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REQUEST FOR PROPOSALS FOR CONSULTANCY WORK

CONFIDENTIAL ATTORNEY WORK PRODUCT

April 27, 2015

I. Introduction. The city of Lakewood is currently seeking proposals from qualified consulting firms interested in serving as an outside consultant to the city related to negotiations over the future of healthcare in Lakewood, specifically as those negotiations relate to the city's current lease of city-owned real and appurtenant property known as Lakewood Hospital to the nonprofit Lakewood Hospital Association, Inc., whose sole member is the Cleveland Clinic Foundation.

Proposal procedure. Proposals are due May 11, 2015. One electronic copy should be emailed to kevin.butler@lakewoodoh.net, and seven hard copies delivered to:

Kevin M. Butler
Director of Law
City of Lakewood, Ohio
12650 Detroit Avenue
Lakewood, OH 44107

The city is under no obligation to return proposals. Each proposal may be prepared simply and economically, and should avoid the use of elaborate promotional materials beyond what is sufficient to provide a complete, accurate and reliable presentation.

Notwithstanding any other provisions of this RFP, the city reserves the right to award this contract to the respondent that best meets the requirements of the RFP and not necessarily to the lowest fee quote submitted.

The selected consultant will be restricted from engaging in any activities on behalf of the city that produces direct or indirect financial gain for the firm, other than the agreed-upon compensation, without the city's written consent.

The city accepts no responsibility for expenses incurred by responding firms in the preparation or submittal of a proposal and reserves the rights not to retain any services, to waive any irregularities, informalities or inconsistencies in the proposals, to enter into contracts with more than

one proposer and to reject any and all proposals received for any or no reason and without penalty to the city.

II. Background. As will become apparent below, the scope of the consultant's services will center on assisting the city in engaging in due diligence with respect to a proposed transaction that relates to the city-owned, privately-run Lakewood Hospital.

By way of background, the city is a party to an [amended and restated lease agreement](#) (click link to view document), formed in 1996, governing Lakewood Hospital and related property. Lakewood Hospital sits on approximately six acres of land in the center of the city owned by the city. Several additional hospital-related facilities nearby are also owned by the city.

In the 1996 lease agreement, the city leased the hospital assets to the Ohio non-profit corporation, the Lakewood Hospital Association, Inc., whose sole member is the Cleveland Clinic under a [separate definitive agreement](#) with that healthcare system. The hospital association governing board, which includes a mixture of city officials, city appointees, Cleveland Clinic officials and board appointees, oversees the operations of the hospital. The hospital is operated by the Cleveland Clinic and is part of its healthcare system. The lease agreement, under which the city receives rent (and, previously, reimbursement for debt service), is scheduled to expire in 2026. Relatedly, there exists a Lakewood Hospital Foundation, Inc., an Ohio non-profit corporation whose charitable purpose has been to support Lakewood Hospital; it is a tangential part of this proposal.

Over the past several years, the governing board of the Lakewood Hospital Association has undertaken a series of studies and negotiations regarding the future of healthcare in Lakewood, with the assistance of its outside consultant, Atlanta-based Subsidiary Healthcare. That process culminated in an [announcement in January 2015](#), made jointly by the Lakewood Hospital Association, the Lakewood Hospital Foundation and the Cleveland Clinic, that the three parties had signed a [nonbinding letter of intent](#) that, once developed into a new definitive agreement, would likely chart a course for healthcare in the city in the years and decades to come. While the mayor of Lakewood and two councilmembers have supported this letter of intent as members of the hospital governing board, the city is not a party to the letter of intent. The city will be asked to become a party to the new definitive agreement, however, which would require the support of the mayor and the full city council.

Included in the letter of intent are plans for a new \$34 million, 62,000-square-foot family health center to be built, owned and operated by the Cleveland Clinic and a new \$32 million community health and wellness foundation that, once designed and implemented, would be designed to serve Lakewood's citizens' comprehensive healthcare objectives from the cradle to the grave. All told, we are informed the letter of intent represents a proposed investment of up to \$120 million in the community healthcare needs.

