STATE OF MINNESOTA | DISTRICT COURT

COUNTY OF RAMSEY | SECOND JUDICIAL DISTRICT

Case Type: Other Civil
(Charitable/Nonprofit Violations)

Court File No. _______________

In the Matter of Stevens Community Medical Center, Inc.

ASSURANCE OF DISCONTINUANCE

WHEREAS, this Assurance of Discontinuance ("Assurance") is entered into pursuant to Minnesota Statutes section 8.31, subdivision 2b, between the State of Minnesota, through its Attorney General, Keith Ellison ("State" or "AGO") and Stevens Community Medical Center, Inc. ("SCMC");

WHEREAS, the State and Minnesota nonprofit healthcare providers entered into regulatory agreements (the "Hospital Agreement") relating to patient billing and medical debt collection practices to ensure that such providers collect medical debt in a fair, reasonable, and responsible manner;

WHEREAS, the AGO has authority to enforce Minnesota's laws relating to consumer protection, nonprofit corporations, fair, reasonable, and understandable billing practices by nonprofit healthcare providers, and hospital billing of uninsured patients, including as *parens patriae*. *See, e.g.*, Minn. Stat. §§ 8.31, 317A.813, 325D.44, 325F.70, 144.589, and the Hospital Agreement ¶¶ 41–42.

WHEREAS, SCMC is a Minnesota nonprofit corporation organized under the Minnesota Nonprofit Corporation Act, Minn. Stat. ch. 317A, is registered with the State as a soliciting charitable organization pursuant to the Charitable Solicitation Act, Minn. Stat. §§ 309.50–.61, and is a signatory to the Hospital Agreement. SCMC's registered office address is 400 E. 1st St., Morris, MN 56267.

NOW THEREFORE, SCMC hereby agrees to entry of an Assurance of Discontinuance with the following terms and conditions:

ALLEGATIONS

The AGO states and alleges as follows:

I. HOSPITAL AGREEMENT AND MINNESOTA STATUTES SECTION 144.589 UNINSURED DISCOUNT.

1. In 2005, following a compliance review of a Minnesota healthcare provider, 125 Minnesota hospitals (the "Hospitals") entered into two-year regulatory agreements—known collectively as the Hospital Agreement—with the AGO pertaining to the entities' billing and debt collection practices. The Hospital Agreement was subsequently renewed in 2007, 2012, 2017, and 2022, each time for an additional five years. The current Hospital Agreement expires on July 1, 2027.

2. Pursuant to the Hospital Agreement, the Hospitals acknowledge their obligations as charitable organizations to meet certain standards of conduct imposed by their charitable missions and that the Agreement sets forth appropriate standards by which their conduct is regulated. The Agreement requires each Hospital's board of directors to take an active role in ensuring compliance with the Agreement.

3. The Hospital Agreement was founded on the principle that a hospital bill should never get in the way of a Minnesotan receiving essential health services. In accordance with this principle, the Hospital Agreement requires that Hospitals provide a discount to uninsured patients with annual household incomes less than $125,000 such that these patients are not charged more

than a Hospital would charge their "most favored insurer," defined as the nongovernmental third-party payor that provided the most revenue to the provider during the previous calendar year.

4. Effective November 1, 2023, Minnesota Statutes section 144.589 superseded the Hospital Agreement's uninsured discount provision. Section 144.589 changed the methodology by which this discount is calculated for uninsured patients with annual household incomes less than $125,000. Instead of the "most favored insurer" methodology, section 144.589 prohibits Hospitals from charging uninsured patients with annual household incomes less than $125,000 a rate that exceeds the lowest total amount that the hospital would be reimbursed from a nongovernmental third-party payor. In other words, section 144.589 requires that hospitals provide the highest discount to eligible uninsured patients that it provides to any private insurer.

II. SCMC.

A. Background.

5. SCMC is a Minnesota nonprofit corporation that operates a critical access hospital in Morris, Minnesota and clinics throughout the Morris area. Among other things, SCMC offers services in primary and specialty care clinics, emergency care, and specialty programs. It first registered with the AGO as a charitable organization pursuant to the Charitable Solicitation Act, Minn. Stat. §§ 309.50–.61, in December 2002.

