

**PRESS RELEASE
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**Falls Memorial Hospital and Duluth Clinic-International Falls agree to
further explore possible integration.**

International Falls, MN (January 3, 2008) — Leaders of Falls Memorial Hospital and SMDC Health System, which owns Duluth Clinic-International Falls, have decided to take the next step in exploring a potential partnership that would result in a locally-directed, integrated healthcare organization.

In August, the two organizations signed a formal letter of intent outlining their efforts. Since then, members from the Falls Memorial Hospital Board of Trustees and administration, along with SMDC administration and leaders from Duluth Clinic-International Falls have been meeting to examine possible partnership models. Clinic and hospital employees have been involved in and assisting with communications and facility planning efforts.

The decision made by the Falls Memorial Hospital Board of Trustees December 28 and the SMDC Board of Directors January 2 allows both groups to have more detailed discussions regarding governance, by-laws, amendments and finance.

“We’re at the very beginning of the process, and all of these questions are in a long list that needs to be settled by all parties,” says FMH Interim CEO Bonnie Erickson. “With this agreement, we can now take a ‘deep dive’ into more of the details of what a possible integration or merger would look like.”

The clinic and hospital see possible integration as an opportunity to deliver state-of-the-art healthcare services more cost-effectively and ultimately preserve the quality of the community’s healthcare well into the future.

“A partnership could allow us to recruit more doctors, purchase better equipment and improve facilities, all of which would shorten the amount of time patients wait to get an appointment and create the opportunity for us to offer additional services to more patients,” says Falls Memorial Hospital Board Chairman Bob Anderson.

Doug Johnson, MD, SMDC’s Physician Section Chairman at the Duluth Clinic, International Falls, agrees with Anderson that the merger brings exciting possibilities. “Patient-centered, quality healthcare is at the core of our discussions,” says Dr. Johnson, who has practiced at DC Int’l Falls since 1976. “By working together, we stand a much better chance of keeping healthcare affordable and accessible for all of our community members. Over time, we also plan to expand healthcare services. For the community, that means we will continue to build on our rich medical heritage, and for our organizations, it means doing the right thing for the members of our community.”

Although the recent decision is not a binding agreement, the two organizations agree on several guiding principles. Both are committed to avoiding employee layoffs as a result of the integration. “One of the goals of a possible merger is to expand our services,” says Erickson. “So we may actually need more employees in the long run.” Both also agree an organization formed by any merger would retain an open medical staff, meaning physicians would not be limited to only those employed by SMDC. “The hospital currently has an open medical staff, and we don’t foresee that changing,” Erickson says.

Clinic and hospital leadership will continue to discuss the details and options of a potential partnership, and leaders in both organizations agree that providing timely updates on the process to community members is beneficial. “We appreciate the community has many questions regarding a possible integration of the hospital and clinic,” says Clinic Administrator Sheila Hart. “Both organizations are committed to providing open communication and making this process as transparent as possible.”

To that end, FMH and the Duluth Clinic-Int’l Falls are planning on hosting public forums this spring. “Considerable internal communication, as well as with the community, will be crucial to a successful integration,” Hart says.

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