A more thorough summary of the deal outlined in the letter of intent follows:

Parties to Letter of Intent	▪ Cleveland Clinic Foundation (CCF), Lakewood Hospital Association (LHA), Lakewood Hospital Foundation (LHF) ▪ City of Lakewood (City) to be added to Definitive Agreement
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Lakewood Request for Proposals

April 27, 2015

Page 3 of 6

Objective	▪ To transform services in Lakewood from inpatient to comprehensive outpatient, wellness and outreach services
Family Health Center and Services	▪ CCF to invest about \$34 million to build (approximately) 62,000 square foot Family Health Center (FHC) ▪ To be built on about 2.5 acres of (or near) the current hospital site ▪ Includes 24/7 Emergency Department ▪ Parking details to come; will include parking in the Belle Avenue deck ▪ CCF to pay City fair market value for land ▪ Deed restrictions will ensure healthcare is provided on that site
Family Medicine Residency	▪ The Family Medicine Residency program, including 16 medical doctors, will relocate from Fairview Hospital campus to Lakewood FHC
Emergency Department	▪ The current ED will continue to operate during the wind-down, if reasonably possible, until the FHC's ED opens
New Tax-Exempt Entity	▪ >\$32 million will fund a tax-exempt, community-based foundation (excludes assets of Lakewood Hospital Foundation) ▪ \$24.4 million from CCF (half at effective date, half when FHC opens and plan for hospital decommission is complete) PLUS additional payments of \$500,000 per year for 16 years (total of \$8 million)
Role of CCF in New Entity	▪ CCF to have two board seats (out of up to 21) ▪ CCF to have naming opportunity for program or facility funded by the community-based foundation ▪ CCF to have right of first refusal to be the provider of programs/services over \$500,000/year
Wind-down/ Dissolution	▪ City maintains ownership of land under hospital (except what is sold for FHC) and other property, including parking garage, Medical Office Building, Community Health Center, homes and paved lots ▪ President of the LHA will direct the dissolution plan, which will be an exhibit to Definitive Agreement ▪ \$33-\$49 million will be invested to transition into new model ▪ LHA to pay City \$8.2 million, received from CCF for LHA-owned facility at 850 Columbia Road in Westlake
Support	▪ City will promptly grant needed regulatory approvals within its authority

	▪ CCF, in turn, will work with the City of Avon to help negotiate an agreement with Lakewood on payroll tax-sharing
Other Terms	▪ No other health system provider will operate on the same property ▪ CCF will use its brand and market position to help Lakewood attract a wellness center partner (if desired) ▪ The City will include at least one employee benefits health plan choice that includes CCF as a preferred provider

The city has begun to evaluate the proposal and has engaged Thompson Hine LLP (Robyn Minter Smyers, Deborah Read and John Green, lead counsel) as outside counsel to assist with the city's review and possible negotiation of the proposed terms. The city requires the assistance of a separate consultant to complete its due diligence work.

III. Scope of work; timing; fee proposal. Your services will include the following:

- **Part One: your views on healthcare trends.** The proposal contemplates the closing of an inpatient hospital that exists within a region bearing many other hospitals; the opening of an outpatient family health center with standalone emergency room; and the formation of a \$32 million community wellness foundation. The net result, it has been said, is that the citizens of Lakewood will be served by a more forward-thinking healthcare system that ushers out the old, archaic model of healthcare delivery in favor of the new outpatient "medical home" model and that accounts for the promise of population health management within our community. (See, for example, [this New York Times article](#) explaining the Cleveland Clinic's challenge to adapt to the new model of healthcare delivery.)

The city's officials seek your consultancy to confirm or challenge the assumptions presented in this proposal related to the future of outpatient-vs.-inpatient healthcare delivery and the importance of the concept of population health management.

Time within which this work is expected: two weeks.

