CLEVELAND CLINIC HEALTH SYSTEM - WEST REGION
LAKEWOOD HOSPITAL ASSOCIATION

MINUTES OF THE JOINT MEETING OF THE FINANCE COMMITTEES

MINUTES **May 4, 2011**

Present:	William W. Baker, Curtis M. Brosky, Kenneth Haber, Nathan E. Hessler Esq., George Hwang, John W. Kemper Sr., Gary R. Pritts, William J. Reidy, Dennis J. Roche, Mousab I. Tabbaa, MD Life Trustee: James R. Vine
Administration:	Jeff Jones, Mary Kennedy, Michael J. Meehan Esq., Janice Murphy, Timothy P. Spiro MD. Other Administration: Kris Bennett, Ankit Chhabra, George Mateyo, John Mills, Becky Molnar, Shannan Ritchie, Donald Urbancsik, Robert Weil, MD
Guest:	Susan R. Flaherty – Ernst & Young

Call to Order

Pursuant to due notice, a joint meeting of the Finance Committees of the Boards of Trustees of Cleveland Clinic Health System - West Region, including the Finance Committees of Fairview and Lutheran Hospitals, and of Lakewood Hospital Association was held on Wednesday, May 4, 2011 at 7:30 AM in the Boardroom at Lakewood Hospital. The aforementioned members of the committees designated as present were in attendance and constituted quorums. Mr. Baker chaired the meeting and Mr. Jones served as recording secretary. Mr. Baker called the meeting to order at 7:30 AM.

Mr. Baker introduced and welcomed Ankit Chhabra, newly appointed finance director for Fairview and Lakewood Hospitals. Mr. Jones thanked Becky Molnar and Nora Carey for their contributions as interim finance directors at Fairview and Lakewood Hospitals, respectively. Mr. Baker introduced Mary Kennedy as interim president at Lutheran Hospital. Ms. Murphy introduced Robert Weil MD as Lakewood's new Vice President of Surgical Services. On a sad note and on behalf of the committee, Mr. Baker expressed sympathy to Mr. Stevens and his family upon the passing of his wife.

Approval of Minutes

Mr. Baker reviewed the minutes of the joint meeting of the Boards of Trustees of Cleveland Clinic Health System - West Region and Lakewood Hospital Association Finance Committees held on February 16, 2011, which had been distributed in advance.

Upon motion duly made and seconded, the minutes from both meetings were unanimously approved.

Finance Report for Year-to-Date March 31, 2011/J. Jones

Mr. Jones reported on the detailed financial results for the combined west region year-to-date through March 31, 2011.

Earnings before interest, depreciation and amortization (EBIDA) for the period were $[redacted] which was $[redacted] budget of $[redacted]. Operating income was reported at $[redacted] for the period which was $[redacted] budget. In comparison, net operating income for the same period in 2010 was $[redacted]. He noted that the normalized operating margin for the first quarter was [redacted]% and compared that to the Moody's Aa2 benchmark median of 4.7% and overall median of 2.3%.

Mr. Jones then reviewed the operational variance slide that included unfavorable results for volume, realization rate and other revenue while salaries, supplies and other expenses were favorable with uncompensated care on budget for the region. Operational variance slides were reviewed by hospital. A summary slide detailing statistical variances for the period starting with inpatient admissions was then reviewed. Total admissions were below budget by 1% and acute patient days were [redacted]%. He noted that acute length-of-stay was up and case mix adjusted length-of-stay was down. Mr. Jones continued noting that inpatient surgeries were [redacted]% while outpatient cases were [redacted]% [redacted] budget. ED admissions were 1% below budget while ED treat and release were [redacted]%. Outpatient visits were [redacted]% [redacted] budget that favorably impacted the outpatient reimbursement and helped to moderate some of the negative variances from inpatient volumes. Volume comparisons by hospital were also reviewed

Mr. Jones reviewed the payer mix slides by hospital. Self-pay revenue for [redacted] plan [redacted] and Lakewood were below. He reinforced how the self-pay percentages for the 2011 budget assumptions were increased to allow for the [redacted] trend. Unemployment rates were also reviewed with Ohio improving and remaining slightly higher than the U.S. overall in the past quarter.

Mr. Jones reviewed the productivity slides that indicated average productivity of [redacted]% for the three hospitals combined. Individual hospital performance showed [redacted] and Lakewood at 97.8%. Salaries and other expenses were reviewed by hospital. The cost/volume slide was reviewed noting the favorable and unfavorable variances. Mr. Jones finished with key takeaways that were summarized noting the [redacted] indicators.

Mr. Haber asked about April's preliminary financial results. Mr. Jones responded that April volumes were soft while [redacted].

Upon motion duly made and seconded, the committee unanimously approved the finance report as presented for the period ending March 31, 2011.

Capital Requests/A. Chhabra

[redacted]

Historical Capital Spend Summary/J. Jones

In the interest of time, Mr. Jones did not present the historical capital spend summary.

Value-Based Purchasing/J. Jones

Mr. Jones gave an update on value-based purchasing. On January 13, 2011, CMS announced the establishment of a hospital value-based purchasing program. The program will take effect October 2012 which is CMS' fiscal year 2013. CMS will withhold 1% of all Medicare inpatient payments with the withhold rising to 2% by 2017. The withheld funds will be redistributed to hospitals based upon performance with approximately half the hospitals expected to receive a bonus exceeding the withhold and half will experience a net reduction. The current proposed rule stipulates that beginning with the July 2011 performance period, value-based purchasing will be based 70% on core measures and 30% on HCAHPS or patient experience. Using heart failure discharge instructions and nurse communication, Mr. Jones used examples and explained the scoring and achievement opportunities from 50th to 95th percentile. At the 46th percentile as the current national average, Mr. Jones explained the projected dollar impact based on OHA modeling for 2010 providing dollars to the system except for four regional hospitals. Hospitals that fail to meet the 50% percentile will receive a zero score for achievement in a given measure. Hospitals that exceed the national benchmark (95% percentile) will receive the maximum of 10 points in a given measure. Mr. Jones concluded by noting the final rule has not yet been issued and he will provide ongoing updates in the future.

Investment Performance/G. Mateyo

Mr. Mateyo began by recapping recent events within the global economy and capital markets. Mr. Mateyo noted that since the committee last met, the price of oil has climbed nearly $20 a barrel, political unrest has swept through the Middle East, the political

climate in Washington has worsened and devastating earthquakes and tsunami wreaked havoc on Japan. In spite of these events, stocks climbed higher, advancing over 6% in the last quarter and propelled investment returns higher.

Once again, small-cap stocks, REITs and commodities were [redacted] whereas bonds lagged but were still [redacted] for the year. Overall, the long-term investment portfolio (LTIP) [redacted]% in the first quarter of 2011 and 12.3% over the last one year. In comparison, the policy benchmark [redacted]% in the first quarter of 2011 and [redacted]% over the last one year.

Mr. Mateyo then reviewed the portfolio's asset allocation as of March 31, 2011 which was as follows: [redacted]% was invested in public equities, [redacted]% in private equities, [redacted]% in hedge funds, [redacted]% in real assets and [redacted]% in fixed income and cash. All but one asset class outperformed its specific benchmark with significant value-added coming from non-U.S. equity, fixed income and hedge fund managers, whereas real estate investments slightly lagged.

Mr. Mateyo concluded his remarks by discussing some of the headwinds and tailwinds within the economy, including a lack of clarity around the sustainability of the economic recovery in the U.S. and rising inflationary pressures from abroad on the one hand and low interest rates and booming corporate profits on the other.

Other Business

Mr. Baker adjourned the meeting at 8:40 AM with the next joint meeting scheduled for August 3, 2011.

There being no further business to come before the meeting, the same on motion duly made and seconded, was adjourned.

Lakewood Audit Review/K. Haber

Mr. Haber called the Lakewood Hospital Association Finance Committee to order at 8:45 AM. Mr. Haber introduced Susan Flaherty of Ernst & Young.

Ms. Flaherty started with the audit opinion stating that Ernst & Young has provided an unqualified opinion with no recorded or unrecorded adjustments. Mr. Jones and Ms. Flaherty then provided a page-by-page discussion of the draft audit report starting with the balance sheet reviewing asset and liability classifications with moderate to significant valuation trends between the years.

On the Statements of Operations and Changes in Net Assets, Mr. Jones highlighted that there were no changes from internal results previously reported. Discussion on the growth in bad debt ensued with additional discussion regarding movement from Salaries, wages and benefits to Administrative services reflecting the reporting relationship changes for Medical Records and Patient Access.

On the Statements of Cash Flows in the Investing activities section, Mr. Jones commented that the Westlake Imaging Center investment is explained in Footnote 2.

Mr. Jones then reviewed the Footnotes highlighting any new or modified information or reporting requirements. During the review of footnotes, the following were highlighted and discussed: U.S. Department of Justice and other federal agency investigations and compliance audits, paragraph 3 on page 9; Recent Accounting Pronouncements from FASB regarding fair value disclosures; and FASB guidance related to malpractice liabilities, both on pages 14 and 15.

Mr. Jones also provided a separate handout of the debt service coverage ratio calculation for the year ending December 31, 2010. He noted that consistent with 2009, Lakewood Hospital did not meet the required minimum for this bond covenant and referred the committee to Footnote 11 where this is highlighted. He further noted that the resulting required consultant call-in engagement has been initiated with Navigant Consulting. Navigant will provide their findings for operational improvements to the Advisory Committee of Lakewood Hospital Association.

Mr. Jones also distributed Article 2 - Post-Closing Commitments - Covenants and Rights of CCF from the Definitive Agreement between CCF and the Lakewood Hospital Association. He noted that Article 2 states that CCF shall assure that Lakewood shall have a cash to debt ratio of 1:1 on a fiscal year basis. He added that cash as stated in this section includes marketable securities.

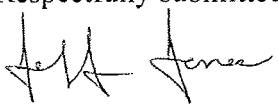
Ms. Flaherty followed with a review of the Required Communications and also noted Ernst & Young received full cooperation with management during the audit.

A vote was made to approve the Lakewood Hospital Association draft audited consolidated financial statements for the period ending December 31, 2010 and 2009, seconded and the motion was approved.

Mr. Haber suggested that this committee have separate meetings periodically to review and discuss the specific challenges facing Lakewood Hospital. Specifically, Mr. Haber noted the current financial performance deficit through March 2011, ongoing analyses of this performance decline and projections for the remainder of the year. Mr. Haber also suggested an informal educational session to enhance member expertise.

There being no further business, Mr. Haber adjourned the Lakewood Hospital Association Finance Committee at 9:50 AM.

Respectfully submitted,



Jeff Jones
Recording Secretary

Lakewood Hospital
a Cleveland Clinic hospital

Lakewood Hospital Association
Regular Meeting of the Board of Trustees

Board of Trustees **Minutes** **May 16, 2011**

Present: T. Gable, Chair, C. Brosky, E. Brzytwa, C. Culley, M.D., Rev. Dr. J. Fancher, D. Min., R. Freeman, M.D., Ph.D., J. Gibbons, K. Haber, D. Lesjak, J. Litton, M. Madigan, K. McGorray, Ph.D., M. Modic, M.D., G. Pritts, W. Riebel, M.D., M. Summers, M. Tabbaa, M.D.

Staff: J. Bekeny, M.D., F. DeGrandis, C. Garven, M.D., J. Jones, C. Keating, M.D., M. Meehan, Esq., J. Murphy, S. Ritchie, D. Small and R. Stall

Pursuant to due notice, a meeting of the Board of Trustees of the Lakewood Hospital Association was held in the Wasmer Auditorium, Lakewood Hospital, 14519 Detroit Avenue, Lakewood, Ohio, at 4:00 p.m. on Monday, May 16, 2011. The trustees designated above as present, constituting a quorum, were in attendance. Ms. Madigan and Mr. Litton were not counted toward quorum and did not participate in voting until after they had been elected as trustees.

Mr. Gable chaired the meeting and Mr. Meehan acted as Recording Secretary.

CALL TO ORDER

Mr. Gable called the meeting to order at 4:05 p.m.

CHAIRMAN'S REPORT

Approval of Minutes

As the first order of business, after a general discussion, a motion was duly made, seconded and unanimously carried to approve the minutes of the February 28, 2011 meeting of the Lakewood Hospital Association Board of Trustees as previously distributed.

Governance Committee – Election of Trustees

Mr. Gable asked the board as the first action of business to approve the recommendations of the Governance Committee for the election of trustees. He then presented on behalf of Dr. Tabbaa election of City Representatives as Trustees of the Lakewood Hospital Association. A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously adopted the following resolution.

> RESOLVED: that the following persons are hereby elected to the Lakewood Hospital Association Board of Trustees for the terms indicated:
>
> - M. Ellen Brzytwa – reappointed as a Community Trustee for a five-year term commencing January 1, 2011 and ending December 31, 2015

- Mary Louise Madigan – appointed as Ex-Officio Trustee effective May 16, 2011 to complete the one-year term ending December 31, 2011 (filling the remaining term of Michael Summers who became Mayor of Lakewood and Ex-Officio Trustee effective January 1, 2011).

- John Litten – appointed as Special Trustee effective May 16, 2011 to complete the five-year term ending December 31, 2013 (filling the remaining term of Ann Doris who resigned effective December 31, 2010).

- Rebecca Patton – appointed as Special Trustee for a five-year term ending December 31, 2015 (filling the expired term of Thomas Kilbane).

Mr. Gable and members of the Board of Trustees welcomed newly elected trustees.

QUALITY COMMITTEE / Rev. Jon Fancher / William Riebel, M.D

The minutes of the Joint Quality Committee meeting held on April 26, 2011 were submitted for information. Dr. Riebel stated that presentations were made by the West Market Hospital Ombudsmen "On Total Volume of All Patient Issues" and by Beth Aini, Interim Risk Manager for the same. Ms. Aini spoke of the efforts to retool the event reporting system to make it more user-friendly and also of the importance of being consistent with event categorization and severity levels in order to accurately track, trend and predict safety events. Dr. Riebel then called upon Dr. Keating to summarize the 2010 quality dashboard/core measures and value-based purchasing initiatives. Dr. Keating spoke of a new dashboard in 2011 encompassing not only core measures and HCAHPS but a set of patient safety indicators including CLABSI that will be publically reported in the next two years. She then reported on CMS changes to the value-based purchasing initiative, including the new recommended model. All participating hospitals will contribute 1% of their Medicare payments in 2012, which for the Cleveland Clinic Health System represents $6 million. The money will be redistributed amongst the participating hospitals based upon how well they score in Core Measures and HCAHPS. CMS plans to compare performance, beginning July 1, 2011 through the end of 2012, to our baseline performance which was established from April 2009 through March 2010. Hospital reimbursements will be comprised of 70% core measures and 30% HCAHPS. Two different metrics will be used to earn points, an achievement score and an improvement score of which the higher score will be used by CMS. It is expected Medicaid and commercial insurers will most likely implement a similar system. A brief discussion followed.

MEDICAL STAFF REPORT / Carl Culley, M.D.

Expedited Credentialing Actions

Credentialing actions were submitted by Dr. Culley for ratification and included new appointments and granting of clinical privileges, reappointments of two-year terms, granting of additional privileges to current members of the Medical Staff, leaves of absence, and acceptance of resignation actions taken through the expedited credentialing process conducted on March 7, April 5 and May 4, 2011.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously ratified the aforementioned credentialing and privileging actions of May 2011.

Advisory Committee Report / Thomas Gable / Jeff Jones

Mr. Gable reported the Advisory Committee appointed in December 2010 to review the progress of the *Vision for Tomorrow* plan was composed of key physicians, board members, hospital management and members of the regional support team. At Mr. Gable's request, Mr. DeGrandis summarized the history of the *Revised Vision for Tomorrow* plan and he reviewed the Lorain strategy. Mr. Gable then asked Mr. Jones to summarize committee activities.

Mr. Jones reported the purpose and approach of the committee was to review continued effectiveness of the *Revised Vision for Tomorrow* as a long-term planning strategy for Lakewood Hospital in light of economic developments. Items reviewed included overall market dynamics, hospital specific trends, *Vision for Tomorrow* and Noblis Consulting engagement, current actual and projected baseline financials and early discussion around potential options. Mr. Jones then highlighted the key components of the original *Vision for Tomorrow* which were conversion to all private rooms, focusing on Centers of Excellence in Orthopedics, Geriatrics, Neurology and Diabetes and Endocrinology. He then reported goals in revenue generating initiatives met or exceeded in all areas with the exception of privatization of rooms. Currently the hospital has 106 private rooms. Goals also achieved in non-revenue generating initiatives. Mr. Jones reported since 2006 Lakewood City market size has declined by 13.8% and combined the primary and secondary markets declined by 6.8%. In addition to market size we began to see a market share decline in 2005. The market share of Lakewood City has declined by 4.4% and when combined the primary and secondary market shares have declined by 3.4%. Declining demographics continue to impact all payor categories, particularly self-pay (an increase by 8% since 2000). *Vision for Tomorrow* and Noblis operational initiatives, as subsequently adjusted were substantially achieved. It was reported the committee would review the community needs assessment, available options, narrowing down of options and determining the optimal path for further refinement and communication to the Board at upcoming meetings.

Finance Committee / K. Haber

The Joint Finance Committee meeting minutes of May 4, 2011 were provided for information. Mr. Haber called upon Mr. Jones to review the Audited Financial Statements of years ended December 31, 2010 and 2009. Mr. Jones reported Ernst & Young completed unqualified audit opinion finding no audit adjustments or changes from results previously reported. The debt service coverage ratio minimum requirement contained in the bond documents was not met in 2010. Pursuant to the bond requirements, it is required that a third-party consultant be retained. Mr. Jones reported Navigant Consulting was retained and that findings would be reported through the Advisory Committee. Mr. Jones also distributed, as a matter of education, a copy of Section 2.1.1 of the Definitive Agreement between the Cleveland Clinic and Lakewood Hospital Association under which the Clinic assures that the Lakewood Hospital Association shall have a cash to debt ratio of 1:1 and that defines cash and debt for this purpose. A general discussion followed and, on motion duly made, and seconded, the Board of Trustees unanimously approved the audited consolidated financial statements for the periods ended December 31, 2010 and 2009.

Mr. Haber then called upon Mr. Jones to present the financial reporting ended March 31, 2011. Mr. Jones then reviewed the Statement of Operations year-to-date March 31, 2011. Earnings before interest depreciation and amortization (EBIDA) for the three month period ended March was a loss of $0.2 million, which was $3.0 million or 105.8% unfavorable to the budget of $2.8 million. Gross patient revenues were

$9.5 million unfavorable to budget of $127.6 million. Volume was $6.2 million unfavorable to budget in gross revenues related to inpatient business in both acute and non-acute volume. Volume created an unfavorable variance of $3.4 million in net revenues. Total admissions were 10% below budget; inpatient surgeries were 1% below budget; outpatient surgeries were 1% below budget; ED admissions were 13% below budget and ED visits were 3% below budget. Revenue realization CSA of 65.56% vs. 64.22% to budget and total uncompensated care/bad debt was 8.44%. Wage based productivity was 97.7% or $187,000 unfavorable. Benefits were $73,000 or 2.0% below budget. Total expenses (excluding bad debt) were 3.8% below budget.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the financial report for the period ended March 31, 2011 and the audited financial statements for the periods ended December 31, 2010 and 2009.

FOUNDATION REPORT

Mr. Haber submitted the Lakewood Hospital Foundation report of May 4, 2011 for information. He reported on the success of the 10th annual Ambulance Chase attracting a record crowd of nearly 1,300 walkers and runners. This was in large due to the formation of teams 13 of 29 were from Lakewood Hospital. Congratulations to J. Gibbons and C. Geiger who co-chair the event and signature partner Donald Martens & Sons Ambulance Service. Mr. Haber concluded his remarks with a reminder the sixth annual Starry Night event would be held Friday, August 5.

CONSENT AGENDA

Presented for information minutes of the Joint meeting of the Governance Committee held April 18, the Community Advisory Committee held April 6, the Joint meeting of the Planning Committee held April 29, and the Management Report of May 2011 as submitted by Dr. Bronson. In addition, on motion duly made and seconded, the Board of Trustees unanimously accepted the Governance Committee's recommendation to authorize an amendment to the Code of Regulations that changes the name of the Patient Care Committee to the Quality Committee.

Ms. Murphy provided as follow-up to the meeting of February 28 an HCAHPS Summary January 1 through April 15 in three domains current ranking and what is needed to reach the 50th and 75th percentile rankings. Following a brief discussion she then presented emergency department marketing plans/tactics including strategic goals and advertising by regional service lines. A general discussion followed.

OTHER BUSINESS

The Cleveland Clinic Academy Education Institute learning opportunities were provided as information.

ADJOURNMENT

All trustees were invited to attend a presentation on "Community Health Needs Assessment" by Mr. Paul Umbach, Senior Principal, Tripp Umbach immediately following the Regular Meeting of the Western Region Board of Trustees on Wednesday, May 25, at 5:30 p.m. at Lakewood Hospital in Wasmer Auditorium.

As there was no further business, on motion duly made and seconded, the meeting was adjourned at 6:00 p.m. The next regular meeting will be held on Monday, August 15, 2011, beginning at 4:00 p.m. in the Wasmer Auditorium.

Respectively submitted,

Michael J. Meehan, Esq., Secretary

CLEVELAND CLINIC HEALTH SYSTEM - WEST REGION
LAKEWOOD HOSPITAL ASSOCIATION

MINUTES OF THE JOINT MEETING OF THE FINANCE COMMITTEES

MINUTES **August 3, 2011**

Present: William W. Baker, Curtis M. Brosky, Thomas J. Coury, Kenneth Haber, John W. Kemper Sr., David M. Lesjak, Gary R. Pritts, William J. Reidy, Dennis J. Roche, Mark R. Stevens

Administration: Jeff Jones, Mary Kennedy, Michael J. Meehan Esq., Janice Murphy, Timothy P. Spiro MD.
Other Administration: Kris Bennett, Ankit Chhabra, George Mateyo, John Mills, Shannan Ritchie, Donald Urbancsik

Call to Order

Pursuant to due notice, a joint meeting of the Finance Committees of the Boards of Trustees of Cleveland Clinic Health System - West Region, including the Finance Committees of Fairview and Lutheran Hospitals, and of Lakewood Hospital Association was held on Wednesday, August 3, 2011 at 7:30 AM in the Boardroom at Lakewood Hospital. The aforementioned members of the committees designated as present were in attendance and constituted quorums. Mr. Baker chaired the meeting and Mr. Jones served as recording secretary. Mr. Baker called the meeting to order at 7:30 AM.

Approval of Minutes

Mr. Baker reviewed the minutes of the joint meeting of the Boards of Trustees of Cleveland Clinic Health System - West Region and Lakewood Hospital Association Finance Committees held on May 4, 2011, which had been distributed in advance.

Upon motion duly made and seconded, the minutes were unanimously approved.

Finance Report for Year-to-Date June 30, 2011/J. Jones

Mr. Jones started with key takeaways summarizing key performance drivers for the period.

Mr. Jones then reported on the detailed financial results for the combined west region year-to-date through June 30, 2011.

