

Subsidium Healthcare®

Insight and Action for Value

Lakewood Hospital Association Board of Trustees
Strategic Options Evaluation Process

Prepared for Distribution: January 12, 2015



CONFIDENTIAL DRAFT – FOR DISCUSSION ONLY

NOT FOR DISTRIBUTION

Objectives for this Document

- This is designed to be a “pre-reading” information package for the LHA Board of Trustees in advance of the January 14th meeting
- Objective:
 - To provide a review of many of the key data points, presentations and conclusions that were shared with the Trustees over the course of the last 18 months of the Strategic Options Evaluation Process;
 - To enable the Trustees to come to the meeting prepared with any remaining questions they have before being asked to vote on Subsidium’s recommendations
- **Note:** *many of these slides contain data points or information that was current at the time the slide was originally developed, and may be superseded by information that came later in the process. We have added dates to the footer of each page with the date the slide was originally created, in hopes of alleviating any potential confusion.*

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Executive Summary: Overview of the Strategic Options Evaluation Process

Summary of the Strategic Options Evaluation Process: Four Major Stages of Work



Context

- Must we act?
- Is the status quo untenable?
- What's the market environment?
- What are the alternatives?

Late 2012 –
Current

Details on the Strategic Options Evaluation Process and Key Data Considered

Section 1: Context (Late 2012-Current)

Summary of Key Rationale Considered

Context

- Must we act?
- Is the status quo untenable?
- What's the market environment?
- What are the alternatives?

**Late 2012 –
Current**

- Hospital admissions across the market declined 10% from 2007-2012
- LKH's financial performance no longer generating enough income to re-invest in maintenance and capital improvements; projected to lose money and drain the balance sheet
- Requires approximately \$90+ million for hospital building to be viable for the next 20 years
- Increasing percentage of Lakewood residents seeking health care outside of Lakewood (48% go elsewhere)
- Standalone hospital untenable; and current lease partner unwilling to renew under current terms

CONCLUSION: The LHA Board of Trustees decided in late 2012 that they must proactively prepare for the end of the current Lease term in 2026

Select Committee Charter

The LHA Board chartered the Select Committee to:

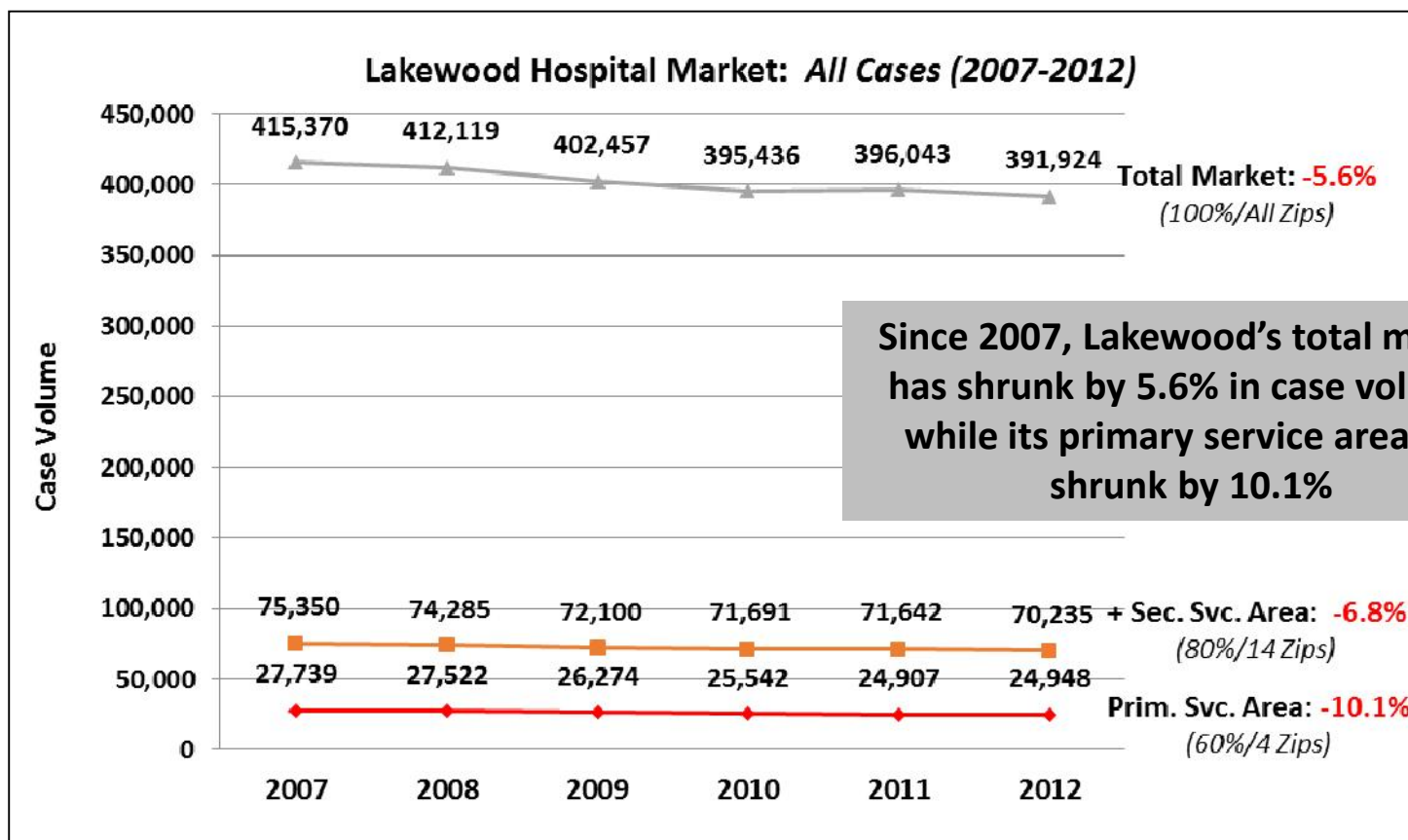
- Evaluate and recommend a set of strategies to fulfill our mission to provide for the health care needs of our community
- Proactively prepare for the end of the current lease agreement on December 23, 2026

Strategic Context

- Lakewood has consistently demonstrated a strong commitment to invest in its future. Our schools, our housing stock, and our commercial corridors are all receiving significant reinvestment for their second century of service.
- As Trustees, we have an opportunity and obligation to invest in and build a healthcare delivery system that serves our community needs in the future.
 - We seek to map out a direction of compelling investment that will develop this system by 2026 and create the capacity for Lakewood to become the healthiest community in America.