- **Part Two: review of Subsidiary Healthcare's work for Lakewood Hospital Association.** As discussed above, the city's tenant, Lakewood Hospital Association, relied heavily on Subsidiary Healthcare to assist in LHA's evaluation of options for the future of healthcare in Lakewood and ultimately to negotiate the terms of the proposal now before the city. In January 2015 Subsidiary produced an 86-page report, in the form of slides, to the hospital trustees. Subsidiary's report can be read in full [here](#). Several other examples of Subsidiary's consultancy work for the Lakewood Hospital Association, and the documents upon which Subsidiary relied, can be separately viewed by pointing to [this hospital-related page](#) on the city's website.

As part of its due diligence, the city is now considering Subsidiary's conclusions, in terms of their substance and their comprehensiveness. Your firm will be expected to review those conclusions, as well as the data upon which they are based, and to answer additional questions raised by the city at future times as appropriate.

Time within which to consult on Subsidiary Healthcare's work: negotiable, but we would expect you to propose an estimated time in your proposal.

- **Part Three: limited analysis of 1996 definitive agreement and financial statements.** Recall the city leases Lakewood Hospital to the LHA under a lease agreement. LHA in turn signed a definitive agreement with the Cleveland Clinic related to the operation of the hospital. As part of its due diligence, the city requires your analysis of the financial obligations of LHA and the Cleveland Clinic under the lease agreement and definitive agreement, including review of the hospital's audited financial statements and analysis of the financial aspects of the terms of the letter of intent.

Time within which to consult on the definitive agreement and financial obligations: negotiable, but we would expect you to propose an estimated time in your proposal.

Fee proposal. We expect that your firm will submit, to the extent possible, a not-to-exceed, fixed-fee proposal for the scope of services noted above, or in the event you are not able to do so, another fee proposal for our consideration (such as an hourly rate for consultancy services). Please note that if other consultancy services are required by the city, we recognize those additional services will be subject to a separate fee proposal.

IV. Information requested. All respondents must provide the following information, ideally in no more than 15 pages:

- Provide the name, title, address, telephone number and email address of the primary contact person for the proposal.
- Provide a brief description of your firm and its areas of expertise.
- Describe your firm's experience, qualifications and resources to perform the scope of services listed in this RFP.
- Provide responses to the timing of and fee proposals for the scope of work identified above.
- Identify one person who would be the primary consultant overseeing your firm's assistance to the city. Ideally, this would be the consultant primarily responsible for most often providing direct advice to the mayor, members of city council, departmental directors and the city's in-house and outside attorneys. Include the person's name, telephone number, email address and biography.
- Identify all those who would likely be a part of your firm's team responsible for providing consultancy services to the city within the scope of services identified above. Include each person's name, telephone number, email address and brief biography.
- Describe any examples of your work on behalf of cities, other public entities or other clients that demonstrate the value of your services in the fields identified in the scope of services section above.
- Provide any references, up to five, of those who may be able to discuss your firm's or any of

Lakewood Request for Proposals

April 27, 2015

Page 6 of 6

your team members' services to those prior clients.

- Propose any fee arrangements your firm wishes the city to consider, including fixed, hourly or hybrid arrangements, taking into account the city's request for fixed-fee proposals.

Please note that while the city is treating this RFP, your response to it and your consultancy materials as confidential attorney work product, the RFP and all submissions may be subject to Ohio's public records laws.

V. Evaluation and award. We will evaluate information received and may request additional information or clarifications from those responding, or to allow for the corrections of errors or omissions. We may ask any respondents to provide in-person or videoconference presentations to city officials and advisers. If the city requests that your firm make a presentation, we will notify you.

Evaluation of proposals will be based on the following criteria, listed not necessarily in order of importance: capability of the proposer to perform the required scope of services, including knowledge of and experience in the due diligence work being undertaken; qualifications, education and relevant experience of the individuals to be assigned; city discussions with provided references; and proposed fee arrangements.

The city reserves the right to retain all proposals submitted and to use any information in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the respondent of the conditions contained in this request for qualifications.

Once a firm is selected, the city will require the submission of a separate written fee agreement.

Respondents should feel very free to contact the law director, Kevin Butler, at the email address provided above or at (216) 529-6034 with any questions or requests for information that will enable a more thorough response. Thank you for your interest in responding to this request for proposals. ■