Earnings before interest, depreciation and amortization (EBIDA) for the period were $[redacted] which was $[redacted] budget of $[redacted] Operating income was reported at $[redacted] for the period which was $[redacted] budget. In comparison, net operating income for the same period in 2010 was $[redacted] He noted that the

normalized operating margin for the second quarter was [redacted]% and compared that to the Moody's Aa2 benchmark median of 4.7% and overall median of 2.3%.

Mr. Jones then reviewed the operational variance slide that included unfavorable results for volume, realization rate and other revenue while salaries, supplies and other expenses were favorable with combined uncompensated care and bad debt $[redacted] for the region. Operational variance slides were also reviewed for each hospital. A summary slide detailing statistical variances for the period starting with inpatient admissions was then reviewed. Total admissions were above budget by 1% and acute patient days were [redacted] budget by [redacted]%. He noted that acute length-of-stay was [redacted] and case mix adjusted length-of-stay was [redacted]. Mr. Jones continued noting that inpatient surgeries were [redacted]% while outpatient cases were [redacted]% [redacted] budget. ED admissions were 2% above budget while ED treat and release were [redacted] budget. Overall, outpatient visits were [redacted]% [redacted] budget which continues to [redacted] impact the outpatient reimbursement and helped to moderate the negative variances from inpatient volumes. Volume variance comparisons by hospital were also reviewed for each of the key categories showing how many of the key drivers of performance were different by hospital. Ms. Murphy added that the Lakewood team continues to focus on ED satisfaction and relationship building with squads from local municipalities. Ms. Kennedy then highlighted the nonacute drivers of positive financial performance associated with the psych program growth at Lutheran.

Mr. Jones reviewed the payer mix slides by hospital. Self-pay revenue for [redacted] Lakewood were below. He noted that the positive variance in self-pay is driving the below budget performance for uncompensated care.

Mr. Jones reviewed the productivity slides that indicated average productivity of [redacted]% for the three hospitals combined. Individual hospital performance showed [redacted] and Lakewood at 98.5%. Salaries and other expenses were reviewed by hospital. The cost/volume slide was reviewed noting the favorable variance when expressed per adjusted admission and unfavorable when expressed per adjusted patient day.

Upon motion duly made and seconded, the committee unanimously approved the finance report as presented for the period ending June 30, 2011.

Capital Requests - Fairview Hospital/J. Murphy and J. Jones

[redacted]

[redacted]

Capital Requests – Lutheran Hospital/M. Kennedy and K. Bennett

[redacted]

Historical Capital Spend Summary/J. Jones

In the interest of time, Mr. Jones did not present the historical capital spend summary.

Investment Performance/G. Mateyo

Mr. Mateyo began his presentation by discussing the recent developments involving the U.S. debt ceiling debate in Congress. He also discussed the possibility of further political unrest in Washington which could lead to further stock market volatility in the subsequent months, particularly in the event of a downgrade in the U.S. credit rating, a possible scenario in his opinion. Should such occur, Mr. Mateyo felt that it would be a negative for stocks and could possibly lead to higher interest rates over time.

Following this discussion, Mr. Mateyo reviewed various economic trends noting that the current economic expansion is the weakest recovery in the post-WWII era with high

levels of unemployment. In response, Mr. Mateyo noted that policymakers have taken extensive measures which could ultimately spur inflation, although such concerns are virtually nonexistent today.

Mr. Mateyo then reviewed the LTIPs asset allocation and performance. As of June 30, 2011, the portfolio was allocated as follows: [redacted]% was invested in public equities, [redacted]% in private equity investments, [redacted]% was invested in hedge funds, [redacted]% in real assets and [redacted]% in fixed income and cash. Performance continues to exceed the benchmark [redacted]% for the year as of June 30, 2011, versus the policy benchmark return of [redacted]%. All but one of the major asset classes outperformed its specific benchmark with significant value-added coming from [redacted]. Fixed income investments also outperformed whereas [redacted].

Mr. Mateyo concluded by providing an estimate of investment performance for the month of July which he estimated, despite significant bouts of intra-month volatility, was roughly flat.

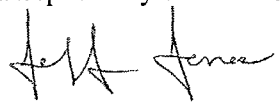
Other Business

Mr. Jones distributed the recent rating update report from Moody's Investors Service for Lakewood Hospital Association. He explained that the most recent review resulted in a two-notch downgrade Baa2 from A3. This rating affects $13.1 million of Series 2003A bonds issued through the City of Lakewood. He highlighted the key findings noting that the rating downgrade is based on continued significant declines in admissions, large and escalating operating losses (and negative operating cash flow) and significant decreases in unrestricted cash. A discussion then followed regarding public availability of this rating update. Mr. Jones informed the Committee that this will be presented at the Lakewood Hospital Association Board Meeting in two weeks and that the Communications Department is preparing communication materials that explains some of the current challenges facing Lakewood as well as highlighting current efforts to improve performance.

Mr. Baker adjourned the meeting at 8:55 AM with the next joint meeting scheduled for November 16, 2011.

There being no further business to come before the meeting, the same on motion duly made and seconded, was adjourned.

Respectfully submitted,



Jeff Jones
Recording Secretary

LAKEWOOD HOSPITAL ASSOCIATION
BOARD OF TRUSTEES

MINUTES OF THE
SPECIAL MEETING OF THE FINANCE COMMITTEE

MINUTES **August 10, 2011**

Present: Curtis M. Brosky, Thomas J. Gable, Kenneth Haber, David M. Lesjak, Gary R. Pritts, and Dennis Roche

Administration: Michael J. Meehan Esq.

Pursuant to due notice, a Special Meeting of the Finance Committee of the Lakewood Hospital Association Board of Trustees was held on Wednesday, August 10 at 7:30 a.m. in the Board Room at Lakewood Hospital. The aforementioned members of the Finance Committee designated as present were in attendance and constituted a quorum. Mr. Haber chaired the meeting and Mr. Meehan served as recording secretary.

Mr. Haber opened the meeting by thanking those in attendance. He stated that the purpose of the meeting was to consider whether the Finance Committee should have meetings that were separate from the joint meetings held with Cleveland Clinic Health System – Western Region, and, if so, to discuss the data that should be presented at such meetings. In light of the financial operational results at Lakewood Hospital in recent years, he stated that the Finance Committee should meet separately to focus exclusively on the financial issues of Lakewood Hospital.

A general discussion followed, whereupon the Committee members agreed that separate meetings of the Lakewood Finance Committee were advisable for the immediate future. They discussed potential dates and identified those representatives from Management who should attend the meetings. It was agreed that Mr. Haber would attend the Joint Western Region Finance Committee meetings, and that others from the Lakewood Finance Committee were welcome to attend the Joint Western Region meetings if available. The Committee members also discussed the nature of the data that would be desirable at upcoming meetings, and Mr. Meehan was asked to coordinate this request with Management. The Committee members also received a status report from Messrs. Haber and Gable on the Navigant Study and the Advisory Committee.

Mr. Haber said that the next meeting of the Finance Committee would be held on Tuesday, August 30, 2011, at 7:30 a.m., in the Lakewood Hospital Boardroom. Additional meetings would take place on Tuesday, October 11, and on Friday, November 11, 2011.

There being no further business to come before the meeting, the same on motion duly made and seconded, was adjourned.

Respectfully submitted,

Michael J. Meehan
Recording Secretary

Lakewood Hospital
a Cleveland Clinic hospital

Lakewood Hospital Association
Regular Meeting of the Board of Trustees

Board of Trustees **Minutes** **August 15, 2011**

Present: T. Gable, Chair, C. Brosky, E. Brzytwa, T. Coury, R. Freeman, M.D., Ph.D., W. Gorton, K. Haber, D. Lesjak, J. Litten, M. Madigan, K. McGorray, Ph.D., M. Modic, M.D., J. O'Neill, R. Patton, G. Pritts, W. Riebel, M.D., D. Roche, M. Summers, and M. Tabbaa, M.D.

Staff: J. Bekeny, M.D., D. Bronson, M.D., F. DeGrandis, C. Garven, M.D., A. Jacobs, J. Jones, M. Meehan, Esq., J. Murphy, S. Ritchie, D. Small and R. Weil, M.D.

Pursuant to due notice, a meeting of the Board of Trustees of the Lakewood Hospital Association was held in the Wasmer Auditorium, Lakewood Hospital, 14519 Detroit Avenue, Lakewood, Ohio, at 4:00 p.m. on Monday, August 15, 2011. The trustees designated above as present, constituting a quorum, were in attendance.

Mr. Gable chaired the meeting and Mr. Meehan acted as Recording Secretary.

CALL TO ORDER

Mr. Gable called the meeting to order at 4:05 p.m.

CHAIRMAN'S REPORT

Mr. Gable called upon Mr. DeGrandis say a few words in memory of Dr. Neal Chadwick. Mr. DeGrandis said that Dr. Chadwick was dedicated to both the staff and community of Fairview Hospital. He said that Dr. Chadwick had served as past President of the Medical Staff, VP of Medical Operations, and was a member of the Western Region Board of Trustees. Dr. Tabbaa then said that he had lost a great friend and Dr. Chadwick's passing was a great loss not only to his family but the community he served as well.

Approval of Minutes

As the first order of business, after a general discussion, a motion was duly made, seconded and unanimously carried to approve the minutes of the May 16, 2011 meeting of the Lakewood Hospital Association Board of Trustees as previously distributed.

QUALITY COMMITTEE / Rev. Jon Fancher / William Riebel, M.D

The minutes of the Joint Quality Committee meeting held on July 26, 2011 were submitted for information. Dr. Riebel reported that Mary Oden, Senior Director for Infection Prevention, had presented on infection control. Dr. Riebel said that the Committee had received information on the regional hospitals board quality goals. The CCHS HCAHPS results on YTD discharges through May 2011 had also been provided for review. He said that all abbreviations had been cleaned up for lay understanding.

It was reported that a meeting had been conveyed following the regular meeting to gain a better understanding of root cause issues and the need for additional assistance as clarification may be needed to implement a similar system. A brief discussion followed.

MEDICAL STAFF REPORT / William Riebel, M.D.

Expedited Credentialing Actions

Credentialing actions were submitted by Dr. Culley for ratification and included new appointments and granting of clinical privileges, reappointments of two-year terms, granting of additional privileges to current members of the Medical Staff, leaves of absence, and acceptance of resignation actions taken through the expedited credentialing process conducted on June 6 and July 11, 2011.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously ratified the aforementioned credentialing and privileging actions of June 6 and July 11, 2011.

Proposed Bylaw Amendments

Mr. Meehan reported that proposed amendments to the Medical Staff Bylaws had been developed which included written language that would require a majority vote of the Medical Staff for all actions. Mr. Meehan asked that the proposed amendments be pulled back to allow the Law Department to review. He said that upon completion of that review the amendments would be proposed at a future meeting. There being no further discussion it was agreed that the proposed Medical Staff Bylaw amendments would be withdrawn for review by the Law Department.

COMMUNITY HEALTH NEEDS ASSESSMENT UPDATE / David Primm

Ms. Jacobs introduced Mr. David Primm and Mr. Paul Umbach, who participated by telephone. Messrs. Umbach and Primm are consultants from Tripp Umbach who had been retained by the Cleveland Clinic to complete the Community Health Needs Assessment.

Mr. Primm began his presentation stating that the Cleveland Clinic project mission was to conduct a comprehensive Community Health Needs Assessment to understand and plan for the current and future health needs of the communities in Northeast Ohio. Mr. Primm reviewed the overall goals, project objectives and the comprehensive process. He also reviewed preliminary key findings with respect to Lakewood Hospital's Community Health Needs Assessment from secondary data including:

- Socio-economic Barriers to Accessing Quality Health Care. Overall, the Lakewood Hospital community represents a contrast between low need (Rocky River CNI = 1.8) and very high need (Clark-Fulton CNI = 4.8) zip code areas in terms of socio-economic factors which impact community health needs. The Lakewood Hospital zip code areas have a CNI score of 4.0 which indicates a greater number of socio-economic barriers in the community.

- Indicators of Poor Health Status. The Lakewood Hospital community shows higher rates of obesity and citizens who smoke compared to Cuyahoga County and Ohio. PQI illustrates there are a greater number of hospital admissions for COPD, Adult Asthma, Congestive Heart

Failure and Diabetes (Long Term Complications). The incidence of chemical dependency in the Lakewood Hospital community is substantially greater compared to Ohio and Cuyahoga County.

Mr. Primm said that community stakeholders who were interviewed included members of the City of Lakewood, Sun News, North Coast Health Ministry, Lakewood and Rocky River Offices of Aging, Recovery Resources and Near West Theatre. The focus groups selected targeted independent living seniors, low income residents and mental health providers. Common themes were the need for collaboration on all levels. The focus groups felt there were gaps in service provisions causing residents with multiple needs to be underserved and there was ineffective dissemination of information which reduced the awareness of available services. The majority of "Community Health Needs" identified by the key stakeholders and focus group participants do not deal directly with traditional health care services. The top community concerns included improving access to primary, preventive services and mental health services, transportation and other basic community services, and improved coordination of affordable health care services and outreach. Mr. Primm concluded his report by indicating the next steps should include, at a minimum, communicating the results of the CHNA document internally to leadership and boards at multiple levels; and incorporating identified needs of the CHNA into future hospital planning.

A general discussion followed. The Trustees agreed the findings could be used for future benchmarking.

ADVISORY COMMITTEE REPORT / Thomas Gable / Jeff Jones

Mr. Gable reported that the Advisory Committee, which was appointed in December 2010 to review the progress of the *Vision for Tomorrow* plan, was composed of key physicians, board members, hospital management and members of the regional support team.

Mr. Jones reported the purpose and approach of the Committee was to review the continued effectiveness of the *Revised Vision for Tomorrow* plan as a long-term planning strategy for Lakewood Hospital in light of economic developments.

At Mr. Gable's request, Mr. Jones summarized Navigant's findings and the Committee's activities. Mr. Jones reported that when the bond convent was not met under the terms of the lease, a third party (Navigant) had to be retained. Mr. Jones said the Finance Committee had not yet had a chance to review Navigant's findings. Findings presented included comparison against the 25, 35 and 50 percentile and whether there was some opportunity. Operating in the 50th percentile calls for an opportunity for staff reduction. Other opportunities are in net income and cash flow. The denials process was ongoing and was near to or at best practice. The clinical documentation and charge capture process, particularly in the ED and Nursing units, were noted to be manual processes. Mr. Jones stated that a charge capture opportunity may exist across the health system and this was currently under review. He said that if the average length of stay were used, there could be an opportunity for staff reduction. The report noted there was an income opportunity in clinical documentation. 3M Health Information Systems, an outside vendor, would continue to monitor and would report on increased documentation and increased reimbursement. The continued collection at point-of-service for reduction of bad debt charity was important. Mr. Jones reported work continued in development of an estimator tool and if used correctly, would show what would be missed at the front door.

Ms. Murphy then reported that interdisiplinary rounds were introduced on all units. Strategies included a mid-level provider who would manage patients assigned and unassigned who fell into greater than a 5-day window. There was a limit of patient-to-physician ratio. Steps had also been taken to encourage outpatient exams such as PET scans be completed following discharge. Other areas of conversion from inpatient to outpatient included the emergent endoscopy.

Ms. Murphy stated that overall staff should be commended for workforce efficiency. She said the reasons for not achieving a 27.6 growth in the outpatient lab were related to a hold on outreach programs. Navigant had reported a 4.3 FTE overage in Security, however based on a Cleveland Clinic security assessment, Lakewood staffing was to be commended on the low incident numbers. Security staffing was increased due to the type of patients presenting in the ED. It was determined by the Main Campus that security staffing was appropriate.

Other performance improvement initiatives included access to a new 16 slice CT which increased volume from 240 to 620 cases for a $250,000 contribution margin. Overtime reduction was encouraged when appropriate. Surgical volume was up by 65 additional cases in 2011. An area of opportunity was in managing the annual drug expense in outpatient infusion. Mr. Jones then called attention to a Nursing Institute initiative calling for a $12-14 million enterprise expense increase as it relates to nurses per patient/day. Mr. Jones said that this would mean an added expense to Lakewood Hospital of between $700,000 to $1.1 million and that discussions continue widely across the organization. Mr. Jones said the next steps would be to provide a detailed report to the Finance Committee.

A general discussion followed which included the need for focusing on increasing new business, preventing a loss of business, and staff support.

FINANCE COMMITTEE / Kenneth Haber

The Joint Finance Committee meeting minutes of August 3, 2011 were provided for information. Mr. Haber called upon Mr. Jones to present the financial report for the period ended June 30, 2011. Mr. Jones then reviewed the Statement of Operations year-to-date June 30, 2011 stating there was better than a $6 million loss a year ago for this same period. Mr. Jones reported that earnings before interest depreciation and amortization (EBIDA) for the six month period ended June were a loss of $0.6 million, which was $5.0 million or 113.0% unfavorable to the budget of $4.4 million. Gross patient revenues were $238.6 million unfavorable to budget of $253.2 million. Operating margin trend normalized at 5.8%. Total admissions were 7% below budget. Inpatient surgeries were slightly above budget. Outpatient surgeries were 2% below budget. ED admissions were 9% below budget and ED visits were 4% below budget. Revenue realization CSA of 65.45% vs. 63.81% budget and total uncompensated care/bad debt was 8.69% vs. 9.10% budget. Wage based productivity was 99.4% or $124,000 unfavorable and benefits were $132,000 or 1.8% below budget. Total expenses (excluding bad debt) were 2.7% below budget. Upon conclusion Mr. Jones reported that the Moody's rating downgraded from A3 to Baa2. The rationale was due to continued significant declines in admissions, escalating operating losses and decreases in unrestricted cash. He stated challenges were in several years of operating losses and Lakewood Hospital's location was in a very competitive service area with challenging demographics. Strengths remain in strategic benefit as part of the Aa2-rated Cleveland Clinic Health System, low debt level and provision in lease requiring 1:1 cash to debt ratio.

Mr. Haber reported the Lakewood Hospital Association Finance Committee met following the Joint Finance meeting for the purpose of considering whether the Committee should hold meetings that were separate from the joint meetings held with Cleveland Clinic Health System – Western Region, and if so, to discuss the data that should be presented at such meetings. It was agreed separate meetings of the Lakewood Finance Committee were advisable for the immediate future. Three additional meetings were scheduled through the remainder of the year.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the financial report for the period ended June 30, 2011.

LAKEWOOD HOSPITAL FOUNDATION REPORT / Kenneth Haber

Mr. Haber submitted the Lakewood Hospital Foundation report of August 5, 2011 for information. He reported on the success of the 6th Annual Starry Night event. Early analysis showed decreased sponsorship and attendance. Mr. Haber said that 530 attendees came together to make a difference in the fight against diabetes and more than $114,000 was raised with proceeds benefiting the hospital's Diabetes Assistance Initiative (DAI).

CONSENT AGENDA

Presented for information were the minutes of the Joint meeting of the Governance Committee held August 5, 2011; the Community Advisory Committee held July 14, 2011; the Joint Planning Committee held August 1, 2011; and the Management Report of August 2011 as submitted by Dr. Bronson.

Dr. Bronson welcomed Dr. Robert Weil who will become President of Lakewood Hospital effective January 1, 2012. He then recognized Ms. Murphy for her service as President of Lakewood Hospital and for mentoring Dr. Weil. As announced previously, Ms. Murphy would be returning to her role as President of Fairview Hospital. Dr. Bronson then reported that he was proud of the Huron Hospital physicians and staff as they remained focused on the care of patients during the most difficult of circumstances. Dr. Bronson said that as of August 15 Huron Hospital had stopped accepting patients. He said that over 70% of Huron Hospital's employees had found new roles within the Cleveland Clinic Health System.

OTHER BUSINESS

The Cleveland Clinic Academy Education Institute learning opportunities were provided as information.

ADJOURNMENT

All trustees were invited to attend the Cleveland Clinic Board of Trustees meeting on September 12 at 1:30 pm at the InterContinental Hotel and Conference Center.

As there was no further business, on motion duly made and seconded, the meeting was adjourned at 6:08 p.m. The next regular meeting will be held on Monday, December 12, 2011, beginning at 4:00 p.m. in the Wasmer Auditorium.

Respectively submitted,

Michael J. Meehan, Esq., Secretary

LAKEWOOD HOSPITAL ASSOCIATION
BOARD OF TRUSTEES

MINUTES OF THE
SPECIAL MEETING OF THE FINANCE COMMITTEE

MINUTES **August 30, 2011**

Present: Curtis M. Brosky, Thomas Coury, Kenneth Haber, David M. Lesjak, and Gary R. Pritts

Administration: Ankit Chhabra, Jeff Jones, Michael J. Meehan Esq., Jan Murphy, Shannan Ritchie, Robert Weil, M.D.

Pursuant to due notice, a Special Meeting of the Finance Committee of the Lakewood Hospital Association Board of Trustees was held on Tuesday, August 30 at 7:30 a.m. in the Board Room at Lakewood Hospital. The aforementioned members of the Finance Committee designated as present were in attendance and constituted a quorum. Mr. Haber chaired the meeting and Mr. Meehan served as recording secretary.

Approval of Minutes

Mr. Haber reviewed the minutes of the Special Finance Committee meeting held on August 10, 2011. A general discussion followed and, on motion duly made and seconded, the minutes were unanimously approved.

2011 Financial Results – Actual

Mr. Jones reported that Lakewood Hospital had incurred an approximate $5 million loss through July year-to-date. He commented that that loss would be partially offset by investment profits. He responded to questions regarding whether the hospital could provide more favorable flexible budgeting than experienced to date. Based on the core staffing model being used, management was at core levels and already was using a model of sending employees home when possible. It was recognized that if employees are sent home too often, they will resign and accept more favorable conditions elsewhere. Members of management commented that some employees appreciate the opportunity to work with a flexible schedule, even without benefits, but management needed to consider the nucleus of hospital employees.

Mr. Jones stated that Lakewood Hospital had experienced a gradual volume decline over the past several years. In response to questions by the Trustees, Mr. Jones indicated that the volume decline was comprehensive in nature and not just a result of fewer admissions from the Emergency Department.

Mr. Jones then called upon Mr. Chhabra who distributed materials entitled "Printable DRG and UB Service Line Summary." He said that DRG referred to inpatient services and UB referred to outpatient ("Universal Billing"). He noted that the overall number of inpatient DRG service line encounters was 245 fewer in June 2011 year-to-date than in the prior year. The Trustees discussed the "drivers" contributing to the volume decline shown on the summary.

Analysis of Emergency Department

Mr. Shannan Ritchie and Ms. Jan Murphy were then called upon to provide an analysis of the Emergency Department operations and financial results. It was noted that Lakewood's population had declined by 12% from 2001 to 2011 and that the decline in Emergency Department volume dated to 2007, well before the Hospital's decision to transition its trauma program. The Trustees and members of management discussed additional factors such as the post-trauma program marketing plan for the Emergency Department. Mr. Ritchie reviewed the percent of patients who were brought by squad in comparison to the admitting physicians and their specialties.

Forecast for 2011

Messrs. Jones and Chhabra then reviewed the third and fourth quarter forecast for 2011, as well as the forecast for the entire year. Mr. Chhabra provided a preliminary estimate for the loss for the year, and the Committee requested that he provide a more refined estimate at the next meeting. It was noted that the number of patients who are self-pay continue to increase due to the poor economy and that such patients' accounts would probably become uncollectible. Management reviewed the key assumptions underlying the forecast and the effect of the initiatives that had been proposed by Navigant, the outside consultant that was retained to evaluate the failure to comply with the financial ratio required by the bond obligations.