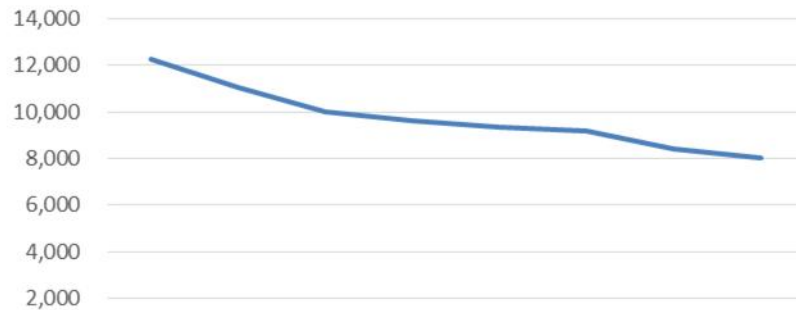
Overall Market Trends: 2007-2012

Change in Case Volume – All Cases



Hospital Performance: Context

Lakewood Hospital Admissions
(2008-2015 budget)



	2008	2009	2010	2011	2012	2013	2014 Est	2015 Budget
Admissions - Total	12,258	11,046	10,008	9,610	9,327	9,167	8,410	8,014

Lakewood Hospital Operating Income
(2008-2015 budget)



	2008	2009	2010	2011	2012	2013	2014 est	2015 budget
Series1	(2,967)	(9,650)	(15,007)	(733)	(4,282)	(67)	(1,693)	(4,700)

SWOT: Strengths, Weaknesses, Opportunities, and Threats

Strengths

- Current Cleveland Clinic relationship is considered to be strong.
- Community loyalty and emotional investment in Lakewood Hospital.