6. Like every Minnesota nonprofit hospital, SCMC provides free or discounted care to qualifying patients pursuant to the Hospital Agreement and in exchange for its exemption from federal income tax under Internal Revenue Code Section 501(c)(3). Until October 31, 2023, the Agreement required that SCMC provide a discount to uninsured patients with annual household incomes less than $125,000. As of November 1, 2023, Minnesota Statutes section 144.589 superseded the Agreement's provision on uninsured discounts.

7. Pursuant to the Hospital Agreement and Minnesota Statutes section 144.589, SCMC is required to provide a discount to uninsured patients with annual household incomes less than $125,000 in accordance with the Hospital Agreement (before November 1, 2023) or Section 144.589 (on or after November 1, 2023).

B. SCMC's Provision of the Uninsured Discount Pursuant to the Hospital Agreement and Minnesota Statutes section 144.589.

8. On or around April 1, 2020, SCMC adjusted its discount rate for uninsured patients. During this time, the Agreement required that SCMC use the "most favored insurer" methodology and provide uninsured patients with annual household incomes under $125,000 with the same discount that SCMC provided to the insurer that provided it with the most revenue. SCMC calculated the uninsured discount in the first quarter of 2020 and determined that Insurer A was its most favored insurer and provided this discount to all uninsured patients, whether or not their annual household income was less than $125,000. SCMC adjusted its uninsured discount rate on April 1 of each year. SCMC continued this practice until December 31, 2025. During this time, SCMC provided uninsured patients with discounts ranging from 22 to 25%.

9. In February 2026, the AGO initiated an investigation based on a non-patient complaint it received regarding SCMC's provision of the uninsured discount. SCMC cooperated with the AGO throughout the investigation and addressed the identified issues.

10. In or around May 2026, SCMC discovered that it did not correctly determine the "most favored insurer" in accordance with the Hospital Agreement's uninsured discount provision from April 1, 2020 to October 31, 2023. SCMC determined that Insurer B's discount rate of 41.5 to 44.7% should have been applied, instead of Insurer A's discount, based on the methodology described in the Hospital Agreement.

11. From April 1, 2020 to October 31, 2023, SCMC failed to comply with the Hospital Agreement's requirement that the discount given to SCMC's "most favored insurer" be provided to uninsured patients with annual household incomes under $125,000. Although SCMC had previously provided all such patients with a 22 to 25% discount, SCMC identified 2,001 uninsured patients within this time period that may be entitled to an additional 19.5 to 20.5% discount, if their annual household income at the time of service was under $125,000.

12. SCMC did not adjust its uninsured discount determination to comply with the requirement in Minnesota Statutes section 144.589 that became effective on November 1, 2023, to provide uninsured patients with the highest discount SCMC provides to any private insurer. From November 1, 2023 to December 31, 2025, SCMC continued to use the "most favored insurer" methodology to determine the discount it provided to uninsured patients. During this time, SCMC provided all uninsured patients with a 25% discount with no income verification required. Pursuant to the statute, the discounts provided to uninsured patients with an annual household income of less than $125,000 should have ranged from 38 to 42.5%.

13. From November 1, 2023 to December 31, 2025, SCMC failed to comply with the requirement in Minnesota Statutes section 144.589 that SCMC provide eligible uninsured patients with the highest discount it provides to any private insurer. SCMC identified 1,477 uninsured patients within this time period who received an uninsured discount, but may be entitled to an additional 13 to 17.5% discount, subject to income verification.

14. SCMC identified a total of 3,478 patients from April 1, 2020 to December 31, 2025 that may be entitled to an additional discount, subject to income verification. Patients may be entitled to a total of $1,412,776.25 in refunds or medical debt reduction during this time period, as reflected in the table below.

Date Range	Discount provided	Discount required	Difference	Number of patients	Potential refund*
4/1/20 – 3/31/21	22%	41.50%	19.50%	493	$214,666.06
4/1/21 – 3/31/22	22%	42.50%	20.50%	677	$303,753.61
4/1/22 – 3/31/23	23%	43.40%	20.40%	490	$273,088.61
4/1/23 – 10/31/23	25%	44.70%	19.70%	341	$150,649.97
11/1/23 – 6/30/24	25%	41.30%	16.30%	460	$121,965.72
7/1/24 – 6/30/25	25%	42.50%	17.50%	666	$258,842.70
7/1/25 – 12/31/25	25%	38.00%	13.00%	351	$89,809.58
			Total:	**3,478**	**$1,412,776.25**

*Subject to income verification. Refund may be in the form of debt reduction.

