Life of those We Serve.”

In comparing both structures, we conclude the following:

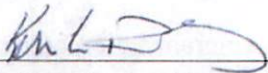
1. Acuity of patients currently receiving care at KMHC continues to increase dramatically. ALL service areas of KMHC (acute inpatient care, emergency care, surgical care, long term care, short stay rehabilitative care, diagnostics, and therapeutic care) are experiencing this trend. Additionally, our communities are expecting that KMHC will continue to grow and to provide services never before available at KMHC. Such new services will most certainly require a higher level of care than is currently available locally. To that end, traditional types of relationships permitted under Act 47 will NOT provide the quality, expertise and knowledge required by such demand and the ever-increasing complexity of patient care.
2. The types of relationships permitted under Act 47 are extremely limited. In fact, the only relationship permitted by Act 47 are vendor relationships. Vendor relationships do NOT create a win-win partnership where both parties share in the risks and rewards of a given service. The vendor is paid first with KMHC absorbing all risk/reward. Neither Munson Healthcare, Corewell, MyMichigan nor McClaren have expressed interest in a vendor relationship with KMHC. Yet, ALL expressed interest in risk/reward sharing joint venture partnerships.
3. The 501.c.3 not for profit structure enables the entity to engage in a LIMITLESS array of potential relationships / partnerships thus increasing KMHC's ability to attract potential partners thus decreasing KMHC's dependence on any single partner. Such flexibility

enhances KMHC's ability to remain INDEPENDENT and exercise its LOCAL voice, LOCAL governance, and LOCAL control.

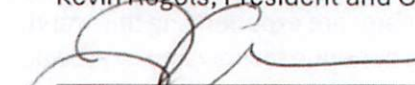
4. KMHC has been very successful over its +70-year history as an Act 47 entity. Yet, prior success does not guarantee future success. Simply put, the pace of change in healthcare far exceeds prior experience and will certainly accelerate even more into the future. Healthcare in 2024 has evolved and is vastly different than it was when Act 47 was enacted in 1945. Similarly, healthcare in 2034 will be vastly different than it is today. Converting from an Act 47 entity to a 501.c.3 not-for-profit positions KMHC to continue to thrive as an independent entity.
5. The most crucial asset of KMHC, our incredible staff, rely on the SLT to make the best decisions possible to remove barriers, allowing them to do what they do best, provide outstanding care to our communities. As noted, the SLT believes that transitioning to a 501.c.3 not for profit structure will create more stability and allow for expanded services. This will only positively impact the KMHC staff, giving them greater job security and expanded opportunities.
6. So, when is the best time to consider such a change? The answer is simple. The best time to consider such a change is when there is no immediate crisis, when the decision is made purposefully with appropriate due diligence. For the SLT, that time is now.

In summary, the SLT is comprised of 11 healthcare professionals with a combined experience of 255 years! The SLT is blessed to work with more than 650 professionals who go to work every day with one united goal, to care for those in need. In combination with our Medical Staff partners, we will continue to work tirelessly to improve the health and quality of life of those we serve.

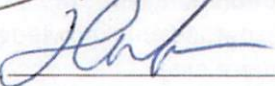
To that end, the SLT, as evidenced by signatures below, unanimously, and unconditionally recommend to the Board of Trustees of Kalkaska Memorial Health Center that KMHC transition to a 501.c.3 Not-for-Profit entity.



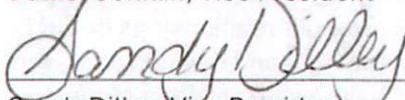
Kevin Rogols, President and CEO



Jeremy Cannon, Vice President



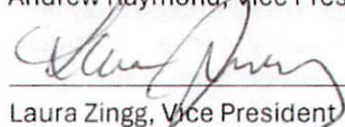
Daniel Conklin, Vice President



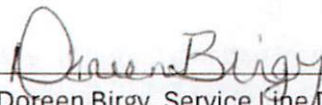
Sandy Dilley, Vice President



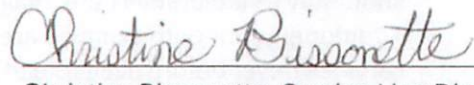
Andrew Raymond, Vice President



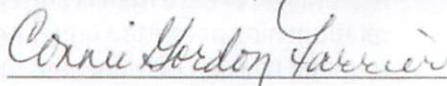
Laura Zingg, Vice President



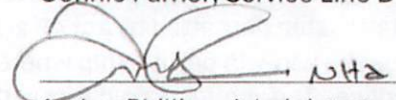
Doreen Birgy, Service Line Director



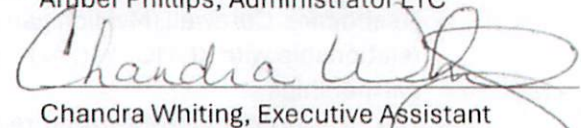
Christine Bissonette, Service Line Director



Connie Farrier, Service Line Director



Amber Phillips, Administrator-LTC



Chandra Whiting, Executive Assistant