Weaknesses

- Continued loss of inpatient volumes to area hospitals.
- As of 2010, only 52% of Lakewood residents' total IP admissions were provided by LKH.
- Aging infrastructure: results in high operating expenses and capital costs.

Opportunities

- Available land is opportunistic for creating an innovative new structure.
- Community support is high for development of an innovative health and wellness-oriented facility.
- Lakewood Hospital's primary service area (4 zip codes) generate 25,000 admissions per year to area hospitals (we are a valuable market)

Threats

- Structure of the current lease with CCF limits the influence and viability of Lakewood Hospital as a separate entity.
- Competitors have been consolidating.
- LKH has experienced significant losses in share in recent years.
- New Avon hospital will likely cannibalize significant inpatient volumes from LKH.

Strategy

- **What** should we do?
- What is the right strategic model of healthcare for Lakewood in the future?

July 2013 –
December 2013

Details on the Strategic Options Evaluation Process and Key Data Considered

Section 2: Choosing the Strategy (July 2013 – Dec. 2013)

Key Rationale Considered

Strategy

- **What** should we do?
- What is the right strategic model of healthcare for Lakewood in the future?

July 2013 –
December 2013

- Two primary criteria: support for future community health needs; and financial viability in the near term and sustainability for the future
- Health care technology trends driving a significant shift to outpatient services vs. inpatient services
- Huge capital investment required per person served to maintain inpatient services – opportunity to more cost-effectively address the health care needs of a larger portion of the Lakewood community
- Community health needs of Lakewood's residents more consistent with comprehensive ambulatory care; significant opportunity to innovate in Lakewood

CONCLUSION: Pursue a strategy over time to convert current inpatient services to comprehensive outpatient services and invest in community health and wellness

Overview of the Options Selection Process

Our 3-step evaluation process enabled the Select Committee to focus our analysis, narrow our options, and ultimately select a recommended option

Step 1: Preliminary Screening

"Is the option realistically viable?"

- ~~1. Right size hospital~~
- ~~2. Lower acuity, chronic care-focused hospital~~
- ~~3. Hospital with Center(s) of Excellence~~
4. Family Health Campus (No IP)
5. Hybrid: Family Health Campus (With IP)
- ~~6. Specialty Hospital: Ortho~~
7. Specialty Hospital: Acute Rehab
- ~~8. Specialty Hospital: Psych~~
- ~~9. Specialty Hospital: LTAC and/or SNF~~
- ~~10. Phased Transition Out of Care Delivery in Lakewood~~

Step 2: Options Analysis

Apply Lakewood-specific criteria

4. Family Health Campus (No IP)
- ~~5A. Hybrid: Family Health Campus With General Inpat. Beds~~
- ~~5B. Hybrid: Family Health Campus With Acute Rehab Beds~~

Step 3: Final Evaluation and Recommendation

**Evolved Option 4:
Comprehensive Care
Campus in Lakewood**

Market Data and Analysis: *Five Key Findings Were Critical to the Decision Process*

- Market and health care technology trends are driving a significant shift in total health care spending; toward outpatient services as a greater percentage of overall spending vs. inpatient services
- Relative size of the capital investment required per person served – opportunity to more cost-effectively address the health care needs of a larger portion of the Lakewood community
- Importance of physicians to the Lakewood community and economic base
- Understanding the overall community health needs of Lakewood's residents and those in surrounding communities
- Directional understanding of potential strategic partners and their general areas of interest in a partnership with Lakewood

Overall Market Data

Primary Areas of Data Analyses

To allow us to evaluate the current market trends and their potential impact on our options evaluation, we focused our analyses on several key areas:

- Community health needs assessment for Lakewood
- Comparison of inpatient bed supply vs. demand
- Decreases in inpatient utilization across the overall market and across nearly all service lines
- Total volumes for the market in specific inpatient services lines (to support the evaluation of single-specialty hospital options)
- Lakewood's specific volume losses: what services lines drove the losses and where did those cases go?
- Availability of physicians in the local Lakewood market
- Trends and growth in outpatient services

Overall Market Data:

Executive Summary/Key Themes

- Community Health Needs
 - The Lakewood community exhibits above average prevalence rates of obesity, smoking and chemical dependency, as well as higher than average rates for several chronic conditions, including COPD, adult asthma, congestive heart failure and diabetes
 - The primary needs identified by the Community Health Needs Assessment report include:
 - Improved Access to Primary, Preventive Care, and Mental Health Services
 - Coordination of Affordable Health Care and Outreach
 - Public Transportation and other Basic Community Services
- Overbedding
 - Supply of inpatient beds in the Cleveland market significantly exceed the demand (by more than 2X); the estimated excess is over 3,000 beds
- Declining Inpatient Demand
 - Between 2007 and 2012, the overall inpatient admissions volumes declined 10.1% in Lakewood's primary service area, 6.8% in the primary/secondary service area, and by 5.6% across the entire 7-county Cleveland MSA

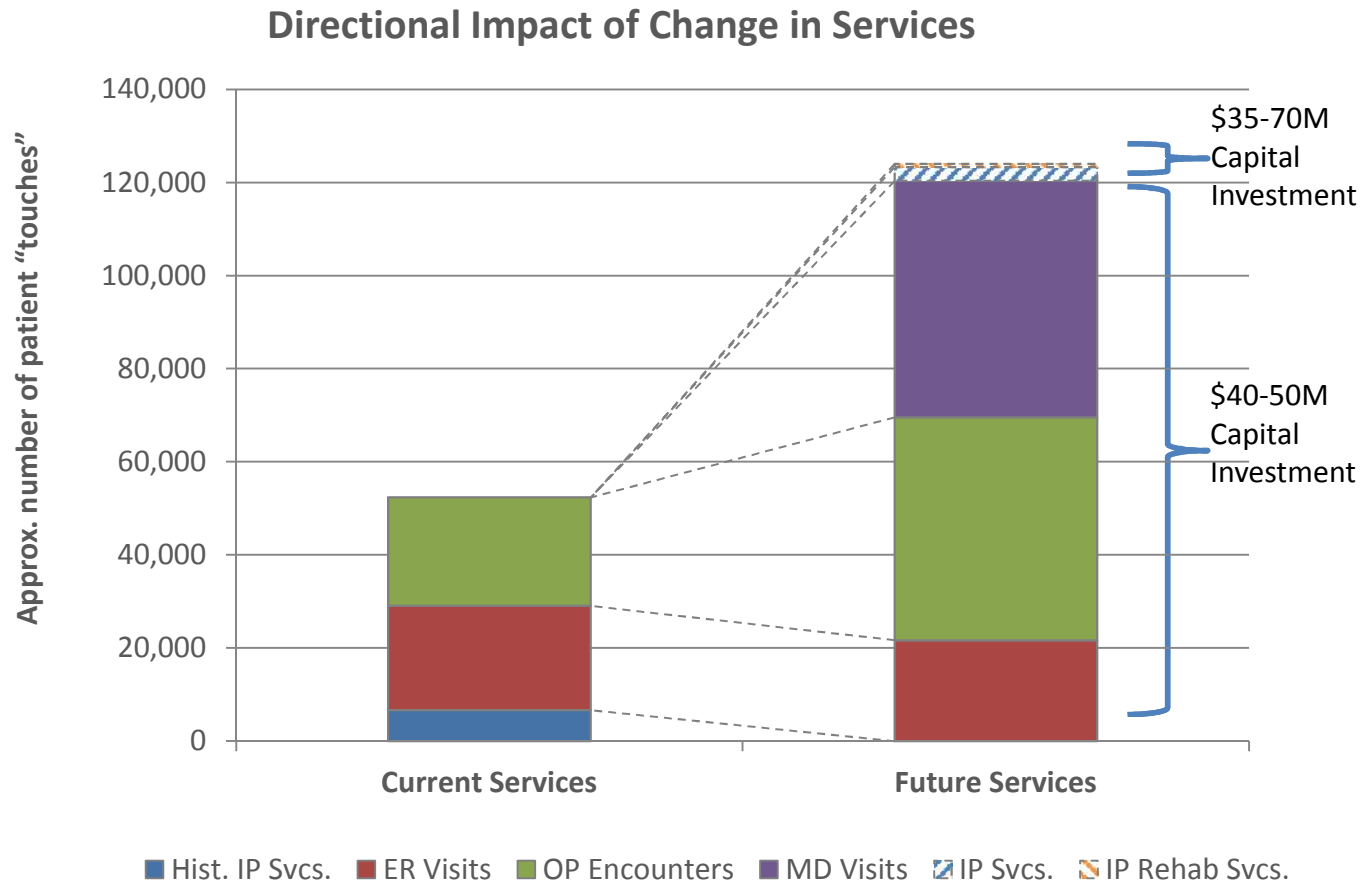
Overall Market Data: *Executive Summary/Key Themes*