Next Meeting

In light of the time, a discussion regarding the 2012 budget, inpatient rehabilitation unit and revenue enhancement opportunities would be deferred until the following meeting, which was scheduled for Friday, October 21, 2011. Several Trustees expressed concern that the current model was not sustainable.

Mr. Haber indicated that if the Committee members began to feel that the current model was not sustainable, the Committee would be able to move forward sooner in its deliberations. He noted that the Hospital was losing approximately $1 million per month and that the anticipated budget for 2012 would not provide relief. Mr. Haber expressed his thanks to those coming to the meeting, and encouraged all present to attend the next meeting as well.

There being no further business to come before the meeting, the same on motion duly made and seconded, was adjourned.

Respectfully submitted,

Michael J. Meehan
Recording Secretary

LAKEWOOD HOSPITAL ASSOCIATION
BOARD OF TRUSTEES

MINUTES OF THE
SPECIAL MEETING OF THE FINANCE COMMITTEE

MINUTES **October 21, 2011**

Present: Curtis M. Brosky, Thomas Coury, Kenneth Haber, Gary R. Pritts and Dennis Roche

Administration: Ankit Chhabra, Jeff Jones, Michael J. Meehan Esq., Jan Murphy, Shannan Ritchie, Robert Weil, M.D.

Pursuant to due notice, a Special Meeting of the Finance Committee of the Lakewood Hospital Association Board of Trustees was held on Friday, October 21, 2011 at 7:30 a.m. in the Board Room at Lakewood Hospital. The aforementioned members of the Finance Committee designated as present were in attendance and constituted a quorum. Mr. Haber chaired the meeting and Mr. Meehan served as recording secretary.

Approval of Minutes

Mr. Haber reviewed the minutes of the Special Finance Committee meeting held on August 30, 2011. A general discussion followed and several modifications were requested, including clarification of the amount of loss to date and the preliminary estimated loss forecast for the current year. (The revisions were made, and revised minutes were sent to the members of the Committee later that day.)

Mr. Haber then stated that the remainder of the meeting was scheduled to consist of an overview of shared services, a financial update, a follow-up on the emergency department operations, other follow-up items from the prior meeting regarding service area demographics and hospital-specific service line changes for the last five years, and an open discussion regarding revenue enhancement opportunities and planning for the next meeting.

Shared Services Overview

Messrs. Jones and Chhabra then provided an overview of "shared services" throughout Cleveland Clinic Health System. Shared services are consolidated, centralized, and integrated administrative services under a common management structure. Certain services within the Health System are consolidated for reasons of standardization and consistency, increased efficiencies, and the development of economies of scale. Shared services are allocated to align services provided with the recipients of the services.

The administrative services of the Cleveland Clinic Health System are estimated at $880 million per year, of which 38% are Main Campus direct services and 62% are shared services. Examples of shared services are those rendered by the following departments: Finance, ITD, Marketing, Supply Chain Management, Legal, Human Resources, the Executive Team, Revenue Cycle management, and Corporate Compliance. The annual estimate of shared services is approximately $544 million system-wide. Of the total amount of shared services, approximately 33% are allocated to the Ohio regional hospitals, the remaining allocations of shared services being allocated to Florida and the Main Campus primarily.

Mr. Chhabra estimated that $179 million was allocated annually to the Ohio regional hospitals, of which approximately $17.3 million (3.2% of the total shared services costs) was allocated to Lakewood Hospital. The Lakewood portion represented approximately 2.6% of the net patient revenue system-wide and 11.6% of Lakewood Hospital's net revenue.

The average allocation per Ohio regional hospital was 10.7%. Mr. Chhabra reviewed additional detail for Lakewood Hospital of the shared allocation costs, especially for the Finance Department and the IT Department, and the services received by the Hospital.

He stated that the allocation for the Finance Department included costs for accountants, audits, financial systems such as payroll and accounts payable, dashboards, patient level reporting, malpractice management, tax, budgeting, long-range forecasting, business plans and performance improvement plans, accounts receivable management and reporting, and all costs tied directly to revenue streams such as patient financial services, patient access services, health information management, collections, customer service, billing, cash, quality control, financial compliance, and reporting.

He stated that the shared allocation costs associated with the IT Department covered the following types of costs: inpatient and outpatient EPIC, admissions, scheduling, legacy systems, myPractice, project management and related administrative support, revenue cycle billing, payroll, accounting support, human resources support, decision support and dashboards, as well all integrated applications such as wired and wireless network, both internal and external, end user technology, servers, data storage, email, telecommunications, web services, and customer support.

The Committee requested that the power point slides depicting the shared service information be presented to the Board of Trustees at its meeting on December 12, 2011. Mr. Jones said that he would provide that information at that time, and that he would also present the information at the Joint Finance Committee meeting on November 16, 2011.

Financial Update

Messrs. Chhabra and Jones then presented a financial update for September, the third quarter, and year-to-date. They also said that they would provide an update of the 2011 outlook and an update on the 2012 budget status.

Mr. Chhabra then presented detailed financial information for September, and he stated that the following were the key features. From a patient volume standpoint, total admissions were 7% below budget (7% year-to-date), inpatient surgeries were 1% below budget (1% YTD), outpatient surgeries were 25% below budget (7% YTD), ED admissions were 2% below budget (8% YTD) and ED visits were 6% below budget(3% YTD). From a revenue realization standpoint, CSA was 64.36% (65.32% YTD) versus 63.71% budget (63.67% YTD). Total uncompensated care and bad debt represented 9.49% (8.71% YTD) versus 9.95% budgeted (9.44% YTD). He also stated that wage-based productivity was 102.5% (100.3% YTD) or $81,000 favorable ($88,000 YTD). The benefit costs total was $53,000 ($211,000 YTD) or 4.3% (1.9% YTD) below budget. Total expenses excluding bad debt were 4.4% (3.3% YTD).

Mr. Chhabra then provided an update on the 2011 outlook. He estimated that, based on averages, Lakewood Hospital Association was likely to end the year with a loss between $7-9 million.

Mr. Chhabra also provided an update on the 2012 budget. He stated that the targeted EBIDA was ($1.39) million; that the interest expense (as per the long-range financial forecast) would be $1.14 million; and that depreciation (as per the long range financial forecast) would be $5.20 million; with a total 2012 target operating loss of $7.72 million.

Analysis of ED Operations

Mr. Ritchie then provided a follow-up report on the operations of Lakewood Hospital's Emergency Department operations. He stated that Emergency Department admissions had averaged approximately 77% of the total acute admissions to Lakewood Hospital for the last 10 years. From its peak in 2004 to now, Emergency Department visits had dropped by approximately 5,500 visits per year. He said that the conversation rate of the number of people who come through the Emergency Department and get admitted had dropped from 22% (in 2004) to 15%. Mr. Ritchie also reviewed the Emergency Department admissions and ambulance visits from 2009 to the present, giving special note to the point in time when the MetroHealth Emergency Department policy went into effect and when the trauma program was transitioned from Lakewood Hospital.

Mr. Ritchie stated that the primary market for Lakewood Hospital's inpatient volume was the zip codes of 44107 (Lakewood), 44116 (Rocky River), and 44111 and 44102 (portions of Cleveland). He also reviewed the secondary market for the Hospital which represented 16% of the inpatient volume.

He said that zip codes 44107 and 44102 account for about 67% of the total Emergency Department visits at Lakewood Hospital. He said that 52.8% of the cases coming from these two zip codes represented Medicaid or self-pay patients. He said the conversion rate for these two zip codes represented about 15.5%, which was consistent with the Hospital's average. He also said that Rocky River and Westlake had high conversion rates, and that he did not notice related specific trending for a particular diagnosis and/or group of physicians.

Mr. Ritchie also provided an analysis of the Lakewood Emergency Department patients who had left without treatment. He said that the number of patients had declined on average, from approximately 6% in August of 2010 to approximately 4% in August 2011. He said that the split flow model would likely help reduce further episodes of patients leaving without treatment, thereby capturing more volume for the Hospital through the Emergency Department. By comparison, he said that the number of patients leaving without treatment from Fairview Hospital's Emergency Department had increased from 1% in August 2010 to 3-4% over the following year, excluding a dramatic increase to 7% in September due to CPOE and ACEP implementation. He said that the split flow model implemented at Fairview in October would likely help reduce the number of patients leaving without treatment. He said the new Fairview Emergency Department (with more capacity) would also reduce the number of patients leaving without treatment. He discussed the possibility of diverting some of the Fairview population leaving without treatment to Lakewood Hospital's Emergency Department.

Other Follow-up Items

The agenda had provided for Messrs. Jones and Chhabra to discuss service area demographics and hospital-specific service line changes over the last five years. These items were deferred for discussion to the next meeting.

Revenue Enhancement Opportunities

Mr. Chhabra reviewed the opportunities available for possible revenue enhancement. He discussed the implementation of the Navigant recommendations, the plans to continue to attract additional surgical volume from the Lorain Institute, the spin-off volume from Avon, and the continuing efforts on increasing volumes in the Emergency Department. He discussed the potential for other ideas with the members of the Committee.

Mr. Haber then asked the Committee members if they would be willing to meet for another meeting on November 16, 2011, following the Joint Finance Committee meeting, and there was general agreement to do that .

There being no further business to come before the meeting, the same on motion duly made and seconded, was adjourned.

Respectfully submitted,

Michael J. Meehan
Recording Secretary

CLEVELAND CLINIC HEALTH SYSTEM - WEST REGION
LAKEWOOD HOSPITAL ASSOCIATION

MINUTES OF THE JOINT MEETING OF
THE FINANCE COMMITTEES

MINUTES **November 16, 2011**

Present: William W. Baker, Curtis M. Brosky, Kenneth Haber, George Hwang, David M. Lesjak, John O'Neill, Gary R. Pritts, Dennis J. Roche, Mousab I. Tabbaa MD
Life Trustee: James R. Vine

Administration: Jeff Jones, Michael Meehan Esq., Janice Murphy, Timothy Spiro MD, Robert Weil MD
Other Administration: Kris Bennett, Ankit Chhabra, Wendy Conway, John Mills, Shannan Ritchie, Donald Urbancsik

Call to Order
Pursuant to due notice, a joint meeting of the Finance Committees of the Boards of Trustees of Cleveland Clinic Health System - West Region, including the Finance Committees of Fairview and Lutheran Hospitals, and of Lakewood Hospital Association was held on Wednesday, November 16, 2011 at 7:30 AM in the Boardroom at Lakewood Hospital. The aforementioned members of the committees designated as present were in attendance and constituted quorums. Mr. Baker chaired the meeting and Mr. Jones served as recording secretary. Mr. Baker called the meeting to order at 7:30 AM.

Mr. Baker introduced newly appointed Lakewood Hospital president Robert Weil MD and announced appointment of Lutheran Hospital president Brian Donley MD, both effective January 1, 2012.

Approval of Minutes
Mr. Baker reviewed the minutes of the joint meeting of the Boards of Trustees of Cleveland Clinic Health System - West Region and Lakewood Hospital Association Finance Committees held on August 3, 2011, which had been distributed in advance.

Upon motion duly made and seconded, the minutes were unanimously approved.

Finance Report for Year-to-Date September 30, 2011/J. Jones
Mr. Jones reported on the detailed financial results for the combined west region year-to-date through September 30, 2011.

Earnings before interest, depreciation and amortization (EBIDA) for the period were $[redacted] which was $[redacted] above budget of $[redacted]. The favorable variance

includes a $[redacted] charitable remainder trust that was received at [redacted] Hospital. Operating income was reported at $[redacted] for the period which was $[redacted] budget. In comparison, net operating income for the same period in 2010 was $[redacted]. He noted that the normalized operating margin for the third quarter was [redacted]% and compared that to the Moody's Aa2 benchmark median of 4.7% and overall median of 2.3%. The normalized financials by hospital were presented showing the prior-year adjustments.

Mr. Jones then reviewed the operational variance slide that included unfavorable results for volume and realization rate while salaries, supplies and other expenses were favorable with combined uncompensated care and bad debt $[redacted] for the region. Operational variance slides were also reviewed for each hospital. A summary slide detailing statistical variances for the period starting with inpatient admissions was then reviewed. Total admissions were similar to budget and emergency room admissions were favorable to budget by 2%. Mr. Jones continued, noting that inpatient surgeries were [redacted]%, case mix was favorable while outpatient cases were [redacted]% below budget. He noted that acute length-of-stay was similar to budget and nonacute admissions were favorable to budget by 1.6%. Mr. Jones reviewed the payer mix slides by hospital. Self-pay revenue for [redacted] was even with plan while [redacted] and Lakewood were below. He noted that the positive variance in self-pay is driving the below budget performance for total uncompensated care.

Mr. Jones reviewed the productivity slides that indicated average productivity of [redacted]% for the three hospitals combined. Individual hospital performance showed Fairview's productivity at [redacted]%, Lutheran at [redacted]% and Lakewood at 100.3%. Salaries and other expenses were reviewed by hospital. The cost/volume slide was also reviewed indicating a [redacted] variance when expressed per adjusted admission and [redacted] when expressed per adjusted patient day. Mr. Jones highlighted the key takeaways for patient volume, revenue realization, labor costs and total expenses. Unemployment rates were presented along with the key financials ratios that continue to trend favorably. Lastly, regional operating income by hospital was reviewed.

Upon motion duly made and seconded, the committee unanimously approved the finance report as presented for the period ending September 30, 2011.

Capital Requests – Lutheran Hospital/K. Bennett

[redacted]

[redacted]

Capital Requests – Fairview Hospital/J. Murphy

[redacted]

Capital Request – Lakewood Hospital/A. Chhabra

Mr. Chhabra presented a $673,367 request to purchase a dedicated air handling unit with upgrades to the humidification and control systems necessary to ensure infection control compliance, regulatory compliance, patient safety and physician satisfaction. The project is necessary to provide adequate air temperature and humidity to the surgical suites.

Upon motion duly made and seconded, the committee unanimously approved Lakewood Hospital's surgery air handler HVAC humidifier capital request.

Capital Budget and Historical Spend Summery/J. Jones

In the interest of time, Mr. Jones did not present the historical capital spend summary.

2012 Budget/J. Jones

Mr. Jones reviewed the financial components of the budget including the 2012 year-end forecast and assumptions. He started with a review of the 2012 patient volumes, including the key underlying business plans from which the volumes were derived. He then reviewed the 2012 EBIDA reconciliation waterfall slide which highlighted primary budget drivers and impacts.

Mr. Jones reviewed the net patient revenue anticipated for 2012 based upon an annual price increase, regulatory and managed care contracting and payor mix assumptions. A discussion followed regarding a slight increase over current experience in self-pay, charity and bed debt write-offs.

Mr. Jones then reviewed FTE growth resulting mainly from nursing enhancements as determined by a targeted hours-per-payday standard at each hospital. There was a discussion regarding how the FTE levels compared by hospital. Mr. Jones shared a slide that demonstrated how departmental FTE levels are monitored against MECON benchmark standards taking volume assumptions into consideration.

Mr. Jones reviewed net operating income and pending budget allocation adjustments. The transfer of the [redacted] from main campus to [redacted] Hospital is not included in the budget as presented. It will be incorporated with the pending budget adjustments.

Mr. Jones recognized the diligent contribution of Ms. Conway preparing the regional hospitals budget in addition to the staff at each of the hospitals.

The Chair of the Joint West Region Finance Committee then requested approval of the operating budgets for the west region hospitals, consisting of Fairview, Lutheran and Lakewood Hospitals. The Chair of the Lakewood Finance Committee requested that the Lakewood Finance Committee have an opportunity to separately discuss the Lakewood Hospital budget in a meeting that was scheduled to follow immediately the current meeting. A general discussion followed, during which the Joint Committee agreed to consider and approve the west region budget subject to the subsequent approval by the Lakewood Finance Committee. Upon motion duly made and seconded, the West Region Finance Committee and the Lakewood Hospital Association Finance Committee jointly and unanimously approved the 2012 operating budgets of the west region hospitals, subject to the subsequent review and reapproval of the budgets by the Finance Committee of the Board of Trustees of Lakewood Hospital Association.

Shared Services Review/J. Jones
The review of Shared Services was postponed to the next joint finance committee meeting.

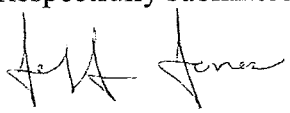
Other Business
Mr. Jones informed the committee to please note the joint finance committee meetings for 2012 will be on Thursdays not Wednesdays.

Mr. Baker reminded the committee that the Richard E. Jacobs Health Center in Avon grand opening celebration is Friday, December 2, 2011.

Also, Mr. Baker briefly commented on the performance of the LTIP noting that it made a good recovery in the month of October.

There being no further business to come before the meeting, the same on motion duly made and seconded, Mr. Baker adjourned the meeting at 9:00 AM with the next joint meeting scheduled for Thursday, March 15, 2012.

Respectfully submitted,



Jeff Jones
Recording Secretary

LAKEWOOD HOSPITAL ASSOCIATION
BOARD OF TRUSTEES

MINUTES OF THE
SPECIAL MEETING OF THE FINANCE COMMITTEE

MINUTES **November 16, 2011**

Present: Curtis M. Brosky, Kenneth Haber, David Lesjak, Gary R. Pritts and Dennis Roche

Administration: Ankit Chhabra, Jeff Jones, Michael J. Meehan Esq., Jan Murphy, Shannan Ritchie, Robert Weil, M.D.

Pursuant to due notice, a Special Meeting of the Finance Committee of the Lakewood Hospital Association Board of Trustees was held on Wednesday, November 16, 2011 at 9:00 a.m. in the Board Room at Lakewood Hospital. The aforementioned members of the Finance Committee designated as present were in attendance and constituted a quorum. Mr. Haber chaired the meeting and Mr. Meehan served as recording secretary.

Approval of Minutes

Mr. Meehan reviewed the minutes of the Special Finance Committee meeting held on October 21, 2011. A general discussion followed and, on motion duly made and seconded, the minutes were unanimously approved.

Financial Update

Mr. Chhabra then presented detailed financial information for October 2011 and YTD Oct, and he stated that the following were the key features. From a patient volume standpoint, total admissions continue to be below budget (8% year-to-date), inpatient surgeries were 2% below budget YTD, outpatient surgeries YTD were 7% below budget, ED admissions were 9% below budget and ED visits were 5% below budget. From a revenue realization standpoint, CSA was 63.9% versus 63.2% budget. Total uncompensated care and bad debt represented 7.7% versus 10.8% budgeted. He also stated that YTD wage-based productivity was 102.6% or $42,000 favorable. The benefit costs total was 1.9% below budget. Total expenses excluding bad debt were 3%% below budget.

Service Area Demographics

Messrs. Jones and Chhabra then reported on the Service Area Demographics for Lakewood Hospital. Mr. Chhabra stated that the primary market for Lakewood Hospital's inpatient volume was the zip codes of 44107 (Lakewood), 44116 (Rocky River), and 44111 and 44102 (portions of Cleveland). These primary market areas accounted for approximately 64% of Lakewood's inpatient volume.

Lakewood's secondary market areas include the zip codes of 44012 (Avon Lake), 44140 (Bay Village), 44145 (Westlake), 44070 (North Olmsted), and 44126, 44135 and 44109 (portions of Cleveland). These secondary markets accounted for approximately 16% of inpatient volume. Mr. Chhabra stated that the population in Lakewood's primary and secondary markets had declined by 8.8% between 1990-2011. He

said that the population in primary and secondary markets was projected to decline by another 5% from 2011 to 2016. Specifically for the City of Lakewood (44107), the total population was expected to decline by 6.5%; with the population aged 18-44 years projected to decline by 13% over the next 5 years, however, the 65+ population was estimated to increase by 8.8%. He then shared the unemployment trends for the City of Lakewood and Cleveland metropolitan area. For Cleveland Metropolitan Area, unemployment has gone from 4.4% in 2001 to 10.70% as of June 2011. The Lakewood city unemployment trend had increased from 2.8% in 2001 to 8.2% in 2010.

Mr. Chhabra then reported that Lakewood city's market size (number of inpatients originating from the City of Lakewood) had decreased from approximately 8.3K in 2005 to approximately 7.6K in 2010 for a decrease of approximately 5.2%. For the same period, the Lakewood Hospital's market share (from 44107) had decreased 5.7%, other [redacted] market shares had increased by 6.9% and non-[redacted] market share had decreased by 1.1%. Mr. Chhabra said that Lakewood's primary and secondary market size had decreased from 58K in 2005 to 54K in 2010. Lakewood Hospital's primary and secondary market share had decreased from 19.6% in 2005 to 14.7% in 2010. The total market share for [redacted](including Lakewood)[redacted] from [redacted]% in 2005 to [redacted]% in 2010.

Hospital Specific Service Line Changes

Mr. Chhabra reported that there had been significant volume changes by service line for the years 2005-2009. He said that Lakewood had increases in Neonatology (+30 cases) compared with [redacted] (+247 cases). Mr. Chhabra also compared Lakewood with [redacted] (-182 cases) and [redacted] (-144 cases). He said that OB had increased (+32 cases) compared with [redacted] (+236 cases) and [redacted] (-210 cases). Mr. Chhabra stated that Lakewood saw decreases in Heart and Cardiovascular (-521 cases) compared with [redacted] (-351 cases), [redacted] (-165 cases) and [redacted] (+269 cases). Pulmonary decreased (-329 cases) compared to [redacted] (+242 cases) and [redacted] (-46 cases). General Medicine decreased (-328 cases) compared to [redacted] (+57 cases).

Mr. Chhabra then reported on Lakewood's payor mix changes from 2000-2010. Medicare decreased to 48.7% in 2010 compared to 57% in 2000. Medicaid increased to 13.5% in 2010 compared to 9% in 2000. Commercial payors decreased to 26.7% in 2010 compared to 30.6% in 2000. Self-pay increased to 11.1% in 2010 compared to 3.4% in 2000. He pointed out that at 2010 net revenue level, 1% of self pay increase translates to approximately $1M net revenue, which adds directly to the bottom line, as costs are already incurred.

2012 Budget

Mr. Jones then reminded the Committee that, during the joint meeting of the Finance Committees of Cleveland Clinic Health System - West Region and of Lakewood Hospital Association held earlier that morning, the Lakewood Finance Committee Chair had requested the opportunity for the Lakewood Finance Committee to separately discuss the Lakewood Hospital budget. As a result at the earlier meeting, the West Region Finance Committee and the Lakewood Hospital Association Finance Committee had jointly approved the 2012 operating budgets of the west region hospitals, subject to the subsequent review and reapproval of the budgets by the Finance Committee of the Board of Trustees of Lakewood Hospital Association.

