

**Lakewood Hospital Association
Special Meeting of the Board of Trustees**

Board of Trustees

Minutes

December 12, 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, MD, PhD, J. Gibbons, W. Gorton, K. Haber, D. Lesjak, J. Litten, M. Madigan, K. McGorray, Ph.D, J. O'Neill, G. Pritts, W. Riebel, M.D., D. Roche, M. Summers, and M. Tabbaa, M.D.

Staff: B. Donley, MD, M. Harrington, M. Meehan, and S. Ritchie.

Guests: L. Fry and R. D'Amaro

Pursuant to due notice, a Special 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 Thursday, December 12, 2013. The trustees designated above as present, constituting a quorum, were in attendance.

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

Call to Order

Mr. Gable called the meeting to order at 4:10 p.m. and welcomed everyone in attendance.

MANAGEMENT REPORT / S. Ritchie

Mr. Gable opened the meeting by calling on Mr. Ritchie to deliver a brief report about the visit that week from The Joint Commission (TJC). Mr. Ritchie said that there had been no condition-level findings, which were the kind of findings that would place a hospital at risk. He said there were six direct findings and seven indirect findings, many of which had been addressed and resolved prior to the departure of the survey team. He said that the representatives from TJC had been very complimentary of the Hospital.

The TJC team had noted approvingly that three members of the Board of Trustees were present at the Hospital (participating in executive rounding) at the time of the unannounced visit, and Mr. Ritchie said that Mr. Gable had been present each day and he expressed Management's appreciation to him for this. He said that all of the Trustees were welcome to join the Management staff for executive rounding, which occurred on the second Tuesday of each month, at 7-9 a.m. Dr. Bronson reiterated that the TJC representatives were complimentary, noting that the quality of care had increased, that employees were engaged, and that successes in other areas such as the rehabilitation unit proved that improvement efforts get noticed by a review team..

Ms. Brzytwa commented that the Hospital had gone for over a year without chart deficiencies and that the reviewers had been complimentary of the safety huddle process.

REPORT FROM 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 stated that the Finance and Audit Committee had conducted a Special Meeting on Friday, November 22, 2013, to formulate a recommendation regarding Management's proposal to collapse the four different controlled groups within the Cleveland Clinic Health System's Retirement Plan into the Cleveland Clinic controlled group for qualified plan purposes as a follow-up to the prior meeting of the Finance and Audit Committee.

Mr. Haber said that the Retirement Plan was considered a multiple-employer plan with participants from four different controlled groups: Cleveland Clinic, Western Region, Lakewood Hospital and Cleveland Clinic Children's Hospital for Rehabilitation. Calculations and reporting occurred separately for each group as if it were sponsoring its own plan. The enterprise was in the process of collapsing the four control groups into a single controlled group (the Cleveland Clinic controlled group) for qualified plan purposes and the defined benefit retirement plan would be treated going forward as a "single-employer plan." He reviewed the advantages of collapsing the plans, which were further described in the minutes of the Finance and Audit Committee's meeting on November 22, 2013 which had been distributed to the Board members.

He said that the decision had been made in 2009 to freeze the defined benefit plan for accruing future benefits while the Hospital implemented a new defined contribution plan to replace the defined benefit plan effective January 1, 2010. The proposal would not impact in any way the participants' current account balances or future benefits under the frozen defined benefit plan.

Mr. Haber said that the Committee had reviewed the proposal with both Management and a representative from Towers Watson, the consulting firm that advised the Cleveland Clinic enterprise regarding the retirement plan. Mr. Haber said that the Finance and Audit Committee had recommended approving the proposal.

A general discussion followed and, upon motion duly made and seconded, the Board of Trustees unanimously accepted the recommendation of the Finance and Audit Committee and approved Management's recommendation that Lakewood Hospital Association's pension plan group be collapsed into a single-employer controlled group, i.e., the Cleveland Clinic controlled group, for qualified plan purposes.

SELECT COMMITTEE REPORT / Thomas Gable

Mr. Gable stated that the Board would then receive the final report from the Select Committee. The Select Committee had been established during the Board Retreat and Special Meeting held on November 19, 2012 for the review of future planning. He said that he had asked Mr. Meehan

to address the Board regarding the confidential nature of this segment of the meeting. He called upon Mr. Meehan who requested that the Board go into executive session, whereupon all non-Board members were excused, except for Dr. Donley, Mr. Harrington, Mr. Ritchie, and himself.

Mr. Meehan then reviewed the duties and responsibilities associated with confidentiality and fiduciary obligations. A general discussion followed and, on motion duly made and second, the Board of Trustees closed the meeting by unanimously adopting the following resolution:

BE IT RESOLVED that the LHA Board of Trustees hereby closes the meeting in accordance with Sec. 4.10 of the Code of Regulations of Lakewood Hospital Association because public discussion or action would be detrimental to the interests of the patients of Lakewood Hospital or the welfare of the residents of the City of Lakewood or Lakewood Hospital.