- Lakewood Hospital's Volume Trends
 - In addition to an overall decline in volumes in the market, Lakewood's own volumes declined a total of 32% between 2007-2012; with the largest volume decreases in Cardiology, Psychiatry, Pulmonology and Gastroenterology (4 service lines accounted for two-thirds of the volume losses)
- Market Share Trends
 - The primary beneficiaries of the shifts in IP market share between 2007-2012 were Fairview Hospital, St. John Westlake and Cleveland Clinic main campus
- Physician Supply
 - There is still a strong supply of physicians in Lakewood. The Cleveland Clinic-employed physicians make up a significant portion of the supply, but even with out those physicians, there is significant physician presence in Lakewood
- Outpatient Trends
 - Overall, outpatient services spending (per capita) is currently growing at nearly twice the rate of overall health care spending across the U.S.

Market Need, Community Served and Capital Investments

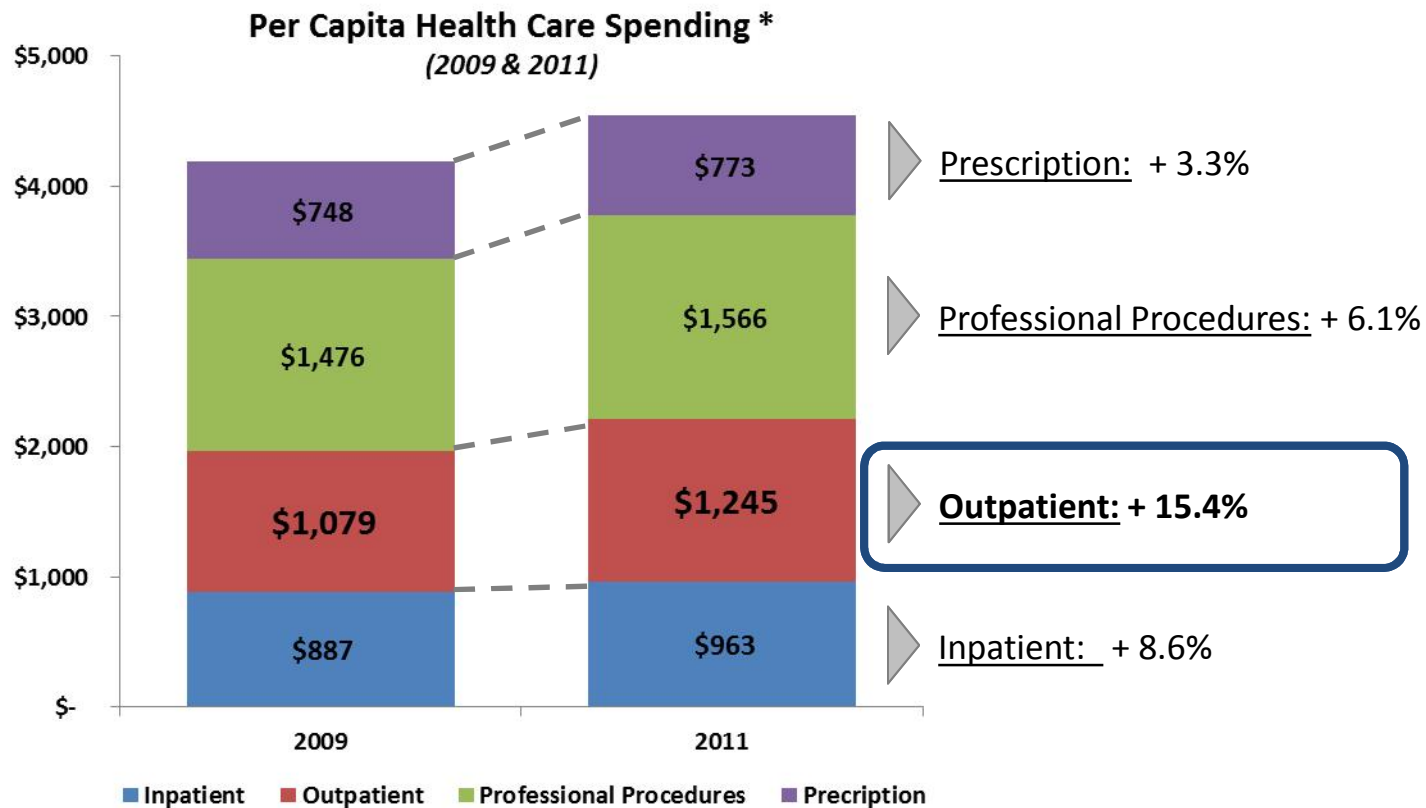
Opportunity to Leapfrog the Market to Create a New Lakewood Health Care Experience