Mr. Jones then returned to the 2012 proposed budget for Lakewood as reviewed in the earlier meeting. He reviewed the waterfall chart that summarized the various changes from the 2011 outlook. He stated that the expected EBIDA for 2012 was $930,000. Mr. Jones pointed out that this EBIDA target was built on the 2011 outlook based on Lakewood Hospital's financial performance through the month of June. Mr. Jones said that this current performance resulted in a budgeted operating loss for 2012 of $6.2 million. Mr. Haber suggested that the 2011 outlook be adjusted to more accurately reflect the performance through the month of October 2011. Mr. Jones agreed and pointed out that the recent month's financial performance had been better than the first half of the year, primarily driven by improved realization rates and uncompensated care in particular. A positive adjustment of about $3 million to the 2011 outlook could therefore be made which would then carry forward from the base development to the final 2012 Budget. He said the adjusted 2012 Budget would be approximately a loss of $3.2M and still reflect an improvement of $3.7 million over the 2011 outlook.

Mr. Jones then pointed out that, as discussed at the Joint Finance Committee meeting earlier that morning, the 2011 outlook for Fairview Hospital was $[redacted] based on performance through June; however, based on Fairview's financial performance in the third quarter, Fairview was expected to end the year closer to $[redacted] Mr. Jones therefore suggested that offsetting adjustments be made to true-up both Fairview and Lakewood hospital 2011 outlooks. Mr. Jones pointed out that this would result in the same combined total for the 2011 outlook and 2012 budget for the three West Region hospitals as approved by the Joint Committee. Since this would impact the separate committees differently, Mr. Jones stated that he would inform the Chairs of both the Fairview and Western Region Finance Committees regarding the change.

A general discussion followed and, upon motion duly made and seconded, the Lakewood Finance Committee unanimously agreed on the offsetting adjustments and recommended approval of the 2012 budget as revised.

There being no further business to come before the meeting, the same on motion duly made and seconded, was adjourned.

Respectfully submitted,

Michael J. Meehan
Recording Secretary

Lakewood Hospital
a Cleveland Clinic hospital

Lakewood Hospital Association
Annual Meeting of the Board of Trustees

Board of Trustees **Minutes** **December 12, 2011**

Present: T. Gable, Chair, C. Brosky, E. Brzytwa, T. Coury, C. Culley, M.D., J. Fancher, DMin, W. Gorton, K. Haber, D. Lesjak, J. Litten, M. Madigan, M. Modic, M.D., J. O'Neill, G. Pritts, W. Riebel, M.D., D. Roche, M. Summers, and M. Tabbaa, M.D. Life Trustee P. Shimrack.

Staff: D. Bronson, M.D., F. DeGrandis, C. Garven, M.D., J. Jones, M. Meehan, Esq., J. Murphy, S. Ritchie, M. Sauer and R. Weil, M.D.

Pursuant to due notice, the Annual Meeting of the Board of Trustees of the Lakewood Hospital Association was held in the Wasmer Auditorium, Lakewood Hospital, 14519 Detroit Avenue, Lakewood, Ohio, at 4:00 p.m. on Monday, December 12, 2011. The trustees designated above as present, constituting a quorum, were in attendance.

Mr. Gable chaired the meeting and Mr. Meehan acted as Recording Secretary.

CALL TO ORDER

Mr. Gable called the meeting to order at 4:05 p.m.

CHAIRMAN'S REPORT

Mr. Gable noted that Janice Murphy would be leaving her position as President of Lakewood Hospital to serve as President of Fairview Hospital only. He called upon Dr. Bronson to say a few words on behalf of Ms. Murphy's service as President of Fairview and Lakewood Hospitals. Dr. Bronson stated that Ms. Murphy's service as President was truly a blessing for the staff and patients of Lakewood Hospital. Mr. DeGrandis added that he had the pleasure of working with Ms. Murphy at Fairview Hospital in her former capacity as Chief Operating Officer and as President and then while at Lakewood Hospital during a very difficult period. Dr. Bronson stated that Ms. Murphy had been an inspiration to everyone at Lakewood Hospital and he was pleased she would be continuing her efforts at Fairview Hospital. A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously adopted the following resolution:

WHEREAS, the Board of Trustees wishes to formally recognize Janice Murphy's contributions to Lakewood Hospital; and

IN RECOGNITION of her outstanding efforts, support, experience, commitment to excellence, and concern for Lakewood Hospital, its employees, and its patients;

BE IT RESOLVED that the Board of Trustees of Lakewood Hospital Association hereby recognizes Janice Murphy for her devoted and exemplary services as President of Lakewood Hospital, and expresses its appreciation for her service and dedication to Lakewood Hospital, its employees, its patients, and the community that it serves.

Approval of Minutes

Mr. Gable reviewed the minutes of the August 15, 2011 meeting of the Board of Trustees of Lakewood Hospital Association, which had been distributed in advance. A general discussion followed and, on motion duly made and seconded, the minutes were unanimously approved.

Consent Agenda

Mr. Gable then requested if any items shown on the Consent Agenda portion of the meeting agenda should be extracted for a detailed discussion or presentation later in the meeting. No items were extracted from the Consent Agenda.

- **Community Advisory Committee Report.** Mr. Gable stated that the minutes of the meeting of the Community Advisory Board held on November 9, 2011, were included in the board materials that had been distributed in advance.

- **Planning Committee Report.** Mr. Gable stated that the minutes of the meeting of the Planning Committee held on November 22, 2011, were included in the board materials that had been distributed in advance.

- **Management Reports.** Mr. Gable stated that a copy of the December 2011 Management Report to the Boards of Trustees of the Cleveland Clinic regional hospitals was included in the materials that had been distributed in advance.

QUALITY COMMITTEE / Rev. Jon Fancher / William Riebel, M.D

The minutes of the Joint Quality Committee meeting held on November 15, 2011 were submitted for information. Dr. Riebel reported that Karen Liptak, Clinical Risk Management, had presented on the integration of Clinical Risk Management and Patient Safety throughout the enterprise. This involved creating a common vision; developing new roles, responsibilities, and staffing plans that serve all locations; and blending philosophies. Dr. Riebel said that the aggregated data had been provided for review and that overall Lakewood Hospital continued to do very well. A general discussion followed.

Mr. Gable then called upon Mr. Meehan to present a resolution to integrate Quality oversight system-wide at the governing board level. Mr. Meehan said that the Cleveland Clinic's goal was to integrate its clinical activities across the enterprise to provide a "One Cleveland Clinic" experience for our patients and one standard for quality, patient safety and patient experience at all sites of practice. A Quality Task Force consisting of members of the governing boards within Cleveland Clinic Health System had recommended enhanced Board supervision of clinical quality within the health system that would promote common standards, maintain local authority, and regulatory requirements. Mr. Meehan reported that all of the governing boards were asked to approve the resolution as set forth in the materials distributed in advance and he stated that Mr. Gable had suggested that the Trustees slightly revise the last paragraph to appoint M. Ellen Brzytwa as Lakewood Hospital's designee to the Committee. A general

discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously adopted the following resolution:

WHEREAS, a goal of the Cleveland Clinic is to integrate its clinical activities across the enterprise to provide a "One Cleveland Clinic" experience for our patients: one standard for quality, patient safety, and patient experience at all sites of practice; and that patient safety and quality is of the highest priority to the Cleveland Clinic and the hospitals and other facilities that it directly or indirectly operates (collectively the "Cleveland Clinic Health System" or "CCHS") in their mission of providing the highest quality health care to patients and the communities that they serve; and

WHEREAS, opportunities for developing standard clinical practices, policies, and management procedures to support excellence in patient outcomes throughout the Cleveland Clinic Health System must be identified; the use of standardized performance measurement using consistent parameters and the standardized reporting of quality information is a goal of the Cleveland Clinic Health System; and the aforementioned principles should apply to all medical facilities and hospitals within the Cleveland Clinic Health System; and

WHEREAS, a Quality Task Force consisting of members of the governing boards within Cleveland Clinic Health System has recommended enhanced Board supervision of clinical quality within Cleveland Clinic Health System that promotes common standards, maintains local accountability, and meets regulatory requirements; and

WHEREAS, the Board of Directors of The Cleveland Clinic Foundation ("CCF") has adopted similar resolutions designating the Safety, Quality and Patient Experience Committee (the "Committee") of the Board of Directors of CCF to establish system-wide quality goals, review global quality data and high-level hospital data, and monitor quality performance; to coordinate with the CCF Board of Directors and the other governing boards within Cleveland Clinic Health System and their quality committees; to be authorized to request data from CCHS hospital quality and patient safety committees; and to function in accordance with such Resolutions for CCHS and with its charter to the extent not inconsistent with such Resolutions; and

WHEREAS, the CCF Board of Directors has revised the Committee's membership to include four governing board members representing the regional hospitals' governing boards within CCHS, designated respectively by the hospitals' respective governing boards, subject to the approval of the CCF Board of Directors; that other members may be added at the discretion of the Chair of the Committee, subject to the approval of the CCF Board of Directors; that the Chief Quality Officer of CCHS, the Quality and Patient Safety Officer of CCF, the Chief Experience Officer of CCF, the Chief of Medical Affairs and Quality for the Cleveland Clinic Regional Hospitals, and the Chief Nursing Officer of CCHS shall be nonvoting ex-officio members of the Committee; that the charter for the Committee be revised to reflect the composition of the Committee as outlined in such Resolutions; and that nothing herein is intended to affect the scope of responsibility or functionality of the other quality committees of the governing boards within CCHS;

NOW THEREFORE BE IT RESOLVED, that the Board of Trustees of Lakewood Hospital Association ("Lakewood") endorses the evidence-based standardization of clinical practice, policies, and performance measurement throughout the hospitals and other facilities of the Cleveland Clinic Health System and directs that clinical, patient experience, and quality information be presented to the hospitals' governing boards and quality and patient safety committees in a standardized format and on a consistent and uniform basis;

BE IT FURTHER RESOLVED, that the Board of Trustees designates the Committee to establish system-wide quality goals, review global quality data and high-level hospital data, and monitor quality performance; to coordinate with the Board of Trustees and the other governing boards within Cleveland Clinic Health System and their quality committees; to be authorized to request data from CCHS hospital quality and patient safety committees; and to function in accordance with these Resolutions for CCHS and with its charter to the extent not inconsistent with these Resolutions; and

BE IT FURTHER RESOLVED, that the representative from Lakewood Hospital Association's Board of Trustees to serve on the Committee shall be M. Ellen Brzytwa, subject to approval by the CCF Board of Directors.

ADVISORY COMMITTEE REPORT

Mr. Gable reported the Advisory Committee had continued to work on recommendations to bring to the Board. He said that the Advisory Committee had been appointed after the Board of Trustees had acknowledged the recommendations of the Finance & Audit Committee and Planning Committee to address the continued effectiveness of the Revised Vision for Tomorrow Plan as a long-term planning strategy for Lakewood Hospital in light of economic developments that had occurred since its approval by the Board in February 2010.

He stated that the Committee had met on several occasions and that a lot of good work had been accomplished. Mr. Gable said that the Committee would continue to gather data, and he welcomed input from the Trustees. A general discussion then followed.

MEDICAL STAFF REPORT / William Riebel, M.D.

Expedited Credentialing Actions

Credentialing actions were submitted by Dr. Culley for ratification and included new appointments and granting of clinical privileges, reappointments of two-year terms, granting of additional privileges to current members of the Medical Staff, leaves of absence, and acceptance of resignation actions taken through the expedited credentialing process conducted on August 29, October 3, November 7 and December 5, 2011.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously ratified the aforementioned credentialing and privileging actions of August, October, November and December 2011.

Proposed Bylaw Amendments

Mr. Gable then called upon Mr. Meehan to report on proposed amendments to the Medical Staff Bylaws. Mr. Meehan stated that amendments to the Medical Staff Bylaws had been developed which included written language that would require a majority vote of the Medical Staff for all actions. He stated that these proposed changes had been withdrawn at the August meeting to allow for legal review. Mr. Meehan said that the Law Department had completed its review of the proposed changes to the Medical Staff Bylaws and the Medical Executive Committee had subsequently approved the proposed Bylaw amendments as provided in the materials. A general discussion followed on motion duly made and seconded, the Board of Trustees unanimously approved the proposed amendments to the Medical Staff Bylaws as presented.

GOVERANANCE COMMITTEE / Mousab Tabbaa, M.D.

The minutes of the Joint Governance Committee meeting held on November 29, 2011 were submitted for information. Dr. Tabbaa then reviewed the Committee's recommendations for the election of Officers, election of Trustees, appointment of CCF and Western Region Trustees, and LHA Committee appointments. He also presented the proposed Annual Member Report.

Election of LHA Officers

Dr. Tabbaa stated that the Governance Committee proposed the following individuals to serve as Officers of LHA for 2012. A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously adopted the following resolution:

> **RESOLVED,** that the Lakewood Hospital Association Board of Trustees accepts the recommendations of the LHA Governance Committee and hereby elects the following persons to the offices of the Lakewood Hospital Association set forth opposite their respective names to serve for a one (1) year term commencing on January 1, 2012, or until their successors are duly elected and qualified pursuant to the Lakewood Hospital Association Amended Code of Regulations, as the same may be amended from time to time.

Chair of the Board	Thomas J. Gable
Vice Chair of the Board	M. Ellen Brzytwa
President *(Per Article IV, Sec. 6.5 of the Code of Regulations, subject to election by Cleveland Clinic)*	David L. Bronson, M.D.
Secretary	Michael J. Meehan, Esq.
Treasurer and Assistant Secretary	Jeffrey Jones
Chief Financial Officer, CCF	Steven C. Glass

Election of LHA Trustees

Dr. Tabbaa reported that the Governance Committee had proposed that Mr. Brosky be re-elected as Special Trustee pending nomination by the Mayor of the City of Lakewood. Mayor Summers was present at the Board of Trustees meeting and stated he would nominate Mr. Brosky as a Special Trustee. A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously adopted the following resolution:

> **RESOLVED,** that the Lakewood Hospital Association Board of Trustees accepts the recommendation of the LHA Governance Committee and hereby elects the following person as Special Trustee of the Lakewood Hospital Association Board of Trustees to serve for a five (5) year term commencing on January 1, 2012, and expiring December 31, 2016, or until his successor is duly elected and qualified pursuant to the Lakewood Hospital Association Amended Code of Regulations, as the same may be amended from time to time:
>
> *Special Trustee (Elected by the Lakewood Hospital Association Board)*
>
> Curtis M. Brosky

Appointment of CCF and Western Region Trustees

The following individuals were then proposed by Dr. Tabbaa as Lakewood Hospital Association's representatives to the Board of Trustees of the Cleveland Clinic Health System – Western Region for 2012. A general discussion followed and, on motion duly made and seconded, the Board of Trustees of LHA unanimously adopted the following resolution:

> **RESOLVED,** that the Lakewood Hospital Association Board of Trustees accepts the recommendations of the LHA Governance Committee and hereby appoints the following members of the Lakewood Hospital Association Board of Trustees to a one (1) year term, commencing on January 1, 2012, as members of the Cleveland Clinic Health System – Western Region Board of Trustees.
>
> *Trustees Appointed without Ratification*
>
> Curtis M. Brosky
> Dennis R. Roche
> Mousab Tabbaa, M.D.
>
> *Trustees Appointed Subject to Ratification by Cleveland Clinic as Member*
>
> Thomas J. Coury
> Thomas J. Gable
> William R. Gorton
> John T. O'Neill

LHA Committee Appointments

Dr. Tabbaa stated that the individuals depicted on the attached Exhibit A had been proposed by both Mr. Gable and the Governance Committee to be appointed to the Committees of the Board of Trustees for 2012. A general discussion followed and, on motion duly made and seconded, the Board of Trustees of LHA unanimously adopted the following resolution:

> **RESOLVED,** that the persons identified on the attached Exhibit A are hereby appointed to the committees set opposite their respective names, to serve for a one (1) year term commencing January 1, 2012, or until their successors are duly appointed.

Annual Member Report

Dr. Tabbaa then reviewed the practice of providing an Annual Member Report to the Cleveland Clinic as Member with a copy to the City of Lakewood reflecting compliance with the Lease. Following a general discussion, a motion was duly made, seconded and carried that the 2011 Annual Member Report to the City of Lakewood and The Cleveland Clinic Foundation be and hereby is approved as written, and that the Lakewood Hospital Association Chief Executive Officer is authorized to deliver the same to the Cleveland Clinic and the City of Lakewood.

Conflict of Interest

Lastly, Dr. Tabbaa called upon Mr. Meehan to deliver a report regarding the 2011 Trustees conflict of interest review process. Mr. Meehan reviewed the process by which the questionnaires were evaluated, indicating that the answers were tabulated, internet searches were performed, Cleveland Clinic Health System financial records were checked, and that the data was compiled and summarized. He stated that the Governance Committee had recommended that Trustees having a conflict of interest should receive a letter directing that they recuse themselves from specific CCHS Board discussions and any voting regarding business decisions involving entities doing business with CCHS that they were involved with. A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously adopted the following resolution:

> **RESOLVED**, that those Trustees who reported a business or other relationship with an entity which may present a conflict of interest be advised to recuse themselves from specific CCHS Board discussions and any voting regarding business decisions involving such entities, subject to the approval of the Innovation Management & Conflict of Interest Committee of the Board of Directors of the Cleveland Clinic.

FINANCE COMMITTEE / Kenneth Haber

The Joint Finance Committee meeting minutes of November 16, 2011 were provided for information. Mr. Haber reported that in addition to the Joint Finance Committee meeting the Lakewood Hospital Association Finance Committee had also met on August 10, August 30, October 21, and November 16 and the minutes were distributed in advance for information. Mr. Haber reviewed the reasons why the Lakewood Hospital Association Finance Committee felt it was advisable to have separate and additional meetings focused exclusively on Lakewood Hospital.

Mr. Haber then called upon Mr. Jones to present the financial report for the period ended September 30, 2011. Mr. Jones then reviewed the Statement of Operations year-to-date September 30, 2011. He reported earnings before interest, depreciation and amortization (EBIDA) for the nine-month period showed a gain of $0.03 million, which was $4.9 million or 99.4% unfavorable to the budget of $4.9 million. Gross patient revenues were $360.1 million, which were $17.4 million unfavorable to budget of $378.2 million and an operating margin trend normalized at 5.0%. Total admissions were 7% below budget. Inpatient surgeries were 1% below budget. Outpatient surgeries were 7% below budget. ED admissions were 8% below budget and ED visits were 3% below budget. Revenue realization CSA of 65.32% vs. 63.67% budget and total uncompensated care/bad debt was 8.71% vs. 9.44% budget. Wage based productivity was 100.3% or $88,000 favorable and benefits were $211,000 or 1.9% below budget. Total expenses (excluding bad debt) were 3.3% below budget.

Mr. Jones reported that the Moody's rating Lakewood Hospital Association had been downgraded from A3 to Baa2. The rationale was due to continued significant declines in admissions, escalating operating losses and decreases in unrestricted cash. He stated that challenges had included several years of operating losses and Lakewood Hospital's location which is in a very competitive service area with challenging demographics. He stated that Lakewood's rating strengths are being part of the Aa2-rated Cleveland Clinic Health System, low debt level and the provision in the lease requiring a 1:1 cash to debt ratio.

Mr. Haber thanked the Finance Committee members and management who had met in the additional forums. He reported that the Committee had spent the prior three months reviewing key drivers and local level medical metrics. The Committee had also reviewed the past and present Navigant reports, ED services and "black box" perceptions. Mr. Haber said that in 2007 Lakewood Hospital had matched revenues and expenses but in the years since had shown losses. Mr. Haber reiterated Mr. Gable's earlier comments that a lot of good work had occurred. In closing Mr. Haber encouraged the Trustees to review the financial materials provided and the Finance Committee minutes from August through November.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the financial report for the period ended September 30, 2011.

Mr. Gable then called upon Mr. Jones to review the 2012 Budget. Mr. Jones reported a continued market decline in acute admissions of 2.1%. He stated non-acute admissions were expected to increase by 7.5% as the full-year impact of the relocation of Acute Rehab from Fairview Hospital was realized. Total admissions were budgeted relatively flat. Inpatient surgeries driven by neurosciences and orthopaedics were budgeted as an increase of 1.7%. Outpatient surgeries, total surgeries and ED visits were expected to remain relatively flat. Percent of revenue inflation was budgeted by 2.0% with the anticipation of a 1% price increase and Pharmacy charge restructure. Total FTEs were increased by +5 due to nursing enhancement of caregiver per patient day. Mr. Jones stated budget adjustments were pending due to the impact of 2011 Supply Chain savings initiatives, finalization and redistribution of Cleveland Clinic shared services, and capital and other benefit adjustments. In closing Mr. Jones reported Lakewood Hospital was expected to end the year 2012 with an operating loss of approximately $3.1 million.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the operating budget for 2012, subject to Member approval.

Capital Requests

The Western Region Joint Finance Committee submitted for approval one capital request for Lakewood Hospital and that was for air handler HVAC humidification replacements. A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the following resolution.

> **RESOLVED,** that the Lakewood Hospital Board of Trustees accepts the recommendation of the Western Region Joint Finance Committee and hereby approves the request of $673,376 for a dedicated surgery air handler HVAC humidification replacements.

PLANNING COMMITTEE REPORT / Curtis Brosky

The CCHS—Western Region Planning Committee meeting minutes of November 22, 2011 were provided for information. Mr. Gable called upon Mr. Brosky to provide the Planning Committee report. Mr. Brosky said that the 2012 executive summary was provided in the Board meeting materials. Mr. Brosky reported that Ms. Murphy had presented to the Committee the focus for the coming year and the goals and mission. Ms. Murphy had highlighted the 2012 Lakewood Hospital business plans which focused on increasing admissions from the Lorain Institute, increasing neurosurgery referrals, and the fostering of referrals to expand identification of Lakewood as a regional hub.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the 2012 Business Plans and Priorities.

LAKEWOOD HOSPITAL FOUNDATION REPORT / Kenneth Haber

Mr. Haber submitted the Lakewood Hospital Foundation report of November 30, 2011 for information. He reported the on the audit of contributions made to the hospital and annual giving outside of the *Vision for Tomorrow* plan. Mr. Haber stated it was important to achieve 100% annual giving participation from Hospital Trustees when garnering support from others in the community.

Mr. Haber then reminded the Trustees that Lakewood Hospital Foundation had entered into a Pledge Agreement under which the Foundation pledged $5 million in accordance with a prescribed schedule over five years. He said that the Hospital had sought the pledge of support from the Foundation to enable the Hospital to provide the highest level of care by making certain capital improvements and other investments in and improvements to the Hospital. He said that for a number of reasons no capital improvements had been made during the year 2011, and he requested that the schedule of payments, starting with the year 2011, be deferred by one year.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously authorized the officers of Lakewood Hospital Association to amend the Pledge Agreement to modify the payment schedule described in the Agreement to show that no payment is due in 2011 and that the four payments respectively due in 2011, 2012, 2013, and 2014 are deferred by one year each.

EXTRACTED ITEMS FROM CONSENT AGENDA

No items had been extracted from the Consent Agenda.

OTHER BUSINESS

Mr. Meehan reported that changes had been made to the 2012 meeting schedule for nearly all of the regional hospitals' boards to better coordinate the timing of national quality benchmarking data. He said that this had been a recommendation that came from the Quality Task Force so that the boards would be receiving the most up-to-date quality data at their meetings. Mr. Meehan stated that the Annual Meeting would be moved from December to January and that therefore there would be only three board meetings in 2012 (since there would not be another meeting only one month later) and the schedule would resume to four meetings per year beginning in January 2013, when the next Annual Meeting would occur. A general discussion followed.