15. The AGO alleges that the conduct generally described in this Assurance constitutes violations of, among other provisions, Hospital Agreement ¶ 32 and Minnesota Statutes section 144.589.

16. SCMC neither admits nor denies the allegations in this Assurance.

RELIEF

17. In addition to all other duties, powers, responsibilities, and obligations set forth under the Hospital Agreement, the Minnesota Nonprofit Corporation Act, Minn. Stat. ch. 317A, the Supervision of Charitable Trusts and Trustees Act, Minn. Stat. §§ 501B.33 –.45, the Charitable Solicitation Act, Minn. Stat. §§ 309.50–.61, and all other applicable law, SCMC shall follow all provisions of Minnesota Statutes section 144.589, including but not limited to the requirement to not charge a patient whose annual household income is less than $125,000 for any uninsured service or treatment in an amount that exceeds the lowest total amount the provider would be reimbursed for that service or treatment from a nongovernmental third-party payor.

18. Within 14 days of the Order Approving Assurance of Discontinuance, SCMC shall finalize a remediation process for all uninsured patients identified as entitled to receive an additional discount from April 1, 2020 to December 31, 2025. Such process shall include but not be limited to: notifying patients of the potential additional discount in the form of a refund and/or

a reduction in outstanding medical debt within 60 days of the Order Approving Assurance of Discontinuance; verifying patient income in a manner that uses information that is readily available, reasonably necessary, and not duplicative; setting reasonable deadlines for patients to respond; communicating the availability of the remediation to the community; making reductions to outstanding medical debt; and providing refunds to eligible patients. SCMC shall make all reasonable efforts to refund eligible patients, or reduce medical debt, as quickly as possible.

19. SCMC shall provide full transparency and cooperation to the AGO about its compliance with this Assurance. Among other things, SCMC shall update the AGO on the status of the remediation process upon request and as follows, including but not limited to the following information: within 60 days of the Order Approving Assurance of Discontinuance, the total number of patients to whom SCMC issued letters regarding potential eligibility for an additional discount; the response rate to SCMC's communications; the outreach efforts SCMC attempted; the total amount of outstanding debt eliminated; and the total amount of refunds provided.

20. Within 6 months of the Order Approving Assurance of Discontinuance, SCMC shall report to the AGO the status of the remediation process.

21. SCMC will develop, implement, and maintain policies and procedures to ensure that all relevant employees and contractors are properly trained on all current and modified policies and procedures related to the billing of uninsured patients as set forth in Minnesota Statutes section 144.589.

22. SCMC will develop, implement, and maintain policies and procedures to ensure that its officers and directors receive training on and review the Hospital Agreement, including but not limited to complying with the Hospital Agreement's annual review obligations and requiring

that SCMC's board certify that it has reviewed the Hospital Agreement every five years upon renewal.

GENERAL TERMS

23. SCMC understands that, after the date of the approval of this Assurance by the Court, a violation of this Assurance may subject it to sanctions for contempt pursuant to Minnesota Statutes section 8.31, and the AGO may thereafter, in its sole discretion, initiate legal proceedings against SCMC for any and all violations of this Assurance.

24. In consideration of the stipulated relief, the sufficiency of which is acknowledged, the AGO, upon approval of this Assurance by the Court, hereby fully and completely releases SCMC from any and all claims of the AGO under Hospital Agreement ¶ 32 and Minnesota Statutes section 144.589, arising out of the allegations contained in this Assurance, up to and including the date of this Assurance. The AGO through this Assurance does not settle, release, or resolve any claim against any individual, entity, or person other than SCMC, including against any current or former board members, officers, employees, or other agents of SCMC. The AGO through this Assurance does not settle, release, or resolve any claim against SCMC or any other person or entity involving any private causes of action, claims, and remedies, including but not limited to private causes of action, claims, or remedies provided for under Minnesota Statutes section 8.31. This release does not apply in any way to claims of any other State of Minnesota agency, department, official, or division, including but not limited to the Minnesota Department of Revenue. The AGO through this Assurance does not settle, release, or resolve any claim against any individual, entity, or person other than SCMC, including against any current or former board members, officers, employees, or other agents of SCMC.