Mr. Gable then called upon Ms. Fry and Mr. D'Amaro, the representatives from Subsidiary Healthcare, to present the report of the Select Committee. On behalf of the Select Committee, they then delivered the report from the Select Committee and explained the process used by the Select Committee and by Subsidiary in assisting the Committee. They used a powerpoint presentation and a written report. The copies of the written report were numbered and collected at the conclusion of the executive session.

The consultants reviewed the goals of the Select Committee, which were to evaluate and recommend a set of strategies to fulfill the Hospital's mission to provide for the health care needs of the community and to proactively prepare for the end of the current lease agreement between Lakewood Hospital Association and the City of Lakewood on December 23, 2026. They then reviewed the Select Committee's overall process, which had consisted of three phases.

They said that Phase 1 involved identifying a baseline and establishing the primary criteria ultimately to be used in the evaluation of options. They described the procedures and activities used in Phase 1. The Select Committee had met on August 21, 2013 to review the findings from Phase 1.

They said that Phase 2 involved narrowing the options identified in Phase 1 to enable a detailed assessment. They described the options and the methodology used in narrowing the options. They said that the Select Committee met again on October 9, 2013 to review all of the data and analysis to support the evaluation of the initial options. From the meeting the Select Committee narrowed the options for further detailed analysis.

They said that Phase 3 involved the Select Committee's evaluation of the remaining options. The Select Committee met again on October 29, 2013 to complete its evaluation of options and develop a recommendation of strategic options for consideration by the Board of Trustees. The preliminary recommendation had been discussed at a meeting of the Board of Trustees on November 13, 2013. The recommendation of the Select Committee focused on the need to

develop a comprehensive model to redefine the future health care delivery system in Lakewood, and the need to act in the near term to proactively prepare for the end of the current lease agreement in December 2026.

Mr. Gable thanked Ms. Fry and Mr. D'Amaro for their efforts and those of the Subsidiary staff. He called upon Mayor Summers, who expressed his thanks to Subsidiary and the members of the Select Committee for their hard work on this very important project. Mr. Gable and Mayor Summers then said that the Select Committee's recommendations were embodied in the resolutions shown below. They reviewed each of the resolutions with the members of the Board of Trustees. A lengthy discussion followed wherein the Trustees asked questions of the members of the Select Committee and Subsidiary and generally discussed the recommendations of the Select Committee. All questions were addressed.

Following this lengthy discussion, on motion duly made and seconded, the Board of Trustees of Lakewood Hospital Association unanimously adopted the following resolutions:

BE IT RESOLVED that the Board of Trustees of Lakewood Hospital Association accepts the report of the Select Committee to evaluate and recommend a set of strategic options to fulfill Lakewood Hospital's mission to provide for the health care needs of the community, and to proactively prepare for the end of the current lease agreement in December 2026.

BE IT FURTHER RESOLVED that Lakewood Hospital Association thanks the members of the Select Committee for their time, contributions and recommendations and hereby discharges the Select Committee.

BE IT FURTHER RESOLVED that the Board of Trustees of Lakewood Hospital Association, based on the Select Committee's recommendations, authorizes those actions reasonably necessary to continue to define a more comprehensive model for the delivery of future healthcare and health services in Lakewood, potentially including the solicitation of letters of intent with potential partner(s) or investor(s), specifically evaluating two critical criteria: support for future community health needs, and financial viability in the near term and sustainability for the future; and

BE IT FURTHER RESOLVED that the Board of Trustees of Lakewood Hospital Association authorizes the Mayor of Lakewood to appoint a "Step 2 Team" to lead in the oversight of said actions and to report back periodically to the Chair of the Board of Trustees who in turn will update the Board of Trustees at appropriate intervals.

BE IT FURTHER RESOLVED that the Board of Trustees of Lakewood Hospital Association authorizes the aforementioned Step 2 Team to engage advisor(s) as needed to support the planning process and further authorizes the Chair of the Board of Trustees and the Chair of the Finance and Audit Committee of the Board of Trustees jointly to

approve the expenditure of Lakewood Hospital Association funds for this purpose in an amount not to exceed \$200,000 and to update the Board of Trustees at appropriate intervals. Amounts in excess of this amount must receive the approval of the Board of Trustees or the Executive Committee.

Mr. Gable said that those members of the Board who were able to stay were invited to participate with the Mayor in an informal caucus after the meeting was adjourned to organize the next phase of work. This caucus should include only the trustees who were not administrators at Cleveland Clinic. Those Board members who were physicians and Cleveland Clinic employees and who actively practiced medicine at Lakewood Hospital were invited to attend the caucus as a courtesy but the appearance of a conflict of interest may preclude them from future discussions.

There being no further business to be conducted in executive or closed session, the same, on motion duly made and seconded, was adjourned, and the meeting was no longer in executive session or closed in accordance with Sec. 4.10 of the Code of Regulations.

OTHER BUSINESS

Mr. Gable announced the following meeting dates for Board meetings to be conducted in 2014:

- February 19, 2014 (Annual Meeting)
- May 14, 2014
- July 21, 2014
- October 20, 2014

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.
Recording Secretary