ADJOURNMENT

As there was no further business, on motion duly made and seconded, the meeting was adjourned at 5:40 p.m. The next regular meeting will be held on Monday, April 16, 2012, beginning at 4:00 p.m. in the Wasmer Auditorium.

Respectively submitted,

Michael J. Meehan, Esq., Secretary

LAKEWOOD HOSPITAL ASSOCIATION BOARD OF TRUSTEES
COMMITTEE APPOINTMENTS – 2012

EXECUTIVE COMMITTEE

T. Gable, Chair
E. Brzytwa, Vice Chair
M. Tabbaa, M.D.
C. Brosky
K. Haber
W. Riebel, M.D.
G. Pritts

D. Bronson, M.D.
M. Meehan, Coordinator
R. Weil, M.D.

FINANCE & AUDIT COMMITTEE

K. Haber, Chair
D. Roche
T. Coury
C. Brosky
D. Lesjak
G. Pritts
T. Gable
J. Vine (Life Trustee, non-voting)

R. Weil, M.D.
J. Jones, Coordinator

QUALITY COMMITTEE

Rev. J. Fancher, DMin, Co-Chair
W. Riebel, M.D., Co-Chair
E. Brzytwa
C. Culley, M.D.
J. Bekeny, M.D.
J. Gibbons
K. McGorray, Ph.D
R. Patton, MSN, RN, CNOR, FAAN

D. Brill, D.O.
J. Crandell, M.D., Medical Staff President-Elect
C. Garven, M.D., Coordinator
M. Sauer, CNO
M. Shie, M.D.
A. Sierk, M.D.
J. Snyder, M.D.
R. Weil, M.D.

GOVERNANCE COMMITTEE

M. Tabbaa, M.D., Chair
E. Brzytwa
R. Freeman, M.D.
W. Gorton
T. Gable
M. Madigan

D. Bronson, M.D.
R. Weil,M.D.
M. Meehan, Coordinator

COMMUNITY RELATIONS COMMITTEE

G. Pritts, Chair
J. Fancher, D. Min
K. McGorray, Ph.D.
B. Powers
M. Summers
P. Shimrak (Life Trustee, non-voting)

R. Weil, M.D.
S. Grimberg, Coordinator

PLANNING COMMITTEE

C. Brosky, Chair
C. Culley, M.D.
J. Bekeny, M.D.
W. Gorton
J. O'Neill
J. Litten

J. Jones
M. Meehan
R. Weil, M.D.

Exhibit A

LAKEWOOD HOSPITAL ASSOCIATION
BOARD OF TRUSTEES

MINUTES OF THE
MEETING OF THE FINANCE COMMITTEE

MINUTES **March 15, 2012**

Present: Curtis M. Brosky, Thomas Coury, Kenneth Haber, Gary R. Pritts and Dennis Roche

Administration: Ankit Chhabra, Jeff Jones, Michael J. Meehan Esq., Jan Murphy, Shannan Ritchie, Robert Weil, M.D.

Pursuant to due notice, a Meeting of the Finance Committee of the Lakewood Hospital Association Board of Trustees was held on Thursday, March 15, 2012 at 7:00 a.m. in the Board Room at Lakewood Hospital. The aforementioned members of the Finance Committee designated as present were in attendance and constituted a quorum. Mr. Haber chaired the meeting and Mr. Meehan served as recording secretary.

Mr. Haber opened the meeting by thanking those in attendance. He reminded the committee that in light of the financial operational results at Lakewood Hospital in recent years, the Lakewood Finance Committee would meet separately before each Cleveland Clinic Health System – Western Region Finance Committee meetings to focus exclusively on the financial issues of Lakewood Hospital.

Mr. Haber then stated that the remainder of the meeting was scheduled to consist of an overview of 2011 Financial Results, 2012 Budget Update and an outlook based on year-to-date volume results, and an open discussion regarding potential topics to be discussed in the future meetings.

2011 Financial Results

Mr. Chhabra then provided an overview of 2011 Financial Results. Mr. Chhabra shared with the committee that Lakewood Hospital ended the year at a normalized loss of $2.2M compared to a 2011 budgeted loss of $4.4M and normalized loss of $13.6M in 2010. He then explained that the positive variance to budget was due to the unbudgeted HIT stimulus money that we accrued in 2011. Mr. Chhabra also pointed out that if we had not accrued this revenue receivable in 2011, then we would have ended 2011 very close to or at budget. He then pointed out that the Net Patient Revenue for 2011 was $3.3M below budget, which was offset by tight expense management that resulted in expenses being below budget by $3.4M. Other operating revenue was $1.7M favorable to budget, which was again due to the unbudgeted $2.6M HIT stimulus payments that we accrued in 2011.

Mr. Chhabra then explained the 2011-2010 year-over-year performance drivers that resulted in a bottom line improvement of $11.4M. He stated that there were four major themes that resulted in this improvement – HIT stimulus money received/accrued in 2011 that we did not receive in 2010; move of additional rehab beds from Fairview to Lakewood that resulted in additional 400 rehab cases in 2011; expense management (incl. S,W and B); and slight improvement in payor mix.

Mr. Chhabra then shared some statistical trends for Lakewood Hospital for 2011 and YTD 2012. He stated that total admissions in 2011 were below 2010 and below budget for 2011; major driver for this variance was the drop in acute admissions which was below budget by over 600 cases. Total admissions for Feb YTD were also below 2012 budget and below Feb YTD 2011 actual volume, main driver this year also is the drop in acute admissions. He shared that the IP and OP surgeries for 2011 and YTD Feb 2012 were both below budget and below prior year. Mr. Chhabra stated that Post-Acute volume in 2011 and Feb YTD 2012 has held ground and is very close to budgeted volume. Emergency Room visits and admissions through the ED were both below prior year and below 2011 budget. Mr. Chhabra stated that with the implementation of split-flow process in Lakewood ED, the YTD Feb 2012 "treat and released" volume has gone up compared to last year and to 2012 Budget. However, he pointed out that the conversation rate i.e. the percentage of ED visits that get admitted through the ED had dropped significantly compared to last year, as well as to 2012 budget, resulting in fewer admissions through the ED. For YTD Feb 2012, the conversation rate was 12.6%, compared to 16.3% for first two months of 2011 and 14.7% YTD budget for 2012.

On the payor mix side, Mr. Chhabra pointed out that the self-pay percentage for YTD Feb 2012 was below the budget as well as prior year actual; the government payors (combined) had grown slightly; and the managed care and commercial payors together had dropped marginally.

2012 Budget Update

Messrs. Chhabra and Jones then presented an update to the 2012 Budget for Lakewood Hospital. Mr. Chhabra stated that the new budgeted operating loss for Lakewood Hospital is $5.3M compared to an operating loss of $3.1M presented and approved to the Finance Committee in Nov 2011. He then shared the details about the changes made to 2012 Budget after the budget was last presented to the Finance Committee. He stated that the following were the key features. From revenue reduction standpoint the major change was reduction of HIT stimulus money from 2012 Budget by $2.55M since this was accrued in 2011; addition of supply chain saving of $0.45M; other minor changes included, Cleveland Clinic shared services true-up, RAC audit reserve, and a reduction in Regional Admin service allocation.

The Chair of the Lakewood Hospital Association Finance Committee then requested approval of the revised 2012 operating budget for the Lakewood Hospital. Upon motion duly made and seconded, the Lakewood Hospital Association Finance Committee unanimously approved the revised 2012 operating budget of the Lakewood Hospital.

Upon motion duly made and seconded, the Lakewood Hospital Association Finance Committee unanimously recommended that the 2012 operating budget of the Lakewood Hospital Association be revised as described above.

2012 Outlook (based on YTD Feb 2012 Actual Volume)

For the outlook update, Mr. Chhabra stated that, if we assumed YTD volume relationship to budget would continue for the remainder of the year e.g. if we saw 90 patients compared to a budget of 100, we assume that the 90% relationship to budget would continue for the remainder of the year, then we would likely end up with an operating loss of $6.9M. He added that if we are able to stay on budget for the remainder

of the year, then we would likely end up with a loss of $5.7M compared to a budgeted loss of $5.3M for 2012.

There being no further business to come before the meeting, the same on motion duly made and seconded, was adjourned.

Respectfully submitted,

Michael J. Meehan
Recording Secretary

Lakewood Hospital
a Cleveland Clinic hospital

Lakewood Hospital Association
Regular Meeting of the Board of Trustees

Board of Trustees **Minutes** **April 16, 2012**

Present: T. Gable, Chair, D. Bronson, M.D. (by remote access), T. Bullock, C. Brosky, E. Brzytwa, R.N., C. Culley, M.D., J. Fancher, D.Min., J. Gibbons, W. Gorton, K. Haber, J. Litten, M. Madigan, K. McGorray, J. O'Neill, R. Patton, R.N., G. Pritts, D. Roche, M. Summers, and M. Tabbaa, M.D.

Staff: F. DeGrandis, C. Garven, M.D., J. Jones, C. Keating, M.D., M. Meehan, S. Ritchie, M. Sauer and R. Weil, M.D.

Guest: K. Butler, D. Siley

Pursuant to due notice, a Regular Meeting of the Board of Trustees of Lakewood Hospital Association was held in the Wasmer Auditorium, Lakewood Hospital, 14519 Detroit Avenue, Lakewood, Ohio, at 4:00 p.m. on Monday, April 16, 2012. The trustees designated above as present, constituting a quorum, were in attendance. Dr. Bronson, who participated by remote access, was able to electronically view the overhead slides as presented and hear and be heard by the others in attendance.

Mr. Gable chaired the meeting and Mr. Meehan acted as Recording Secretary.

Call to Order

Mr. Gable called the meeting to order at 4:05 p.m.

CHAIRMAN'S REPORT

Mr. Gable welcomed new trustee Councilman Thomas Bullock and guests Kevin Butler, City of Lakewood Law Director, and Drew Siley, Director of the City of Lakewood Planning and Development Department.

Approval of Minutes

Mr. Gable reviewed the minutes of the December 12, 2011 Annual Meeting of the Board of Trustees of Lakewood Hospital Association, which had been distributed in advance. A general discussion followed and, on motion duly made and seconded, the minutes were unanimously approved as distributed.

Consent Agenda

Mr. Gable then requested if any items shown on the Consent Agenda portion of the meeting agenda should be extracted for a detailed discussion or presentation later in the meeting. He briefly described the following items that were on the Consent Agenda.

- **Community Advisory Committee Report.** Mr. Gable stated that the minutes of the meeting of the Community Advisory Board held on January 31, 2012, were included in the board materials that had been distributed in advance.

- **Planning Committee Report.** Mr. Gable stated that the minutes of the meeting of the Planning Committee held on March 19, 2012, were included in the board materials that had been distributed in advance.

- **Management Reports.** Mr. Gable stated that a copy of the March 2102 Management Report to the Boards of Trustees of the Cleveland Clinic regional hospitals was included in the materials that had been distributed in advance.

No items were requested for extraction, whereupon, on motion duly made and seconded, the Board of Trustees unanimously accepted for information the reports described in the Consent Agenda as presented.

QUALITY COMMITTEE / Rev. Jon Fancher

The minutes of the Joint Quality Committee meeting held on March 29, 2012 were submitted for information. Rev. Fancher reported that Dr. Keating presented a detailed report of the 2011 quality goals and performance for the Regional Hospitals. It was reported that heart failure readmission rates were down when compared to prior years. Rev. Fancher stated he was very pleased to see the improved trend. Rev. Fancher then asked if there were any further questions or comments. Ms. Brzytwa then clarified the comment about "lack of performance" attributed to her in the minutes regarding behavioral health indicators. She stated that her intent was to express that additional rigor could be applied to behavioral health initiatives. Dr. Keating reported that work was ongoing in the area of behavioral health indicators and upon completion would be applied at all Regional Hospitals. Dr. Weil then reported there had been no falls and no use of restraints within the area of behavioral health last quarter. Ms. Patton reported an interest in hearing more about the tracking of wrong site and near misses. It was then reported by Ms. Sauer that Lakewood Hospital had made all safety items a priority in the year 2012 and that her major goal was encouraging staff reporting. Dr. Garven stated safety was such a concern that even the near misses were often picked up days before surgery and that safety was taken very seriously by everyone at Lakewood Hospital. A general discussion followed.

MEDICAL STAFF REPORT / William Riebel, M.D.

Expedited Credentialing Actions

Credentialing actions were submitted by Dr. Culley for ratification and included new appointments and granting of clinical privileges, reappointments of two-year terms, granting of additional privileges to current members of the Medical Staff, leaves of absence, and acceptance of resignation actions taken through the expedited credentialing process conducted on February 6, March 5 and April 2, 2012.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously ratified the aforementioned credentialing and privileging actions of February, March, and April 2012.

Mr. Gable then called upon Mr. Meehan who reported that The Joint Commission and CMS recognized that physician appointments and credentialing actions may need to receive governing board approval between meetings of the Board of Trustees. Therefore, Mr. Meehan asked the Board to ratify the practice of delegating to a committee of Board members with clinical expertise the authorization to approve appropriate credentialing actions on an expedited basis with two persons serving as quorum for such actions. He presented a resolution to appoint and confirm the appointment of the Expedited Credentialing Committee of the Board of Trustees. A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously delegated authority to approve on behalf of the Board physician credentialing and privileging and reappointment actions for Lakewood Hospital as appropriate to a committee composed of the following Board members, any two of whom being so authorized: Drs. Carl Culley, Richard Freeman, Mousab Tabbaa, William Riebel, and Rebecca Patton, R.N. and M. Ellen Bryztwa, R.N.

GOVERANANCE COMMITTEE / Mousab Tabbaa, M.D.

The minutes of the Joint Governance Committee meeting held on March 22, 2012 were submitted for information.

Board Portal

Mr. Gable then called upon Mr. Meehan who delivered a status report on the Board Portal project. Mr. Meehan then stated that the Board Portal initiative, which is an electronic repository of governing board materials available for use in preparing for board meetings, had been successfully launched for Cleveland Clinic Health System – East Region, Cleveland Clinic Health System – West Region, and Medina Hospital during 2011. He then stated that the phasing-in of the Board Portal would continue during 2012 with Fairview/Lutheran Hospitals Boards of Trustees, Lakewood Hospital Association Board of Trustees and Marymount Hospital Board of Trustees during 2012.

Governance Task Force

Dr. Bronson then reported that Mr. Robert Rich, Chairman of Cleveland Clinic Board of Directors, was forming an Enterprise Governance Taskforce much like the Enterprise Quality Task Force to review the governing board structure within the health system. He stated that standardization would allow for efficiency in duties. A general discussion followed.

FINANCE COMMITTEE / Kenneth Haber

The Joint Finance Committee meeting minutes of March 15, 2012 were provided for information. Mr. Haber reported that in addition to the Joint Finance Committee meeting the Lakewood Hospital Association Finance Committee had also met on March 15, 2012 and the minutes were provided for information. Mr. Haber reviewed the reasons why the Lakewood Hospital Association Finance Committee felt it was advisable to have separate and additional meetings focused exclusively on Lakewood Hospital.

Mr. Haber then called upon Mr. Jones to present the financial report for the period ended February 29, 2012. Mr. Jones began his report by reviewing the 2012 Budget Update for Lakewood Hospital. He reported on normalized operating statement, 2010-2011 year-over-year performance drivers concluding with a summary of 2011. Mr. Jones then reported changes to budget 2012 as reported in December 2011,

and operating income. A general discussion followed. Mr. Jones then reviewed the Statement of Operations year-to-date February 29, 2012. He reported earnings before interest, depreciation and amortization (EBIDA) for the second month period showed a loss of $276,000, which was $390 ,000 or 340.8% unfavorable to the budgeted of gain of $114,000. Gross patient revenues for the second month period ended February 29, 2012 were $77.6 million, which was $1.7 million unfavorable to budget of $79.3 million. Total admissions were 8% below budget. Inpatient surgeries were 13% below budget. Outpatient surgeries were 9% below budget. ED admissions were 15% below budget. ED visits were 0% below budget. Revenue realization CSA of 64.83% versus 63.87% budget and total uncompensated care/bad debt was 9.14% vs. 9.29% budget. Wage-based productivity was 99.8% or $12,000 unfavorable and benefits were $65,000 or 2.7% below budget. Total expenses (excluding bad debt) were 4.3% below budget.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the revised 2012 budget as presented and the financial report for the period ended February 29, 2012.

Capital Requests

Mr. Gable then called upon Mr. Jones to review a capital request. Mr. Jones reported that the Western Region Joint Finance Committee had submitted for approval one capital request for Lakewood Hospital and that was for the replacement of the Centrifugal Chiller Project. He stated the hospital was cooled by three chillers and that two of the chillers were 31 years of age. The chillers were critical to the removal of humidity in the air especially within the O.R. The project was approved as part of the infrastructure capital budget. A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the following resolution.

> **RESOLVED,** that the Lakewood Hospital Board of Trustees accepts the recommendation of the Western Region Joint Finance Committee and hereby approves the request of $3.2 million for the replacement of the Centrifugal Chillers and associated electrical distribution equipment.

LAKEWOOD HOSPITAL FOUNDATION REPORT / Kenneth Haber

Mr. Haber submitted the Lakewood Hospital Foundation report of April 3, 2012 for information. He reported on the achievement of 100% annual giving participation from hospital Trustees. Mr. Haber acknowledged his appreciation for their participation.

Mr. Haber then referenced materials distributed for two foundation fundraisers: the Ambulance Chase on Sunday, May 6 and save-the-date card for Starry Night on the evening of Friday, August 3. Starry Night, known as the biggest block party in the City of Lakewood, would once again have the support of Regency Construction as the signature sponsor. Mr. Haber acknowledged the support of the Regional Hospitals and Fairview Hospitals for their most generous commitment of $5,000 respectively.

ADVISORY COMMITTEE REPORT / Thomas Gable

Mr. Gable stated that the Advisory Committee that he had appointed had been charged to review the continued effectiveness of the revised *Vision for Tomorrow* plan as a long-term planning strategy for Lakewood Hospital in light of economic developments that had occurred since its approval by the Board

in February 2010. He reported that eight meetings had been held with support from management. He said that each time the Committee met a financial and operational summary and update had been provided to help address the questions raised.

Mr. Gable then reviewed key topics from the historical review, summary of operational initiatives and future planning and next steps. He said the Committee had reviewed a variety of topics, including the declining primary and secondary markets; declining demographics impacting all payer categories, particularly self-pay patients; the *Vision for Tomorrow* and Noblis operational initiatives, as subsequently adjusted; aging facility issues that required substantial recapitalization to meet current and future clinical service requirements; and significant investments in expansion projects by competitors in the Western Region. He then reported on multiple operational initiatives, specific operational initiatives and future planning and next steps.

Dr. Weil then gave an overview of hospital operations, and he discussed examples of how the practice of medicine was dynamic and evolving. With respect to the Neurosciences Center of Excellence, Dr. Weil reported superb quality of care in both the inpatient and outpatient setting. It was reported that the Center was staffed with a number of subspecialists. Dr. Weil reported evolving technology now enabled potential stroke victims to seek a facility employing the most recent advances in technology. He further stated that Lakewood Hospital represented a unique setting because it housed physicians who were able to break or remove a clot. In combination with concentrated one-site treatment and enhanced experience and outcomes, Lakewood Hospital continued to exceed expectations in care. He noted that there was a window of opportunity in after-acute care. He explained that strokes today were much like heart attacks in the early 1980s in that a process of education was required. The first level of stroke care was in providing a tPa-based network of care within the first 20 minutes. The populations with common neuroscience procedures were referred to the east and west neurology hubs and the more complex cases to Main Campus. Dr. Weil stated that increased volume was needed to maintain continued success.

Mr. Gable continued his report expanding on future planning and next steps. He spoke of challenges in predicting the future, the changing environment, the current and future market, ever-evolving technology and new ways of staying healthier. Committee discussions had included revisiting relationships with the City of Lakewood and the Cleveland Clinic. He expressed his appreciation for the opportunity to work with Mayor Summers and for the Mayor's participation on the Committee. Mr. Gable invited Mayor Summers to comment.

Mayor Summers then reminded those present that the lease with the City of Lakewood was scheduled to expire in 2026. He expressed the need for vigilance regarding the long-term nature of the lease and that the health care facilities serving the citizens of Lakewood be capable of delivering a level of care that is evolving in terms of the latest healthcare technology. Time presented both a challenge and an opportunity in terms of balancing issues associated with an aging facility and financial loss. He then stated that, from the City's viewpoint, there was theoretically a window of an additional 14 years under the lease to look at the complexity of issues presented. A more immediate review, however, was appropriate. He desired to engage others within the City government as well as the citizens of the City. Results presented by Cleveland Clinic should be verified. Mayor Summers further stated Lakewood may wish to use this review process as an opportunity to plan for the long-term future health considerations of the people served by the Hospital rather than applying short-term fixes. He stated that the citizens of Lakewood were more educated, that their behavioral expectations were different than in the past, and that the Board had the opportunity to review long-term considerations. Mayor Summers expressed his confidence that

appropriate future planning could be achieved with the support of the Board, the people of Lakewood, and the City's political leadership. As an example, he described how the Lakewood City Schools evolved from an out-dated infrastructure to a high-technology school system with shared and innovative leadership. He stressed the importance of trustees having a key role in beginning public conversations on the topic. In conclusion Mayor Summers spoke of the need to be proactive in exploring different models with shared ownerships in the delivery of healthcare, models that would address the health care needs of the community not only now but decades into the future.

A lengthy and detailed general discussion followed. Dr. Bronson summarized the discussion by expressing his appreciation for the engaged discussion and the opportunity to continue working with the Board and City officials on this important topic.

EXTRACTED ITEMS FROM CONSENT AGENDA

No items had been extracted from the Consent Agenda.

OTHER BUSINESS

Mr. Gable stated that a copy of the 2012 Cleveland Clinic Community Hospitals Governing Boards Directories were available and asked each Board member to take a copy home. He also noted that the "Issue Brief – Changing Environment, Changing Market" published by The Center for Health Affairs was distributed to each Board member, and he encouraged the Trustees to read it. Finally, he reviewed the upcoming offerings from the Cleveland Clinic Education Institute.

ADJOURNMENT

As there was no further business, on motion duly made and seconded, the meeting was adjourned at 6:10 p.m. The next regular meeting will be held on Monday, July 16, 2012, beginning at 4:00 p.m. in the Wasmer Auditorium.

Michael J. Meehan, Esq., Secretary

CLEVELAND CLINIC HEALTH SYSTEM -
LAKEWOOD HOSPITAL ASSOCIATION

MINUTES OF THE MEETING OF
THE LAKEWOOD HOSPITAL ASSOCIATION
FINANCE COMMITTEE

MINUTES **May 17, 2012**

Present:	Curtis M. Brosky, Kenneth Haber, David M. Lesjak, Gary R. Pritts, Dennis J. Roche
Administration:	Robert Weil, MD, Jeff Jones, Ankit Chhabra
Guest:	Michael P. Mazzeo – Ernst & Young

Call to Order
Pursuant to due notice, a meeting of the Finance Committee of the Board of Trustees of Lakewood Hospital Association was held on Thursday, May 17, 2012 at 7:30 AM in the Boardroom at Lakewood Hospital. The aforementioned members of the committee designated as present were in attendance and constituted a quorum. Mr. Haber chaired the meeting and Mr. Jones served as recording secretary. Mr. Haber called the meeting to order at 7:30 AM.