25. SCMC shall not state or imply, directly or indirectly, that the State of Minnesota or the AGO has approved of, condones, or agrees with any conduct, actions, or inactions by SCMC.

26. Nothing in this Assurance shall relieve SCMC of its obligations to comply with all applicable Minnesota and federal laws and regulations, and court or administrative orders and directives.

27. If this Assurance is violated, SCMC agrees that any statute of limitations, statute of repose, or other time-related defense applicable to the subject matters of the allegations in this Assurance, and any claims arising out of or relating thereto, are retroactively tolled from and after the date of this Assurance.

28. The person signing this Assurance for SCMC warrants that such person is authorized to execute this Assurance, that such person executes this Assurance in an official capacity that binds SCMC and its successors, and that SCMC has been fully advised by its counsel or has voluntarily forgone such advisement before entering into the Assurance.

29. This Assurance may be executed in counterparts, each of which constitutes an original, and all of which shall constitute one and the same agreement. This Assurance may be executed by facsimile or electronic copy in any image format.

30. This Assurance constitutes the full and complete terms of the agreement entered into by SCMC and the AGO.

31. Service of notices or other documents required or permitted by this Assurance shall be served on the following persons, or any person subsequently designated by the parties to receive such notices, by mail and email at the addresses identified below:

As to the AGO:

Rachel Glissmann, Assistant Attorney General
Office of the Minnesota Attorney General
445 Minnesota Street, Suite 600
St. Paul, Minnesota 55101
rachel.glissmann@ag.state.mn.us

As to SCMC:

Kerrie McEvilly, President/CEO
Stevens Community Medical Center, Inc.
400 E 1st Street, Morris, MN 56267
kmcevilly@scmcinc.org

32. The failure of a party to exercise any rights under this Assurance shall not be deemed to be a waiver of any right or any future rights.

33. This Assurance, including any issues relating to interpretation or enforcement, shall be governed by the laws of the State of Minnesota.

34. Nothing in this Assurance shall be construed to limit the jurisdiction, power, or authority of the State of Minnesota or the AGO, except as expressly set forth herein in with regard to SCMC.

35. The AGO shall have all powers and remedies specified by Minn. Stat. §§ 8.31, 309.533, 309.57, 317A.813, 501B.40, 501B.41, 144.589, and all other authority otherwise available to it for purposes of investigating and remedying any violations of this Assurance.

36. Each of the parties participated in the drafting of this Assurance and agree that the Assurance's terms may not be construed against or in favor of any of the parties by virtue of draftsmanship.

37. Each party shall perform such further acts and execute and deliver such further documents as may reasonably be necessary to carry out this Assurance, including that SCMC shall promptly comply with any reasonable request from the AGO for information regarding verification of SCMC's compliance with this Assurance.

38. The AGO may file this Assurance with the Court without further notice to SCMC, and the Court may approve of and enter this Assurance *ex parte* and without further proceedings.

39. The Court shall retain jurisdiction of this matter for purposes of enforcing this Assurance, and all signatories hereto consent to the jurisdiction of the Court for the purposes of enforcing this Assurance.

KEITH ELLISON
Attorney General
State of Minnesota

Dated: August 7, 2026

By: /s/ Rachel Glissmann
RACHEL GLISSMANN
Assistant Attorney General

STEVENS COMMUNITY MEDICAL
CENTER, INC.
a Minnesota nonprofit corporation

Dated: 8/6/2026

By: Kerrie McEvilly
Kerrie McEvilly, President/CEO
On behalf of Stevens Community Medical Center, Inc.

ORDER

Having reviewed the terms of the foregoing Assurance of Discontinuance, which is incorporated herein by reference, and which the Court finds reasonable and appropriate, it is SO ORDERED.

Date:________________________ _______________________________

Judge of District Court

LET JUDGMENT BE ENTERED ACCORDINGLY.