There is a significant opportunity to increase the number of people served by a Lakewood health care facility and to increase the frequency of interactions



Health Care Market Trends

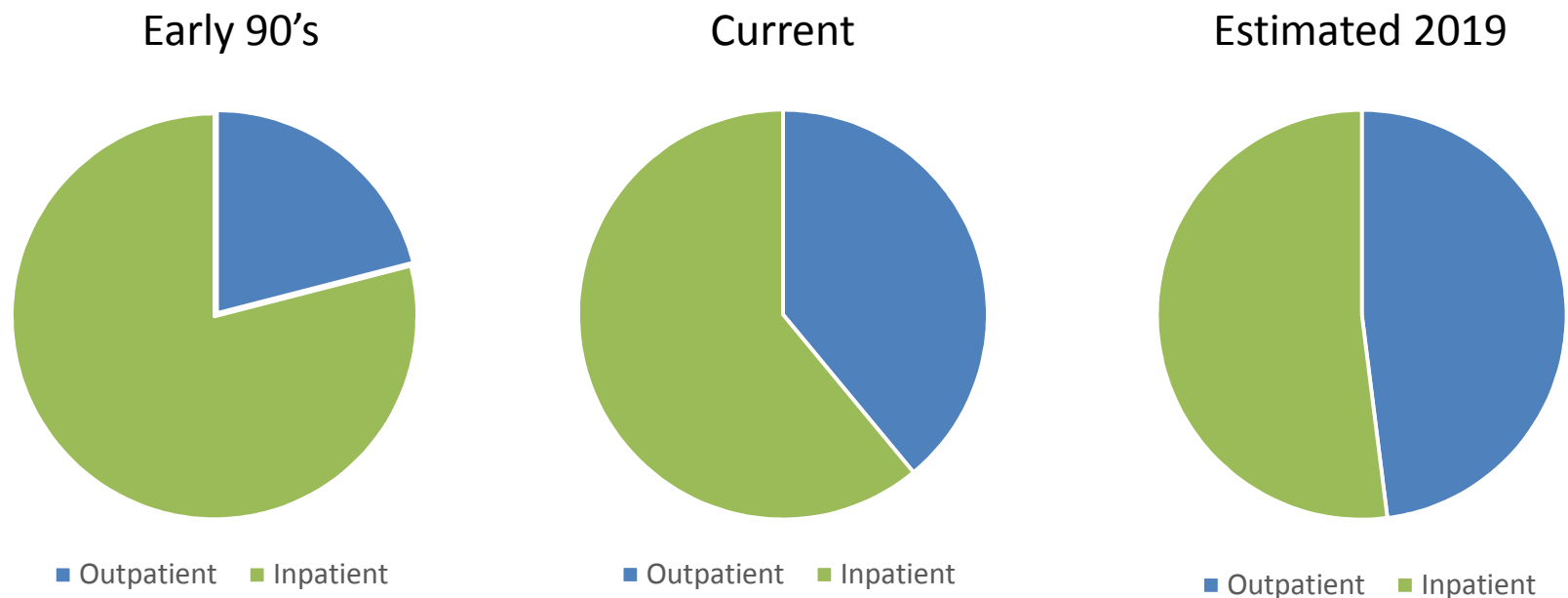
Annual Health Care Spending



Annual per capita health care spending increased by 8.5% between 2009 and 2011 - with spending on outpatient services significantly outpacing the other cost categories.

Market and Technology Trends are Shifting the Focus of Healthcare Services from Inpatient to Outpatient Settings

Percent of total hospital revenues (inpatient vs. outpatient services)



Source: Taylor, Richard. Jones Lang LaSalle whitepaper entitled "The Spoke Before the Hub: Turning the Healthcare Delivery Model Upside Down." Page 2.

Inpatient Bed Supply and Need

Market	Beds/1000 Pop
Cuyahoga County	5.2
Cleveland MSA	4.3
Ohio	2.9
U.S.	2.6
California	1.9
Highest State: South Dakota	5.0
Lowest State: Washington	1.7

Implications:

If we apply the current U.S. average beds/1,000 to the Lakewood market and Cuyahoga County, the contrast is stark:

Area	Population	Future Ratio	Need	Supply	Surplus
Lakewood PSA	154K	2.6	400	475*	75 beds
Cuyahoga County	1.29M	2.6	3,351	6,807	3,455 beds