Lakewood Audit Review/J. Jones
Mr. Jones introduced Michael P. Mazzeo of Ernst & Young.

Mr. Mazzeo started with the audit opinion stating that Ernst & Young has provided an unqualified opinion with no significant recorded or unrecorded adjustments. He noted that the fourth paragraph highlights the adoption of Accounting Standards Update 2011-07 regarding the presentation of the Provision for Bad Debts.

Mr. Jones then provided a page-by-page discussion of the draft audit report starting with the balance sheet reviewing asset and liability classifications with moderate to significant valuation trends between the years. Mr. Jones pointed out that accrued revenue for HIT/EHR and a Rural Floor Adjustment to be explained further as part of the statement of operations were booked as receivables under the "Other current assets" and driving the significant year-to-year growth in that line.

On the Statements of Operations and Changes in Net Assets, Mr. Jones highlighted that there was one significant entry made during the audit impacting the internal results previously reported. Mr. Jones explained that the entry is related to a recent settlement for "Medicare Rural Floor Neutrality Adjustment." This increased the Net Patient Services Revenue by about $1.4M; on the expense side $0.35M for Legal/Consulting fees (under Administrative Services) was also added. Discussion on the Rural Floor Adjustment ensued with additional discussion regarding movement of Bad Debt from expenses to revenue as well as expense classification changes related to expenses reclassified to Administrative services from Salary wages and benefits for year-to-year consistency.

Mr. Jones then reviewed the Notes Section of the Financial Statements, highlighting any new or modified information or reporting requirements. During the review of notes, the following were highlighted and discussed: Recent Accounting Pronouncements related to measurement and reporting of charity care on cost basis and the FASB requirement to present provision for bad debt as a deduction from patient services revenue; there was also discussion about the "Electronic Health Record Incentive Program" and how it might impact Lakewood Hospital in 2012 and beyond. Mr. Jones noted that as stated in footnote 12,

Lakewood Hospital met the debt service coverage ratio for the year ending December 31, 2011 and hence there was no requirement for corrective action this year.

Mr. Mazzeo followed with a review of the Required Communications and also noted Ernst & Young received full cooperation with management during the audit.

A vote was made to approve the Lakewood Hospital Association draft audited consolidated financial statements for the period ending December 31, 2011 and 2010, seconded and the motion was approved.

Finance Report for Year-to-Date April 2012/A. Chhabra

Mr. Chhabra reported on the detailed financial results for Lakewood Hospital year-to-date through April 2012.

Earnings before interest, depreciation and amortization (EBIDA) for the period were $1.2 million which was $0.5 million ahead of budget of $0.7 million. Operating income was a loss of $1.1 million for the period which was $0.5 million ahead of budget.

Mr. Chhabra then reviewed the operational variance slide that included unfavorable results for inpatient volume and other revenue while salaries, supplies and other expenses were favorable. He noted that patient volumes for the hospital continued to trend down. Total admissions were 10% below plan and 7% below prior year. He explained that the budget was higher due to the full-year effect of the 17 additional rehab beds that were added to Lakewood towards end of March last year. He noted that acute length-of-stay was up and case mix adjusted length-of-stay was down. Mr. Chhabra continued noting that inpatient surgeries were 13% below plan and outpatient surgical cases were 10% below plan. ED treat-and-release volumes were above plan by 2% resulting from the implementation of split-flow. However, ED admissions were 12% below budget.

Mr. Chhabra reviewed the payer mix slides pointing that Self-pay revenue for Lakewood as compared with other community hospitals has stayed relatively flat for the first few months of 2012; however, overall it is still trending up.

There being no further business, Mr. Haber adjourned the Lakewood Hospital Association Finance Committee at 9:00 AM.

Respectfully submitted,

Jeff Jones
Recording Secretary

CLEVELAND CLINIC HEALTH SYSTEM - WEST REGION
LAKEWOOD HOSPITAL ASSOCIATION

MINUTES OF THE JOINT MEETING OF THE FINANCE COMMITTEES

MINUTES **June 21, 2012**

Present: William W. Baker, Curtis M. Brosky, Thomas J. Gable, Kenneth Haber, George Hwang, David M. Lesjak, Gary R. Pritts, William J. Reidy, Dennis J. Roche, Mark R. Stevens
Life Trustee: James R. Vine

Administration: Brian Donley MD, Jeff Jones, Janice Murphy, Robert Weil MD
Other Administration: Kris Bennett, Ankit Chhabra, Tony Gattuso, George Mateyo, John Mills, Shannan Ritchie

Call to Order

Pursuant to due notice, a joint meeting of the Finance Committees of the Boards of Trustees of Cleveland Clinic Health System - West Region, including the Finance Committees of Fairview and Lutheran Hospitals, and of Lakewood Hospital Association was held on Thursday, June 21, 2012 at 7:30 AM in Wasmer Auditorium at Lakewood Hospital. The aforementioned members of the committees designated as present were in attendance and constituted quorums. Mr. Baker chaired the meeting and Mr. Jones served as recording secretary. Mr. Baker called the meeting to order at 7:30 AM.

Approval of Minutes

Mr. Baker reviewed the minutes of the joint meeting of the Boards of Trustees of Cleveland Clinic Health System - West Region and Lakewood Hospital Association Finance Committees held on March 15, 2012, which had been distributed in advance.

Upon motion duly made and seconded, the minutes were unanimously approved.

Finance Report for Year-to-Date May 31, 2012/J. Jones

Mr. Jones informed the committee that the Lakewood Hospital Association Finance Committee met separately to approve the Ernst & Young audited financial statements for the year end 2011 along with a review of year-to-date April financial results.

Mr. Jones then reported on the detailed financial results for the combined west region year-to-date May 31, 2012. Operating income was reported at $[redacted] for the period which was $[redacted] budget. In comparison, net operating income for the same period in 2011 was $[redacted] All three hospitals were [redacted] budgeted plan for operating income.

Mr. Jones then reviewed the normalizing entry schedule showing that EBIDA reflecting current operations was only $[redacted] which was $[redacted] to the budget of $[redacted]. Normalizing entries included typical prior year cost report settlements along with a significant and unique settlement for all three hospitals representing a CMS rural floor calculation adjustment. Discussion ensued regarding rural floor settlement and related administrative fees. He noted that for audit purposes only, the rural floor settlement occurred prior to the completion of field work for the 2011 Lakewood Hospital Association stand-alone audit and is therefore already included in the 2011 LHA operating results for audit purposes.

Mr. Jones then reviewed the operational variance slide that included unfavorable results for overall performance and principal drivers, volume, realization rate and other revenue while salaries, supplies and other expenses were favorable with combined uncompensated care and bad debt $[redacted] for the region. Operational variance slides were also reviewed for each hospital. A summary slide detailing statistical variances for the period starting with inpatient admissions was then reviewed. Total year-to-date admissions were down 8% compared to budget and emergency room admissions were unfavorable to budget by 5%. Mr. Jones continued, noting that inpatient surgeries were down by [redacted]%, while outpatient cases were 2% above budget. He noted that a patient category "Observation" has been added to the reporting package as management continues to monitor this patient category as a driver of operating performance. He finished the volume review noting the positive impact of the ED split-flow process at all three hospitals.

Mr. Jones reviewed the payor mix slides by hospital. Self-pay revenue for Fairview and Lutheran were above budget while Lakewood was on plan. Mr. Jones reviewed the productivity slides that indicated average productivity [redacted]% for the three hospitals combined. Individual hospital performance showed [redacted] and Lakewood at 101.5%. Salaries and other expenses were reviewed by hospital. Mr. Jones summarized the highlighted areas again on the key takeaways slide listing patient volume, revenue realization, labor costs and total expenses. Key financial ratios were reviewed and it was noted that proceeds from the recent bond issue have had a slightly negative impact on the debt related ratios. The other key operating ratios continue to trend favorably.

Upon motion duly made and seconded, the committee unanimously recommended approval of the finance report as presented for the period ending May 31, 2012.

Capital Budget and Historical Spend Summary/J. Jones

In the interest of time, Mr. Jones referred to the capital budget and historical spend summary for individual review. Mr. Haber inquired about the differences between the capital spend report and the capital expenditures figure as displayed on the Statement of Cash Flows. Mr. Jones explained that the Capital Spend Summary represents

commitments made as projects are ordered or, in the case of renovations, projects initiated. Differences between the reports are due to the timing differences between that and the ultimate completion and final payment of invoices.

Capital Request – Fairview Hospital/A. Chhabra

[redacted]

Jochum-Moll Support Foundation/J. Jones

Mr. Jones then stated that a local nonprofit entity called the Jochum-Moll Support Foundation had elected to dissolve and distribute its assets to the 13 specific nonprofit entities to which it had provided support over more than 25 years, two of those entities being Fairview Hospital and Lutheran Hospital. He said that the two hospitals would receive [redacted]

Investment Summary/G. Mateyo

Mr. Mateyo began his presentation discussing performance of the west region's investment assets. Year-to-date the investments are [redacted]% versus a benchmark return of [redacted]%. Over the last one year, investments are [redacted] versus a benchmark return [redacted]%.

Next he discussed changes to the LTIP investment policy. Following an extensive review of the investment policy with several key constituents across the enterprise and the investment portfolios' role in the context of the health system, in May 2012, the board of directors of CCHS approved a recommendation to [redacted] of the portfolios by [redacted] He also examined the projected investment portfolios performance under various scenarios of market stress.

Mr. Mateyo went on to discuss the current economic environment. He noted that the recovery continues to underperform prior recoveries and is trending below expectations given the severity of the Great Recession. He went on to note that corporations remain relatively strong, that the U.S. consumer has deleveraged and that housing prices have made purchasing a home more affordable than renting. The situation in Europe remains difficult as the continent continues to be burdened by large debts and deficits and decline in their competitiveness. Spain and Italy in particular are facing increasing pressure as borrowing costs for the countries have grown to problematic levels. Meanwhile, in the U.S. several tax cuts are set to expire which if politicians fail to act could push the U.S. economy back into a recession.

Other Business

There being no further business to come before the meeting, the same on motion duly made and seconded, Mr. Baker adjourned the meeting at 9:10 AM with the next joint meeting scheduled for Thursday, September 20, 2012.

Respectfully submitted,

Jeff Jones
Recording Secretary

Lakewood Hospital
a Cleveland Clinic hospital

Lakewood Hospital Association
Regular Meeting of the Board of Trustees

Board of Trustees **Minutes** **July 16, 2012**

Present: T. Gable, Chair, D. Bronson, M.D., C. Brosky, E. Brzytwa, R.N., T. Bullock, T. Coury, C. Culley, M.D., J. Fancher, D.Min., R. Freeman, W. Gorton, D. Lesjak, J. Litten, K. McGorray, J. O'Neill, R. Patton, R.N., G. Pritts, D. Roche, M. Summers, and M. Tabbaa, M.D.

Staff: J. Bekeny, M.D., K. Broadbent, C. Garven, M.D., J. Jones, C. Keating, M.D., M. Meehan, S. Ritchie, M. Sauer, R.N., R. Stall, and R. Weil, M.D.

Pursuant to due notice, a Regular Meeting of the Board of Trustees of Lakewood Hospital Association was held in the Wasmer Auditorium, Lakewood Hospital, 14519 Detroit Avenue, Lakewood, Ohio, at 4:00 p.m. on Monday, July 16, 2012. The trustees designated above as present, constituting a quorum, were in attendance.

Mr. Gable chaired the meeting and Mr. Meehan served as Secretary.

Call to Order

Mr. Gable called the meeting to order at 4:05 p.m.

CHAIRMAN'S REPORT

Mr. Gable welcomed Dr. Bronson, President of the Community Hospitals, who provided an overview of the implications of the U.S. Supreme Court Decision on the constitutionality of the Affordable Care Act and the impact on the Cleveland Clinic Health System. He reported the Patient Protection & Affordable Care Act ("ACA") was enacted in 2010 by the 111th Congress of the United States. The Supreme Court Justices focused on four questions

1. Is the individual mandate to have health insurance constitutional?
2. Is the mandated expansion of Medicaid constitutional?
3. Can any part of the ACA survive if the individual mandate is unconstitutional? (ultimately, not relevant to the decision)
4. Does the Anti-Injunction Act preclude a decision at this point in time?

He then reviewed the Court's conclusions in respect to these questions. Next, Dr. Bronson reviewed the key ACA provisions including expanded coverage and insurance provisions, and he then reviewed other features of the new law involving the Innovation Center and patient-centered outcomes research institute; workforce: NHSC, primary care graduate medical education, teaching health centers, Title VII; Medicare and Medicaid primary care pay increases; and Medicare preventive services. Dr. Bronson then reviewed the law's implications for the Cleveland Clinic Health System and next steps for the System. He then

reviewed the questions that will frame the next discussions at the state level, Medicaid and exchanges; 2012 elections; additional court challenges; and public opinion. Next steps include a continued focus on quality improvement; improvement of populations health; improvement of efficiency; and a reduction in costs by providing the right care, at the right time, in the right place, and at the right cost. A general discussion followed.

Approval of Minutes

Mr. Gable reviewed the minutes of the April 16, 2012 Regular Meeting of the Board of Trustees of Lakewood Hospital Association, which had been distributed in advance. A general discussion followed and, on motion duly made and seconded, the minutes were unanimously approved as distributed.

Consent Agenda

- **Community Advisory Committee Report.** The minutes of the Community Advisory Board were provided as information.

- **Planning Committee Report.** The minutes of the Western Region Joint Planning Committee held June 18, 2012 were provided as information.

- **Management Report.** Dr. Bronson's Management Report for June 2012 had been submitted for information and was included in the materials submitted in advance. Dr. Bronson reported that *U.S. News & World Report* would announce its Best Hospitals 2012-2013 rankings on June 17. The announcement would state that Cleveland Clinic ranked fourth in the country and that seven of the Cleveland Clinic regional hospitals ranked within the Top 10 of the Cleveland-area hospitals — Fairview (4), Hillcrest (5), South Pointe (6), Marymount (8), Lutheran (9), Euclid (10) and Lakewood (10).

Mr. Gable then asked if there were any items that should be extracted from the Consent Agenda for separate discussion later in the meeting.

There being no further discussion, on motion duly made and seconded, the Lakewood Hospital Association Board of Trustees unanimously accepted for information the reports described in the Consent Agenda as presented.

QUALITY COMMITTEE / W. Riebel, M.D.

The minutes of the Joint Quality Committee meeting held on June 28, 2012 were submitted for information. Mr. Gable then called upon Dr. Riebel to present the Joint Quality Committee report. Dr. Riebel reported that Lakewood Hospital was slated for a number of accreditation surveys in 2012 including Joint Commission re-accreditations in stroke, stroke rehabilitation and chronic heart failure and an Ohio Department of Health survey of the skilled nursing unit. He then stated that M. Sauer, Chief Nursing Officer, had discussed the HCAHPS scores for the Hospital. Reporting scores had become stagnant but there was a renewed energy and focus on the patient experience with good movement in each category. A general discussion followed.

Nutrition Service Director

Mr. Gable then called upon Mr. Meehan who provided a brief report as it related to the resolution presented to authorize a director of food and dietetic services. He then summarized the qualifications and career highlights of Mr. Bill Barum, a full-time employee and Senior Director of Hospitality for the Cleveland Clinic and its community hospitals. Mr. Meehan presented the resolution previously distributed that would authorize Mr. Barum to serve as director of food and dietetic services. A general discussion followed and, on motion duly made and seconded, the Lakewood Hospital Association Board of Trustees unanimously adopted the following resolution:

> **WHEREAS,** the Medicare Conditions of Participation section on Nutrition Services [A-620, Interpretative Guidelines 482.28(a)(1)] states that the director of food and dietetic services for a hospital must be a full-time time employee who has been granted the authority and delegated responsibility by the hospital's governing body and medical staff for the daily operation of the dietary services; and
>
> **WHEREAS,** this authority and delegated responsibility includes the daily management of the service, implementing training programs for dietary staff, and assuring that the established policies and procedures are maintained that address at least safety practices for food handling, emergency food supplies, orientation, work assignments, supervisor of work and personal performance, menu planning, purchasing of foods and supplies, and retention of essential records, and service quality assessment/ performance improvement program; and
>
> **WHEREAS,** the service director must demonstrate, through education, experience, and/or specialized training, the qualifications necessary to manage the service, appropriate to the scope and complexity of the food service operations.
>
> **WHEREAS,** Mr. Bill Barum, Senior Director of Hospitality for the Cleveland Clinic and its community hospitals, is a full-time employee of Cleveland Clinic and has the necessary education, experience, and training to manage the service appropriate to the scope and complexity of the food service operations of the hospitals within the Cleveland Clinic enterprise;
>
> **NOW THEREFORE BE IT RESOLVED,** that the Board of Trustees of Lakewood Hospital Association hereby grant the authority and delegated responsibility for the operation of the dietary services of Lakewood Hospital to Mr. Bill Barum retroactively effective upon the date of his appointment to that position.

Mr. Gable then called upon Dr. Bronson who provided a brief report related to the transition of food service vendors from AVI to Aramark. Dr. Bronson said that the transition was a major undertaking and

that there had been challenges in implementing the change. He said that leadership had been holding daily transition meetings to address the progress and challenges brought forward. Dr. Bronson said that leadership was taking all concerns seriously and understood the implications and impact on patient, employee, and physician satisfaction. A brief discussion followed.

MEDICAL STAFF REPORT / C. Culley, M.D.

Credentialing Actions

Credentialing actions were submitted by Dr. Culley for ratification and included new appointments and granting of clinical privileges, reappointments of two-year terms, granting of additional privileges to current members of the Medical Staff, leaves of absence, and acceptance of resignation actions taken through the expedited credentialing process conducted on May 7, June 4, and July 2, 2012.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously ratified the aforementioned credentialing and privileging actions of May, June and July 2012.

GOVERNANCE COMMITTEE / Mousab Tabbaa, M.D.

Mr. Gable reported that the Governance Committee had not met given there were no items for consideration.

FINANCE AND AUDIT COMMITTEE / Dennis Roche

Mr. Gable called upon Mr. Roche to deliver a report from the Finance and Audit Committee in the absence of Mr. Kenneth Haber. Mr. Roche reported that the Western Region Joint Finance Committee and Lakewood Hospital Association Finance and Audit Committee meeting minutes of June 21, 2012 were provided for information. Mr. Roche called upon Mr. Jones to present the financial report for the period ended May 31, 2012. Mr. Jones then reviewed the Statement of Operations year-to-date May 31, 2012. He reported earnings before interest, depreciation and amortization (EBIDA) for the five-month period was $2.0 million, which was $1.2 million or 161.7% favorable to the budget of $0.8 million. Gross patient revenues for the five-month period ended May 31, 2012 were $198.9 million, which was $2.2 million unfavorable when compared to budget of $201.1 million. Total admissions were 9% below budget. Inpatient surgeries were 14% below budget. Outpatient surgeries were 9% below budget. Emergency Department admissions were 14% below budget. Emergency Department visits were 1% above budget. Revenue realization CSA of 64.07% compared with 63.86% budget and total uncompensated care/bad debt was 8.73% vs. 9.29% budget. Wage-based productivity was 101.5% ($15,000 savings) and benefits were $69,000 or 1.2% below budget. Total expenses (excluding bad debt) were 2.7% below budget. He then reported on the rural floor settlement and related administrative fees and that for audit purposes only the rural floor settlement occurred prior to the completion of field work for the 2011 audit and was already included in the 2011 operating results. Mr. Jones noted the addition of a patient category "Observation" had been added to the reporting package as management continued to monitor this patient category as a driver of operating performance. In conclusion, Mr. Jones stated overall Emergency Department visits

reflected an increase, orthopedics continued to be a very strong service, gastroenterology reflected a decrease, the self-pay volume was relatively flat over the three-year period, and that productivity volumes had been variable mainly due to new nurse orientation.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the financial report for the period ended May 31, 2012.

Audited Financial Report

Mr. Roche then called upon Mr. Jones to present the audited consolidated financial statements for the period ending December 31, 2011 and 2010. Mr. Jones reported that the audited consolidated financial statements for the period ending December 31, 2011 and 2010 had been distributed prior to the meeting. Mr. Jones then noted that footnote 12 regarding Hospital Revenue Bonds stated that for the first time in four years The Hospital was in compliance with the debt service ratio covenant requirement.

A general discussion followed and, on motion duly made and seconded the Lakewood Hospital Association Board of Trustees unanimously approved the Audited Consolidated Financial Statements for the periods ended December 31, 2011 and 2010.

LAKEWOOD HOSPITAL FOUNDATION REPORT / Kristin Broadbent

Mr. Gable then stated that Mr. Haber had submitted the Lakewood Hospital Foundation report of June 27, 2012 in advance for information. In Mr. Haber's absence, Mr. Gable called upon Ms. Broadbent who reported on achievements of the Foundation highlighting participation in the Ambulance Chase annual fundraiser and gifts of note. She then reported on the election of two new Trustees, Deborah Holmes Dalton and Colleen Meredith, each being elected to serve a three-year term. In conclusion Ms. Broadbent thanked the members of the Board of Trustees for their continued support of the Starry Night event to be held on Friday, August 3.

ADVISORY COMMITTEE REPORT / Thomas Gable

Mr. Gable then reminded the Board that the Advisory Committee that he had appointed had been charged to review the continued effectiveness of the revised *Vision for Tomorrow* plan as a long-term planning strategy for Lakewood Hospital in light of economic developments that had occurred since its approval by the Board in February 2010. He then called upon Dr. Bronson and Mayor Summers for their comments.

Mayor Summers reported that in his opinion the community was ready to engage in discussions about the future operations of the Hospital. He also felt that those conversations should be accelerated in light of other issues before the community in the next few years. He stated that discussion needed to focus on Lakewood Hospital's ideal role in the long term. It was suggested as discussions are orchestrated as a whole, the discussion would need to be managed based on strategic planning and facts. Mayor Summers stated as we continue to move forward it may be of some benefit to retain an outside consultant. He said that trustees and ultimately members of the public will want to weigh in on suggestions that will benefit the community, including a structure for a wellness challenge. Mayor Summers concluded his comments by stating he looks forward to working with Dr. Bronson and the administrative team. Considerations

remain in long-range planning, obligations to the City of Lakewood, and strategies going forward that may be similar to the re-structuring of Lakewood City schools in the past. A discussion ensued.

Dr. Bronson stated that he appreciated the engagement of the Board. While work continued on the rationalization of the future of healthcare in the country, leadership was duty bound in daily operations while mindful of damage control. He then stated he welcomes the challenge of framing conversations on what healthcare will look like in the long term for the City of Lakewood.

A general discussion followed during which the possibility of a Board retreat in the Fall was discussed.

EXTRACTED ITEMS FROM CONSENT AGENDA

No items had been extracted from the Consent Agenda.

OTHER BUSINESS

There were no other items of business.

ADJOURNMENT

As there was no further business to come before the meeting, the same, on motion duly made and seconded, was adjourned at 5:50 p.m. The next regular meeting will be held on Monday, October 15, 2012, beginning at 4:00 p.m. in the Wasmer Auditorium.

Michael J. Meehan, Esq., Secretary

CLEVELAND CLINIC HEALTH SYSTEM - WEST REGION
LAKEWOOD HOSPITAL ASSOCIATION

MINUTES OF THE JOINT MEETING OF THE FINANCE COMMITTEES

MINUTES **September 20, 2012**

Present: William W. Baker, Curtis M. Brosky, Thomas J. Gable, Kenneth Haber (phone), George Hwang, David M. Lesjak, Gary R. Pritts, William J. Reidy
Life Trustee: James R. Vine

Administration: Brian Donley MD, Jeff Jones, Michael Meehan Esq. Janice Murphy, Neil Smith DO, Timothy Spiro MD, Robert Weil MD
Other Administration: Kris Bennett, Ankit Chhabra, John Mills, Shannan Ritchie, Don Urbancsik

Call to Order
Pursuant to due notice, a joint meeting of the Finance Committees of the Boards of Trustees of Cleveland Clinic Health System - West Region, including the Finance Committees of Fairview and Lutheran Hospitals, and of Lakewood Hospital Association was held on Thursday, September 20, 2012 at 7:30 AM in the Boardroom at Lakewood Hospital. The aforementioned members of the committees designated as present were in attendance and constituted quorums. Mr. Baker chaired the meeting and Mr. Jones served as recording secretary. Mr. Baker called the meeting to order at 7:30 AM.

Approval of Minutes
Mr. Baker reviewed the minutes of the joint meeting of the Boards of Trustees of Cleveland Clinic Health System - West Region and Lakewood Hospital Association Finance Committees held on June 21, 2012, which had been distributed in advance.

Mr. Baker suggested the minutes reflect that the distribution from the Jochum-Moll Support Foundation for Fairview Hospital and Lutheran Hospital will reside in the Community West Foundation. Mr. Jones noted that the distribution has occurred and the funds reside at the Community West Foundation for the benefit of Fairview and Lutheran Hospitals. Mr. Jones added that since the minutes have already gone to the respective boards that we will reflect that in the minutes of this meeting.

Upon motion duly made and seconded, the minutes were unanimously approved.

Finance Report for Year-to-Date July 31, 2012/J. Jones
Mr. Jones started by noting that due to the calendar shift to accommodate quality reporting, the 2013 budget will be presented at the December meeting. He added that

hospital targets have been set and the respective management teams are currently working toward those targets.

He then reported on the detailed financial results for the combined west region year-to-date through July 31, 2012. Operating income was $[redacted] for the period which was $[redacted] budget. In comparison, net operating income for the same period in 2011 was $[redacted] Lakewood were both ahead of plan. EBIDA was $[redacted] which was $[redacted] to the budget of $[redacted].

Mr. Jones reviewed the normalized financial schedule showing that operating income reflecting current operations was $[redacted] which was $[redacted] to the budget of $[redacted]. The normalized adjustments included prior year third-party adjustments and the rural floor settlement previously reported.

Mr. Jones then reviewed the operational variance slides for the combined group that included principal drivers, volume, productivity and payer mix. Operational variance slides were also reviewed for each hospital. A summary slide detailing statistical variances for the period starting with inpatient admissions was then reviewed. Total year-to-date admissions were down 8% compared to budget and emergency room admissions were unfavorable to budget by 4%. Mr. Jones continued by noting that inpatient surgeries were [redacted]%, while outpatient cases were [redacted]% [redacted] budget. Observation cases that were discharged from observation were [redacted]% [redacted] to plan and partially offset the decline in inpatient admissions. Ms. Murphy and Dr. Weil commented on the growth in observation at both Fairview and Lakewood Hospitals.

Mr. Jones then reviewed the payor mix slides by hospital. Self-pay revenue for [redacted] Lakewood was close to plan. Mr. Jones reviewed the productivity slides that indicated average productivity [redacted]% for the group with individual hospital performance for [redacted] Lakewood slightly below at 99.9%. Salaries and other expenses were reviewed by hospital. Mr. Jones highlighted areas on the key takeaways slide listing patient volume, revenue realization, labor costs and total expenses. Key financial ratios were reviewed noting cash on hand (days) remain strong and the debt related ratios were impacted by the 2012 bond issue proceeds being utilized to fund the Fairview ED/ICU project. Operating income was briefly reviewed for the five community hospitals not in the west region.

Upon motion duly made and seconded, the committee unanimously recommended approval of the finance report as presented for the period ending July 31, 2012.

Capital Budget and Historical Spend Summary/J. Jones

In the interest of time, Mr. Jones referred to the capital budget and historical spend summary for individual review.

Capital Requests – Fairview Hospital/J. Murphy

[redacted]

Capital Request – Lutheran Hospital/K. Bennett

[redacted]

Hospital Project Update – Fairview Hospital/J. Murphy

[redacted]

Hospital Project Update – Lakewood Hospital/S. Ritchie

Mr. Ritchie then presented an update on various Lakewood Hospital 2012 routine capital requests under $250,000. Five were for building renovation and four were for equipment upgrades.

Investment Summary/W. Baker and J. Jones

Mr. Jones noted that there was a handout replacement LTIP Statement of Changes in Net Assets as the Lakewood report had erroneous information.

Mr. Baker reviewed the beginning and ending market values of the LTIP for the west region and individual hospital groups respectively.

Mr. Baker then provided LTIP performance information through August and commented further on recent market trends and a general market outlook.

Other Business

There being no further business to come before the Committee, the same on motion duly made and seconded, Mr. Baker adjourned the meeting at 8:45 AM with the next joint meeting scheduled for Thursday, December 13, 2012.

Respectfully submitted,

Jeff Jones
Recording Secretary

Lakewood Hospital
a Cleveland Clinic hospital

Lakewood Hospital Association
Regular Meeting of the Board of Trustees

Board of Trustees **Minutes** **October 15, 2012**

Present: T. Gable, Chair, C. Brosky, E. Brzytwa, R.N., T. Bullock, T. Coury, C. Culley, M.D., J. Fancher, D.Min., J. Gibbons, K. Haber, J. Litten, M. Madigan, K. McGorray, G. Pritts, W. Riebel, M.D., D. Roche, and M. Tabbaa, M.D.

Staff: A. Chhabra, C. Garven, M.D., J. Jones, C. Keating, M.D., M. Meehan, S. Ritchie, M. Sauer, R.N., R. Stall, and R. Weil, M.D.

Pursuant to due notice, a Regular Meeting of the Board of Trustees of Lakewood Hospital Association was held in the Wasmer Auditorium, Lakewood Hospital, 14519 Detroit Avenue, Lakewood, Ohio, at 4:00 p.m. on Monday, October 15, 2012. The trustees designated above as present, constituting a quorum, were in attendance.

Mr. Gable chaired the meeting and Mr. Meehan served as Secretary.

Call to Order

Mr. Gable called the meeting to order at 4:10 p.m.

CHAIRMAN'S REPORT

Mr. Gable welcomed Dr. Keating, Vice President of Medical Operations for the Community Hospitals, who provided an overview of the Healthcare Worker Influenza Vaccination program. She reported the influenza virus is a contagious respiratory virus transmitted from person to person. On average 30,000 flu-related deaths reportedly occur each year. The individuals most vulnerable to the virus are those of extreme age and persons immunocompromised. The virus is associated with work and school absenteeism in both healthy adults and children. Dr. Keating then reported on the importance of vaccination, and she gave reasons. She stated that healthcare professionals should to set an example by maintaining an important societal workforce, reducing risk to the virus and most importantly preventing transmission to patients and families served.

She then described the 2011 influenza campaign, and she reviewed and the historical rates of the related disease during 2008 – 2011. In closing, Dr. Keating reported that the Cleveland Clinic vaccination rates are unacceptably low and that the 2012 vaccination policy would include identifying employees as vaccinated or not vaccinated. Further non-vaccinated employees would wear a mask during the influenza season when providing care, treatment, or services to patients. Additionally, beginning in 2013 as part of public reporting, influenza vaccination rates would be reported to CMS and published on the Hospital Compare Website. Ultimately the goals of the employee vaccination program would be to protect patients and prevent disease associated with influenza; protect employees from a contagious respiratory

virus through promotion of individual and family health; and decrease absenteeism due to illness. Dr. Keating then reviewed the campaign's timeline and compliance expectations. A general discussion followed.

Approval of Minutes

Mr. Gable reviewed the minutes of the July 16, 2012 Regular Meeting of the Board of Trustees of Lakewood Hospital Association, which had been distributed in advance. A general discussion followed and, on motion duly made and seconded, the minutes were unanimously approved as distributed.

Consent Agenda

- **Community Advisory Committee Report.** The minutes of the Community Advisory Board were provided as information.

- **Planning Committee Report.** The minutes of the Western Region Joint Planning Committee held September 17, 2012 were provided as information.

Mr. Gable then asked if there were any items that should be extracted from the Consent Agenda for separate discussion later in the meeting. There being none, on motion duly made and seconded, the Lakewood Hospital Association Board of Trustees unanimously accepted for information the reports described in the Consent Agenda as presented.

QUALITY COMMITTEE / W. Riebel, M.D.

Mr. Gable then called upon Dr. Riebel to present the Joint Quality Committee report. Dr. Riebel presented the report and said that the Joint Quality Committee meeting minutes of September 27, 2012 and an Executive Summary April – June 2012 for Lakewood Hospital had been provided for information.

MEDICAL STAFF REPORT / C. Culley, M.D.

Credentialing Actions

Credentialing actions were submitted by Dr. Culley for ratification and included new appointments and granting of clinical privileges, reappointments of two-year terms, granting of additional privileges to current members of the Medical Staff, leaves of absence, and acceptance of resignation actions taken through the expedited credentialing process conducted on August 27 and October 1, 2012.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously ratified the aforementioned credentialing and privileging actions of August and October 2012.

GOVERNANCE COMMITTEE / Thomas Gable / Michael Meehan / Mousab Tabbaa, M.D.

On behalf of Dr. Tabbaa, Mr. Gable reported on the passing of former Trustee and Life Trustee Karl E. Ware. He then called upon Ms. E. Brzytwa who shared fond memories of time served with Mr. Ware. Mr. Gable then offered the following Resolutions in memory of Mr. Ware

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the following Resolutions:

> **WHEREAS,** Karl E. Ware was appointed to the Lakewood Hospital Association Board of Trustees in October 1975; and
>
> **WHEREAS,** Karl E. Ware was named a Life Trustee of the Lakewood Hospital Association Board of Trustees; and
>
> **WHEREAS,** Karl E. Ware was known for his service to Lakewood Hospital and the community;
>
> **NOW, THEREFORE BE IT RESOLVED,** that in the loss of Karl E. Ware, the Board of Trustees of Lakewood Hospital Association has suffered the loss of a significant friend; and
>
> **BE IT FURTHER RESOLVED,** that the Board of Trustees of Lakewood Hospital Association hereby expresses its profound remorse upon the loss of its friend and colleague and that the Board expresses to the Ware Family the deep sense of loss felt by the Board and the comfort of his memory; and
>
> **BE IT FINALLY RESOLVED,** that a copy of these Resolutions be given to the Ware Family and that a copy be placed in the minutes of this body.

Mr. Gable then called upon Mr. Meehan, who reported that the Governance Committee had not met given that there were no items for consideration.

FINANCE AND AUDIT COMMITTEE / Kenneth Haber

Mr. Gable then called upon Mr. Haber to deliver a report from the Finance and Audit Committee. Mr. Haber reported that the Joint Western Region Finance Committee and Lakewood Hospital Association Finance and Audit Committee meeting minutes of September 20, 2012 were provided for information. Mr. Haber called upon Mr. Jones to present the financial report for the period ended July 31, 2012. Mr. Jones then reviewed the Statement of Operations year-to-date for July 31, 2012. He reported earnings before interest, depreciation and amortization (EBIDA) for the seven-month period was $2.6 million, which was $1.4 million or 115.3% favorable to the budget of $1.2 million. Gross patient revenues for the seven-month period ended July 31, 2012 were $274.8 million, which was $6.5 million unfavorable when compared to budget of $281.3 million. Total admissions were 8% below budget. Inpatient surgeries were 16% below budget. Outpatient surgeries were 12% below budget. Emergency Department admissions were 13% below budget. Emergency Department visits were 3% above budget. Revenue realization CSA of 63.88% compared with 63.86% budget and total uncompensated care/bad debt was 8.69% vs. 9.29%

budget. Wage-based productivity was 99.9% or $15,000 unfavorable and benefits were $130,000 or 1.5% below budget. Total expenses were 2.5% below budget.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the financial report for the period ended July 31, 2012.

LAKEWOOD HOSPITAL FOUNDATION REPORT / Kenneth Haber

Mr. Gable then called upon Mr. Haber who stated the Lakewood Hospital Foundation report of September 25, 2012 was submitted in advance for information. Mr. Haber's acknowledged the trustees support of Starry Night and for reaching goal of 100% participation in the trustee Annual Giving. Mr. Haber concluded by reporting on the Vision for Tomorrow Campaign.

MANAGEMENT REPORTS

Operations Report – Lakewood Hospital

Mr. Gable then called upon Dr. Weil to provide a hospital operations report. Dr. Weil reported that Lakewood Hospital received recognition from the "Aligning Forces for Quality: Hospital Quality Network" for work in reducing readmissions. He noted that Lakewood outperformed the other Cleveland Clinic hospitals in that regard. He said that Lakewood Hospital had obtained Gold Plus status for stroke care achieving 85% or higher adherence to all "Get with the Guidelines – Stroke Performance" indicators for two or more consecutive 12-month intervals; and that the Hospital had a perfect outcome by Joint Commission in the recent Stroke Recertification survey. Dr. Weil also reported that in the recent Employee Engagement survey overall the hospital engagement had increased by .29 since 2008. Gallup considers a .10 increase as statistically significant.

Management Report – Regional Hospitals

Dr. Bronson's Management Report for September 2012 had been submitted for information and was included in the materials submitted in advance.

ADVISORY COMMITTEE REPORT / Thomas Gable / Ken Haber / Jeff Jones

Mr. Gable then called on Mr. Haber, Chair of the Finance and Audit Committee and member of the Advisory Committee, who provided a brief overview of the activities of the Advisory Committee, including its purpose, charge and composition. He reminded the Board that that the Advisory Committee had been appointed in December 2010 after the Board of Trustees had acknowledged the recommendations of the Finance and Audit Committee and Planning Committee to address the continued effectiveness of the Revised Vision for Tomorrow Plan as a long-term planning strategy for Lakewood Hospital in light of economic developments that had occurred since the Revised Plan's approval by the Board in February 2010. Mr. Haber explained that the Advisory Committee had met on a number of occasions and that the Committee had requested Mr. Jones to present a high level overview of the long-range financial forecast and the future capital needs for Lakewood Hospital. He then called on Mr. Jones.

Mr. Jones began his presentation by introducing and thanking Mr. Chhabra, the Finance Director at Lakewood Hospital, for his assistance in developing the data that had been presented to the Advisory Committee. Mr. Jones then described the patient population (by zip code) from where Lakewood Hospital derived a majority of its inpatient volumes. He pointed out that in 2010, about half of the population from the City of Lakewood that needed to be admitted to a hospital was provided inpatient care at Lakewood Hospital. Then he went over the long-term industry, market and hospital-specific trends for Lakewood Hospital, including the following:

- Declining need for IP Services
- Service Mix Changes
- Declining admissions from the emergency department
- Declining inpatient surgeries
- Shorter length of stay
- Declining population trends
- Ongoing inpatient to outpatient trends
- Deteriorating payer mix
- Ongoing service initiatives and expense reductions

Mr. Jones then pointed out that the inpatient volume at Lakewood Hospital had declined at a rate of about 6% annually since 2005. He also shared that this decline had continued despite initiatives by Cleveland Clinic Health System to stabilize the volumes at Lakewood Hospital in recent years. Inpatient volumes had continued to decline sharply with the most recent trend to observation status, representing a 6.7% decline from year-to-date August 2011 to year-to-date August 2012.

On the payer mix changes, Mr. Jones discussed the trend starting in 2000 and pointed out that the number of self-pay patients had increased significantly, that patients with commercial insurance had decreased, and that the Medicaid population for Lakewood had grown significantly. He went on to explain that all these changes had a significant negative financial impact on the Hospital.

After discussing the long-term market and hospital specific trends, Mr. Jones reviewed the five-year financial projections. He started by describing assumptions for the forecast as well as three volume scenarios (involving a 1% decline, a 6% decline, and an 8% decline). He reiterated that Lakewood Hospital had experienced a 6% annual decline since 2005 and that the volume decline in recent years had been more steep.

In projecting long-range EBIDA, Mr. Jones said that there were significant uncertainties related to the impacts of healthcare reform, and he reviewed the current assumptions that were currently net positive for Lakewood Hospital primarily due to the high self-pay population. He noted that the impact of the reform had not yet been included in the long-range EBIDA calculations. He went on to explain that it was unlikely that the positive impact from healthcare reform would be sufficient to negate the negative impact of ongoing declines in volumes at Lakewood Hospital.

In attempting to project balance sheet implications of these trends, Mr. Jones stated that if the volume continued to decline at similar rates as it had during the prior few years, then by 2015-2016 Lakewood Hospital's balance sheet would have lost most or all of the current cash and investments (approximately

$51 million). Mr. Haber conveyed that progress had been made over the past couple of years to reduce the negative trend of losses, and that the operation had been "righted" with regard to that trend, but that the Hospital was still operating at a loss and was far from breaking even given the continued decline in volumes this year.

Mr. Jones then reviewed the historical facilities-related capital expenses at Lakewood Hospital since 2007 and also shared an extract of a facilities assessment study done by KSA in 2005. He pointed out that the Lakewood Hospital facilities were old and dated, and that a strategy to conduct a comprehensive upgrade to the interior spaces of the facility taking them to today's standards would require a substantial amount of capital (approximately $90 million).

Board Retreat and Special Meeting

Mr. Gable then stated that a Board Retreat, the possibility of which had been discussed in the past by the Board, was being scheduled for November 19, 2012 at the Cleveland Clinic's Independence Family Health Center, from 9:00 a.m. until 2:00 p.m. to further discuss this topic. He also said that a nationally renowned speaker named Bradford Koles of the Advisory Board Company had been retained to speak on the topic of health care trends in the current environment. He said that a Special Meeting of the Board of Trustees may be held during the Retreat to take formal actions if desired. He said that the representation from Management would be limited. Written notices of the Retreat information were distributed. A lengthy discussion ensued regarding the Retreat.

EXTRACTED ITEMS FROM CONSENT AGENDA

No items had been extracted from the Consent Agenda.

OTHER BUSINESS

Mr. Gable announced that flu shots were available for the trustees after the meeting. There were no other items of business.

ADJOURNMENT

As there was no further business to come before the meeting, the same, on motion duly made and seconded, was adjourned at 6:10 p.m. The next Regular Meeting of the Board of Trustees would be held on Monday, January 28, 2013 beginning at 4:00 p.m. in the Wasmer Auditorium.

Michael J. Meehan, Esq., Secretary

Lakewood Hospital
a Cleveland Clinic hospital

Lakewood Hospital Association
Special Meeting of the Board of Trustees

Board of Trustees **Minutes** **November 19, 2012**

Present: T. Gable, Chair, D. Bronson, M.D., C. Brosky, E. Brzytwa, R.N., T. Bullock, C. Culley, M.D., J. Fancher, D.Min., R. Freeman, M.D., J. Gibbons, W. Gorton, K. Haber, D. Lesjak, J. Litten, M. Madigan, K. McGorray, Ph.D., R. Patton, R.N., G. Pritts, W. Riebel, M.D., D. Roche, and Hon. M. Summers.

Staff: W. Keckan and M. Meehan, Esq.

Pursuant to due notice, a Special Meeting of the Board of Trustees of Lakewood Hospital Association was held in Community Room A, Lower Level, Cleveland Clinic Independence Family Health Center, 5001 Rockside Road, Crown Center II, Independence, Ohio, at 1:00 p.m. on Monday, November 19, 2012. The trustees designated above as present, constituting a quorum, were in attendance.

Mr. Gable chaired the meeting and Mr. Meehan served as Secretary.

Call to Order

Mr. Gable called the meeting to order at 1:00 p.m. The meeting followed a retreat that had been conducted for the members of the Board of Trustees of Lakewood Hospital Association. The retreat had taken place at the same location, beginning at 9:00 a.m. The retreat had provided a basis for understanding future healthcare delivery trends and issues, reviewing the work of the Advisory Committee that Mr. Gable had previously appointed, reviewing whether a change to the healthcare delivery model at Lakewood Hospital was necessary, identifying issues and questions needed to go forward and identifying next steps for the Board of Trustees.

RESOLUTION TO APPOINT SELECT COMMITTEE

Mr. Gable began the meeting by proposing that the Board appoint a select committee to evaluate potential strategies to consider for future planning for Lakewood Hospital, and that Mayor Summers be appointed to serve as the Chair of the committee, and that he be authorized to appoint the members of the committee after consultation with the Board of Trustees. Mr. Gable proposed that the select committee be authorized to identify a qualified healthcare consultant for the purpose of identifying and evaluating strategies and options to consider for the future planning of the Hospital. He proposed that the committee would oversee the work of the consultant as well. Mr. Gable proposed that a budget be established in the amount of $200,000 to retain the consultant.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously adopted the following resolutions:

BE IT RESOLVED: That the Board of Trustees of Lakewood Hospital Association (LHA) recognizes that a change to the health care delivery model of Lakewood Hospital is needed;

BE IT FURTHER RESOLVED: That the Board of Trustees hereby appoints a Select Committee to evaluate potential strategies and evaluate strategic options to consider for future planning for Lakewood Hospital;

BE IT FURTHER RESOLVED: That the Mayor of the City of Lakewood is appointed to serve as Chair of the Select Committee and that he is authorized to appoint the members of the Select Committee after consultation with the Board of Trustees;

BE IT FURTHER RESOLVED: That the Select Committee is authorized to identify and recommend to the Board of Trustees for its approval a qualified, independent, health care consultant(s) for the purpose of evaluating strategic options and identifying the best strategy or other strategies to consider for future planning and to manage the work of the consultant(s) and to take such other actions that the Committee considers necessary and proper to advance this purpose within the budget prescribed below, and to report back to the Board of Trustees; and

BE IT FURTHER RESOLVED: That a budgeted amount not to exceed $200,000 is hereby authorized to cover the fees and expenses of the consultant(s) to be paid by LHA.

Mr. Gable and Mayor Summers stated that they were hopeful that a proposed consultant could be identified and presented to the Board of Trustees for approval at the Board's Regular Meeting in April 2013.

Members of Select Committee

Mr. Gable then called upon Mayor Summers, who stated that he was considering appointing the following individuals to the Select Committee: a member of City Council; two physicians from the Board, i.e., Drs. Reibel and Culley; and five citizens of the City of Lakewood, i.e., Ms. Brzytwa and Messrs. Haber, Gable, Brosky, and Gorton. Mayor Summers said that Dr. Weil, as Hospital President, should also be a member of the Select Committee as an *ex-officio* member. A general discussion followed wherein the members of the Board of Trustees discussed and supported these proposed members.

Adjournment

There being no further business to come before the meeting, the same, on motion duly made and seconded, was adjourned at 1:45 p.m.

Michael J. Meehan, Esq., Secretary

CLEVELAND CLINIC HEALTH SYSTEM - WEST REGION
LAKEWOOD HOSPITAL ASSOCIATION

MINUTES OF THE JOINT MEETING OF THE FINANCE COMMITTEES

MINUTES **December 13, 2012**

Present:	William W. Baker, Curtis M. Brosky, Kenneth Haber, Nathan E. Hessler Esq., George Hwang, David M. Lesjak, Gary R. Pritts, William J. Reidy, Dennis Roche, Mark R. Stevens
Administration:	Brian Donley MD, Jeff Jones, Michael Meehan Esq. Janice Murphy, Timothy Spiro MD, Robert Weil MD Other Administration: Kris Bennett, Ankit Chhabra, John Mills, Shannan Ritchie, Don Urbancsik

Call to Order

Pursuant to due notice, a joint meeting of the Finance Committees of the Boards of Trustees of Cleveland Clinic Health System - West Region, including the Finance Committees of Fairview and Lutheran Hospitals, and of Lakewood Hospital Association was held on Thursday, December 13, 2012 at 7:30 AM in the Boardroom at Lakewood Hospital. The aforementioned members of the committees designated as present were in attendance and constituted quorums. Mr. Baker chaired the meeting and Mr. Jones served as recording secretary. Mr. Baker called the meeting to order at 7:30 AM.

Approval of Minutes

Mr. Baker reviewed the minutes of the joint meeting of the Boards of Trustees of Cleveland Clinic Health System - West Region and Lakewood Hospital Association Finance Committees held on September 20, 2012, which had been distributed in advance.

Upon motion duly made and seconded, the minutes were unanimously approved.

Finance Report for Year-to-Date October 31, 2012/J. Jones

Mr. Jones reported on the detailed financial results for the combined west region year-to-date through October 31, 2012. Trend is [redacted] and all are [redacted] plan. Operating income was $[redacted] for the period which was $[redacted] budget. In comparison, net operating income for the same period in 2011 was $[redacted] EBIDA was $[redacted] which was $[redacted] to the budget of $[redacted]

Mr. Jones reviewed the normalized financial schedule showing that operating income reflecting current operations was $[redacted] which was $[redacted] to the

budget of $[redacted]. The normalized adjustments included prior year third-party adjustments and the rural floor settlement previously reported.

Mr. Jones then reviewed the operational variance slides for the combined group that included principal drivers, volume, productivity and payer mix. Operational variance slides were also reviewed for each hospital. A summary slide detailing statistical variances for the period starting with inpatient admissions was then reviewed. Total year-to-date admissions were down 6% compared to budget and emergency room admissions were unfavorable to budget by 4%. Mr. Jones continued by noting that inpatient surgeries were [redacted] by [redacted]%, while outpatient cases were [redacted]% [redacted] budget. Observation cases that were discharged from observation were [redacted]% [redacted] to plan and partially offset the decline in inpatient admissions.

Mr. Jones then reviewed the payor mix slides by hospital. Self-pay revenue [redacted] while Lakewood was below plan and flat compared to the previous year. Mr. Jones reviewed the productivity slides that indicated average productivity [redacted]% for the group with individual hospital performance for [redacted] and Lakewood slightly below at 99.4%. Salaries and other expenses were reviewed by hospital. Mr. Jones highlighted areas on the key takeaways slide listing patient volume, revenue realization, labor costs and total expenses.

Upon motion duly made and seconded, the committee unanimously recommended approval of the finance report as presented for the period ending October 31, 2012.

2013 Budget/J. Jones

Mr. Jones reviewed the financial components of the budget including the 2013 year-end forecast and assumptions. He started with a review of the 2013 patient volumes, including any key underlying business plans from which the volumes were derived. For 2013 planning, [redacted] He then reviewed the 2013 EBIDA reconciliation waterfall slide which highlighted primary budget drivers and impacts.

Mr. Jones reviewed the net patient revenue anticipated for 2013 based upon an annual price increase, regulatory and managed care contracting and payor mix assumptions. A discussion followed regarding a higher write-off in uncompensated care with charity down slightly with generally stable expectation for self-pay.

Mr. Jones then reviewed FTE growth resulting mainly from nursing enhancements in the current year as determined by a targeted hours-per-payday standard at each hospital. There was a discussion regarding how the FTE levels compared by hospital. Mr. Jones explained how departmental FTE levels are developed and monitored against MECON benchmark standards taking volume assumptions into consideration.

Mr. Jones reviewed net operating income and pending budget allocation adjustments. Finally, risks systemwide and opportunities and risks at each hospital were discussed.

The Chair of the West Region Joint Finance Committee then requested approval of the operating budgets for the west region hospitals, consisting of Fairview, Lutheran and Lakewood Hospitals. The Chair of the Lakewood Finance Committee requested that the Lakewood Finance Committee have an opportunity to separately discuss the Lakewood Hospital budget in a meeting that will be scheduled in January 2013. A general discussion followed, during which the Joint Committee agreed to consider and approve the west region budget subject to the subsequent approval by the Lakewood Finance Committee.

Upon motion duly made and seconded, the West Region Finance Committee and the Lakewood Hospital Association Finance Committee jointly and unanimously approved the 2013 operating budgets of the west region hospitals, subject to the subsequent review and reapproval of the budgets by the Finance Committee of the Board of Trustees of Lakewood Hospital Association.

Capital Budget and Historical Spend Summary/J. Jones
Mr. Jones commented that the 2013 capital allocation summary is a high-level view and more detail will be provided next quarter.

Capital Request – Fairview Hospital/J. Murphy

[redacted]

Capital Request – Lutheran Hospital/K. Bennett

[redacted]

Investment Summary/J. Jones
In the interest of time, Mr. Jones referred to the investment summary for individual review. Also, Mr. Baker commented on the performance of the LTIP noting November will reflect better numbers.

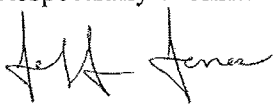
Other Business
Mr. Jones informed the committee he received a letter from Moody's affirming the Baa2 bond rating for Lakewood Hospital Association and added that the outlook was revised from negative to stable.

Mr. Baker mentioned the planned changes in the board structure for 2013. Mr. Meehan then noted that Dr. Bronson will be discussing governance structure with each board over the next cycle and expects that meetings will probably proceed as scheduled for the first six months of 2013.

Mr. Hwang expressed a desire to share two recent Cleveland Clinic experiences by members of his family. One was for the outstanding surgical care of a family member. The other experience was a niece who works at Massachusetts General Hospital as a nurse and visited main campus for a tour. During both occasions from surgeons and nurses to aides all were gracious, helpful, friendly and personified exceptional patient care. Mr. Hwang recently told Dr. Cosgrove about his experiences and fully agrees with the recent Press Ganey award that Dr. Cosgrove accepted on behalf of the system's caregivers.

There being no further business to come before the Committee, the same on motion duly made and seconded, Mr. Baker adjourned the meeting at 9:05 AM with the next joint meeting scheduled for March 14, 2013.

Respectfully submitted,



Jeff Jones
Recording Secretary

Lakewood Hospital
a Cleveland Clinic hospital

Lakewood Hospital Association
Annual Meeting of the Board of Trustees

Board of Trustees **Minutes** **January 28, 2013**

Present: T. Gable, Chair, D. Bronson, M.D., C. Brosky, E. Brzytwa, R.N., T. Bullock, T. Coury, C. Culley, M.D., J. Fancher, D.Min., R. Freeman, M.D., W. Gorton, K. Haber, J. Litten, K. McGorray, R. Patton, G. Pritts, W. Riebel, M.D., D. Roche, M. Summers, and M. Tabbaa, M.D.

Staff: J. Bekeny, M.D., A. Chhabra, M. Harrington, A. Mayernick, Esq., M. Meehan, Esq., S. Ritchie, M. Sauer, R.N., R. Stall, and R. Weil, M.D.

Pursuant to due notice, the Annual Meeting of the Board of Trustees of Lakewood Hospital Association was held in the Wasmer Auditorium, Lakewood Hospital, 14519 Detroit Avenue, Lakewood, Ohio, at 4:00 p.m. on Monday, January 28, 2013. The trustees designated above as present, constituting a quorum, were in attendance.

Mr. Gable chaired the meeting and Mr. Meehan served as Secretary.

Call to Order

Mr. Gable called the meeting to order at 4:10 p.m. A warm welcome was provided to staff member additions Michael Harrington, Chief Accounting Officer and Controller, Cleveland Clinic, and Ankit Chhabra, Finance Director, Fairview and Lakewood Hospitals. Additionally, it was reported that Dr. Garven had stepped down as Vice President of Medical Operations to pursue full-time patient practice and other leadership opportunities. Dr. Riebel had been appointed to succeed Dr. Garven as Vice President of Medical Operations, effective January 1, 2013.

CHAIRMAN'S REPORT

Approval of Minutes

Mr. Gable reviewed the minutes of the Regular Meeting held on October 15, 2012 and the Special Meeting held on November 16, 2012 of the Board of Trustees of Lakewood Hospital Association, which had been distributed in advance. A general discussion followed and, on motion duly made and seconded, the minutes were unanimously approved as distributed.

Consent Agenda

- **Community Advisory Committee Report.** The minutes of the Community Advisory Board were provided as information.

- **Planning Committee Report.** No meeting had been held.

Mr. Gable then asked if there were any items that should be extracted from the Consent Agenda for separate discussion later in the meeting.

There being none, on motion duly made and seconded, the Lakewood Hospital Association Board of Trustees unanimously accepted for information the reports described in the Consent Agenda as presented.

QUALITY COMMITTEE / W. Riebel, M.D.

Mr. Gable then called upon Dr. Riebel to present the Joint Quality Committee report. Dr. Riebel reported that the minutes of the joint meeting of the Quality Committees of Cleveland Clinic Health System—Western Region and Lakewood Hospital Association of January 10, 2013 and Executive Summary for the Third Quarter 2012 for Lakewood Hospital (and Fairview and Lutheran Hospitals) had been provided for information.

MEDICAL STAFF REPORT / C. Culley, M.D.

Credentialing Actions

Credentialing actions were submitted by Dr. Culley for ratification and included new appointments and granting of clinical privileges, reappointments of two-year terms, granting of additional privileges to current members of the Medical Staff, leaves of absence, and acceptance of resignation actions taken through the expedited credentialing process conducted on November 5 and December 3, 2012 and January 7, 2013.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously ratified the aforementioned credentialing and privileging actions of November and December 2012 and January 2013.

GOVERNANCE COMMITTEE / Mousab Tabbaa, M.D.

Dr. Tabbaa presented on behalf of the Governance Committee the 2013 slate of proposed officers and trustees for election, re-election, and/or appointment for the Lakewood Hospital Association ("LHA"), Cleveland Clinic Board of Trustees and Cleveland Clinic Health System—Western Region Board of Trustees as well as Lakewood Hospital Association Board Committee appointments. He also presented the proposed Annual Member Report.

Election of LHA Officers

Dr. Tabbaa then proposed the following individuals to serve as Officers of Lakewood Hospital Association for 2013. The officers proposed did not reflect a change other than for Treasurer and Assistant Secretary. It was reported that Mr. Jeff Jones had resigned to become the Chief Financial Officer at Cone Health System in Greensboro, N.C. and that Mr. Mike Harrington, Chief Accounting

Confidential

Officer and Controller for Cleveland Clinic had been asked to lead the effort to integrate Regional Financial Operations into Corporate Finance. Dr. Tabbaa proposed Mr. Steven C. Glass for the Office of Treasurer and Assistant Secretary and Chief Financial Officer, CCF. A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously adopted the following resolution:

> **RESOLVED,** that the Lakewood Hospital Association Board of Trustees hereby elects the following persons to the offices of the Lakewood Hospital Association set forth opposite their respective names to serve for a one (1) year term commencing on January 1, 2013, or until their successors are duly elected and qualified pursuant to the Lakewood Hospital Association Amended Code of Regulations, as the same may be amended from time to time.

Chair of the Board	Thomas J. Gable
Vice Chair of the Board	M. Ellen Brzytwa
President	David L. Bronson, M.D.
(Per Article IV, Sec. 6.5 of the Code of Regulations, subject to election by Cleveland Clinic)	
Secretary	Michael J. Meehan, Esq.
Treasurer and Assistant Secretary and Chief Financial Officer, CCF	Steven C. Glass

Election of LHA Trustees

Dr. Tabbaa then recused himself from presenting the re-election of the following Trustees for conflict of interest reasons. Mr. Meehan therefore reported that the following trustees were serving terms due to expire. He then reported receipt of a letter from the City of Lakewood City Council affirming the appointment of K. McGorray, Ph.D. A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously adopted the following resolution:

> **RESOLVED,** that the Lakewood Hospital Association Board of Trustees, subject to the approval of Cleveland Clinic as Member, hereby elects the following persons to the Lakewood Hospital Association Board of Trustees to serve for a five (5) year term commencing on January 1, 2013, and expiring December 31, 2017, or until their successors are duly elected and qualified pursuant to the Lakewood Hospital Association Amended Code of Regulations, as the same may be amended from time to time:

Jon Fancher, D.Min	General Trustee
Mousab Tabbaa, M.D.	General Trustee
Kathleen T. McGorray, Ph.D.	Special Trustee

Appointment to Cleveland Clinic Health System – Western Region Board of Trustees

The following individuals were then proposed by Mr. Meehan as Lakewood Hospital Association's representatives to the Board of Trustees of the Cleveland Clinic Health System – Western Region for 2013. A general discussion followed and, on motion duly made and seconded, the Board of Trustees of LHA unanimously adopted the following resolution:

> **RESOLVED,** that the Lakewood Hospital Association Board of Trustees hereby reappoints the following members of the Lakewood Hospital Association Board of Trustees to a one (1) year

term, commencing on January 1, 2013, as members of the Cleveland Clinic Health System – Western Region Board of Trustees.

Trustees Appointed without Ratification

Curtis M. Brosky
Dennis R. Roche
Mousab Tabbaa, M.D.

Trustees Appointed Subject to Ratification by Cleveland Clinic as Member

Thomas J. Coury
Thomas J. Gable
William R. Gorton
John T. O'Neill

LHA Board Committee Appointments

Dr. Tabbaa then stated that the individuals depicted on the attached Exhibit A had been proposed by Mr. Gable to be appointed to the Committees of the Board of Trustees for 2013. A general discussion followed and, on motion duly made and seconded, the Board of Trustees of LHA unanimously adopted the following resolution:

RESOLVED, that the persons identified on the attached Exhibit A are hereby appointed to the committees set opposite their respective names, to serve for a one (1) year term commencing January 1, 2013, or until their successors are duly appointed.

Annual Member Report

Dr. Tabbaa then called upon Mr. Meehan who reviewed the practice of providing an Annual Member Report to the Cleveland Clinic as Member with a copy to the City of Lakewood reflecting compliance with the Lease.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the 2012 Annual Member Report to the City of Lakewood and The Cleveland Clinic Foundation as submitted, and directed that the Lakewood Hospital Association Chief Executive Officer be authorized to deliver the same to the Cleveland Clinic and the City of Lakewood.

Conflict of Interest

Dr. Tabbaa then called upon Mr. Meehan to deliver a report regarding the 2012 Trustees conflict of interest review process. Mr. Meehan introduced Ms. Mayernick of the Cleveland Clinic Law Department, who reviewed the process by which the questionnaires were evaluated, indicating that the answers were tabulated, internet searches were performed, Cleveland Clinic Health System ("CCHS") financial records were checked, and that the data was compiled and summarized. Ms. Mayernick reviewed the tabulation process and responses. A general discussion followed and, upon Ms. Mayernick's recommendation, on motion duly made and seconded, the Board of Trustees unanimously adopted the following resolution:

RESOLVED, that those Trustees who reported or otherwise have a business or other relationship with an entity which may present a conflict of interest be advised to recuse themselves from specific CCHS Board discussions and any voting regarding business decisions involving such entities, subject to the approval of the Innovation Management & Conflict of Interest Committee of the Board of Directors of the Cleveland Clinic.

FINANCE AND AUDIT COMMITTEE / Kenneth Haber

Mr. Gable then called upon Mr. Haber to deliver a report from the Finance and Audit Committee. Mr. Haber reported that the Western Region Joint Finance Committee and Lakewood Hospital Association Finance and Audit Committee meeting minutes of December 13, 2012 and January 24, 2013 were provided for information. Mr. Haber stated although the materials presented represented the financial report through October 31, 2012, Mr. Chhabra would present data through December 31, 2012. He then called upon Mr. Chhabra to present the financial report.

Mr. Chhabra then reviewed the Statement of Operations for the year ended December 31, 2012. He stated that the results were unaudited results and were subject to change. EBIDA was $3.9 million which was $1.9 million favorable to the budget of $1.96 million. Normalized Operating Income reflected a loss of $2.8 million compared to a budgeted loss of $5.1 million, which was $2.3 million favorable to budget. He then detailed statistical variances for the year. Total year-to-date admissions were down 5% compared to budget and emergency room admissions which were unfavorable to budget by 11%. ED visits were 4% favorable to budget. Revenue realization CSA was 63.74% compared with 63.85% budgeted, and total uncompensated care/bad debt was 8.58% vs. 9.28% budgeted. Wage-based productivity was 99.5% and benefits were $513,607 or 3.6% unfavorable to budget. Total expenses (excluding bad debt) were 1.6% favorable to budget.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the financial report for the period ended December 31, 2012.

Mr. Chhabra then reviewed the financial components of the budget including the 2012 year-end forecast that was used as the baseline for budget assumptions. He then reviewed baseline 2013 admissions including observations inpatient and outpatient surgical cases, revenue inflation, payer mix trends and non-staff FTEs excluding CRP. He concluded his report by reviewing the 2013 EBIDA reconciliation waterfall slide which highlighted primary budget drivers and impacts.

A general discussion followed and, on motion duly made and seconded, the Board of Trustees unanimously approved the 2013 Operating Budget.

LAKEWOOD HOSPITAL FOUNDATION REPORT / Kenneth Haber

Mr. Gable then called upon Mr. Haber who stated that the Lakewood Hospital Foundation report of January 15, 2013 had been submitted in advance for information. Mr. Haber acknowledged his and the Foundation's appreciation of 100% annual giving participation by both the Lakewood Hospital Foundation and the Lakewood Hospital Association Boards of Trustees. In conclusion, Mr. Haber

announced that a celebration of the Foundation and Hospital Boards would be held on Tuesday, February 19, 2013 from 5:30 – 7:30 p.m. at Rozi's Wine House.

MANAGEMENT REPORTS

Operations Report – Lakewood Hospital

Mr. Gable then called upon Dr. Weil to share his thoughts on four main priorities.

1. Providing excellent patient care in a safe environment,
2. Enhancing the overall patient experience,
3. Engaging employees who want to work at Lakewood Hospital and who are committed to established goals, and
4. Creating an environment where physicians want to practice.

Dr. Weil shared his belief that meeting these four priorities would achieve positive financial performance. He then reported that the Hospital had passed all surveys presented over the past year and that the Hospital was the first within the health system to include members the Board of Trustees in monthly Executive Rounding. In conclusion, Dr. Weil reported on two health system initiatives. The first, related to caregivers attending educational sessions and participation in the "90 in 90" patient experience initiatives to meet goals locally and to help lead the health system. Secondly, he reported on daily Safety, Operations and Patient and Physician Experience (SOPE) rounds implemented this past Fall where nursing and clinical leaders had reported what had occurred within the past 24 hours, including the following:

1. Did any of our patients die?
2. Where there any near misses?
3. Where there opportunities to make things better for our patients and staff?
4. Where there any transfers outside of the hospital?
5. What issues we discuss yesterday and how did we resolve them?

Mr. Gable acknowledged Dr. Weil's dedication and thoroughness in providing on-going communication.

Management Report – Regional Hospitals

Mr. Gable then called upon Dr. Bronson who stated that his Management Report for December 2012 had been submitted for information and was included in the materials distributed in advance.

UPDATE ON GOVERNANCE TASK FORCE / David L. Bronson, M.D.

Mr. Gable then called upon Dr. Bronson to provide an update on the Governance Task Force. Dr. Bronson reviewed the overall goal of the task force which was to improve the effectiveness of the governing boards in meeting the goal of one standard for quality, safety and patient experience. He then reviewed task force membership highlighting that a board chair from each of the community hospital boards had participated. Next he reviewed the proposed governance model stating that in the future it was

contemplated that all the hospitals would have their own boards and that new boards would probably consist of 10-15 members. Dr. Bronson said that the Western Region Board may be eliminated under the proposed model as duplicative.

Dr. Bronson reported upon approval of the proposed governance model that four of the Community Hospital Boards Chairs would be invited to sit on the Cleveland Clinic Board of Directors. Next, he reviewed the hospital boards' responsibilities allowing for a focus on quality, safety, and patient experience; and credentialing; community engagement and hospital leadership evaluation. Next steps included presenting the model to the other community hospital boards and special members, completing appropriate document revisions and implementation. Because of the relationship with the City of Lakewood, the Lakewood Hospital Association Board of Trustees would incur little impact from proposed model. Dr. Bronson stated that the Lakewood board chair would have a role in the system governance proportionate with other system hospital board chairs and that there would be transition away from a Western Region governance model and one-third representation on the Western Region Board of Trustees toward involvement in the governance of the entire enterprise.

ADVISORY COMMITTEE REPORT / Thomas Gable

Mr. Gable reported that a Select Committee had been established following the Special Meeting held on November 19, 2012, and that Mayor Summers had been appointed to serve as the Chair. It was reported the Committee had met once with a second meeting scheduled at the conclusion of this meeting.

EXTRACTED ITEMS FROM CONSENT AGENDA

No items had been extracted from the Consent Agenda.

OTHER BUSINESS

There were no other items of business.

ADJOURNMENT

As there was no further business to come before the meeting, the same, on motion duly made and seconded, was adjourned.

Michael J. Meehan, Esq.
Secretary

Exhibit A

LAKEWOOD HOSPITAL ASSOCIATION BOARD OF TRUSTEES
COMMITTEE APPOINTMENTS – 2013

EXECUTIVE COMMITTEE

T. Gable, Chair
E. Brzytwa, Vice Chair
M. Tabbaa, M.D.
C. Brosky
K. Haber
W. Riebel, M.D.
G. Pritts

D. Bronson, M.D.
M. Meehan, Coordinator
R. Weil, M.D.

FINANCE & AUDIT COMMITTEE

K. Haber, Chair
D. Roche
T. Coury
C. Brosky
D. Lesjak
G. Pritts
T. Gable
J. Vine (Life Trustee, non-voting)

R. Weil, M.D.
A. Chhabra, Coordinator

QUALITY COMMITTEE

Rev. J. Fancher, DMin, Co-Chair
W. Riebel, M.D., Co-Chair
E. Brzytwa
C. Culley, M.D.
J. Bekeny, M.D.

D. Brill, D.O.
J. Crandell, M.D., Medical Staff President-Elect
W. Riebel, M.D., Coordinator
M. Sauer, CNO

J. Gibbons
K. McGorray, Ph.D
R. Patton, MSN, RN, CNOR, FAAN

M. Shie, M.D.
A. Sierk, M.D.
J. Snyder, M.D.
R. Weil, M.D.

GOVERNANCE COMMITTEE

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1/28/2013