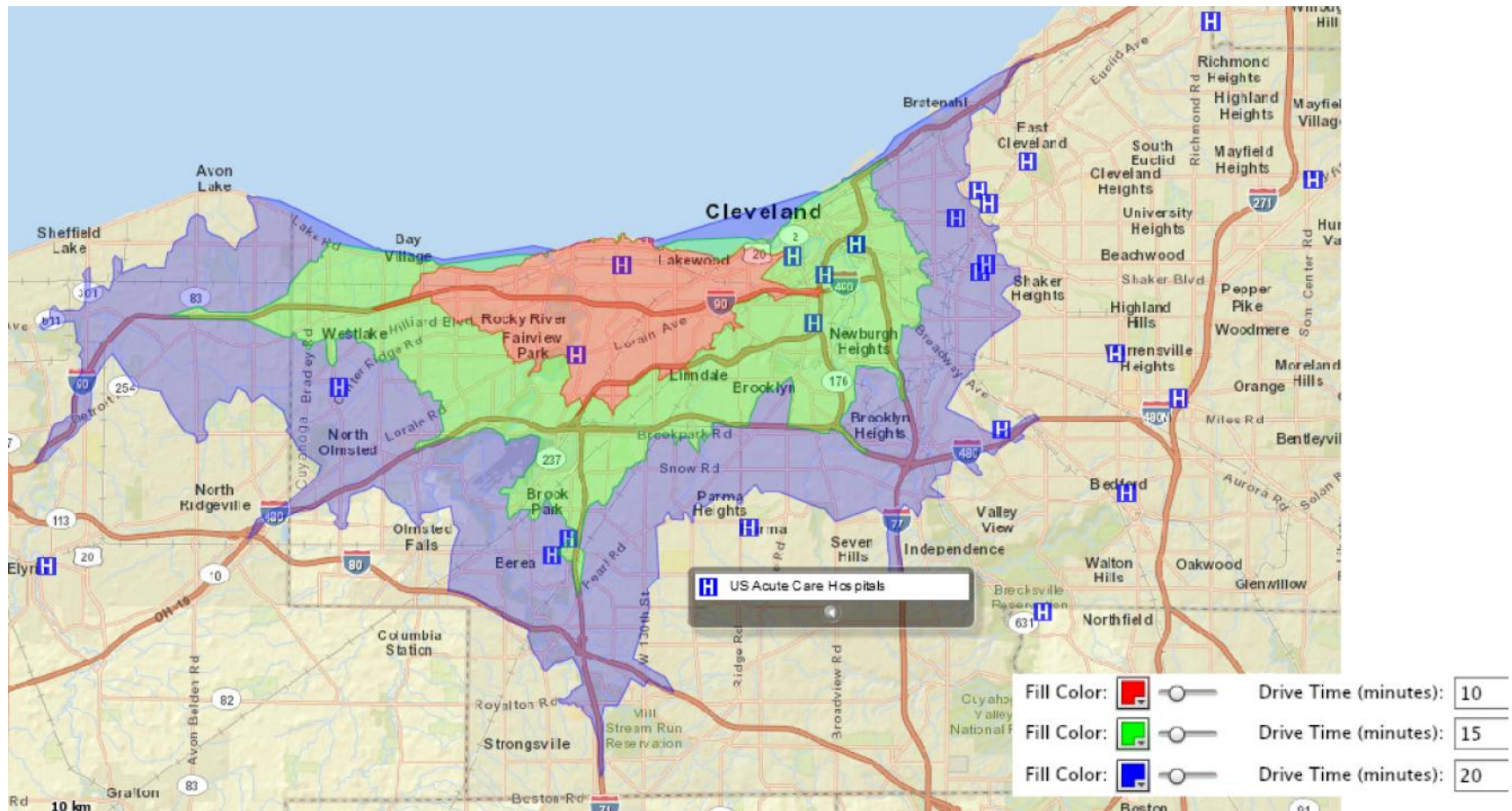
*Assumes Lakewood at 153 (acute beds) and Fairview at 322

Sources cited in the table compiled by Kaiser Family Foundation (kff.org):

1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, and 2011 AHA Annual Survey Copyright 2013 by Health Forum LLC, an affiliate of the American Hospital Association, special data request, 2013. Available at <http://www.ahaonlinestore.com>
Population data from Annual Population Estimates by State, U.S. Census Bureau; available at <http://www.census.gov/popest/>

Map of Beds and Drive Times

- There are over 2,300 inpatient beds within a 20-minute drive of Lakewood Hospital, and over 1,000 beds within a 15-minute drive



Demographic landscape

Population trends have been toward growth in older Lakewood residents, both in the total primary and secondary service areas, and within the primary service area alone. Household income is increasing at in the middle class and higher earning households.

Total primary and secondary service areas

	2012	2017	Percent change
Under 25	99,581	95,686	-3.9%
25-44	88,108	85,762	-2.7%
45-64	91,107	87,779	-3.7%
65+	46,771	51,544	10.2%
Total	325,567	320,771	-1.47%

Total for zip 44107

	2012	2017	Percent change
Under 25	14,938	14,179	-5.1%
25-44	17,672	17,192	-2.7%
45-64	13,353	12,773	-4.3%
65+	5,913	6,480	9.6%
Total	51,876	50,624	-2%

Growth in household income

	2012	2017	Percent change
\$0 - \$24,999	35,978	31,043	-13.7%
\$25,000 - \$49,000	35,903	29,958	-16.6%
\$50,000 - \$99,999	40,307	48,506	20.3%
\$100,000 +	25,499	28,166	10.5%

Zip codes in Primary service area (top 66% of patient origin)

44107	Lakewood
44102	Cleveland
44111	Cleveland
44116	Rocky River
44145	Westlake
44135	Cleveland

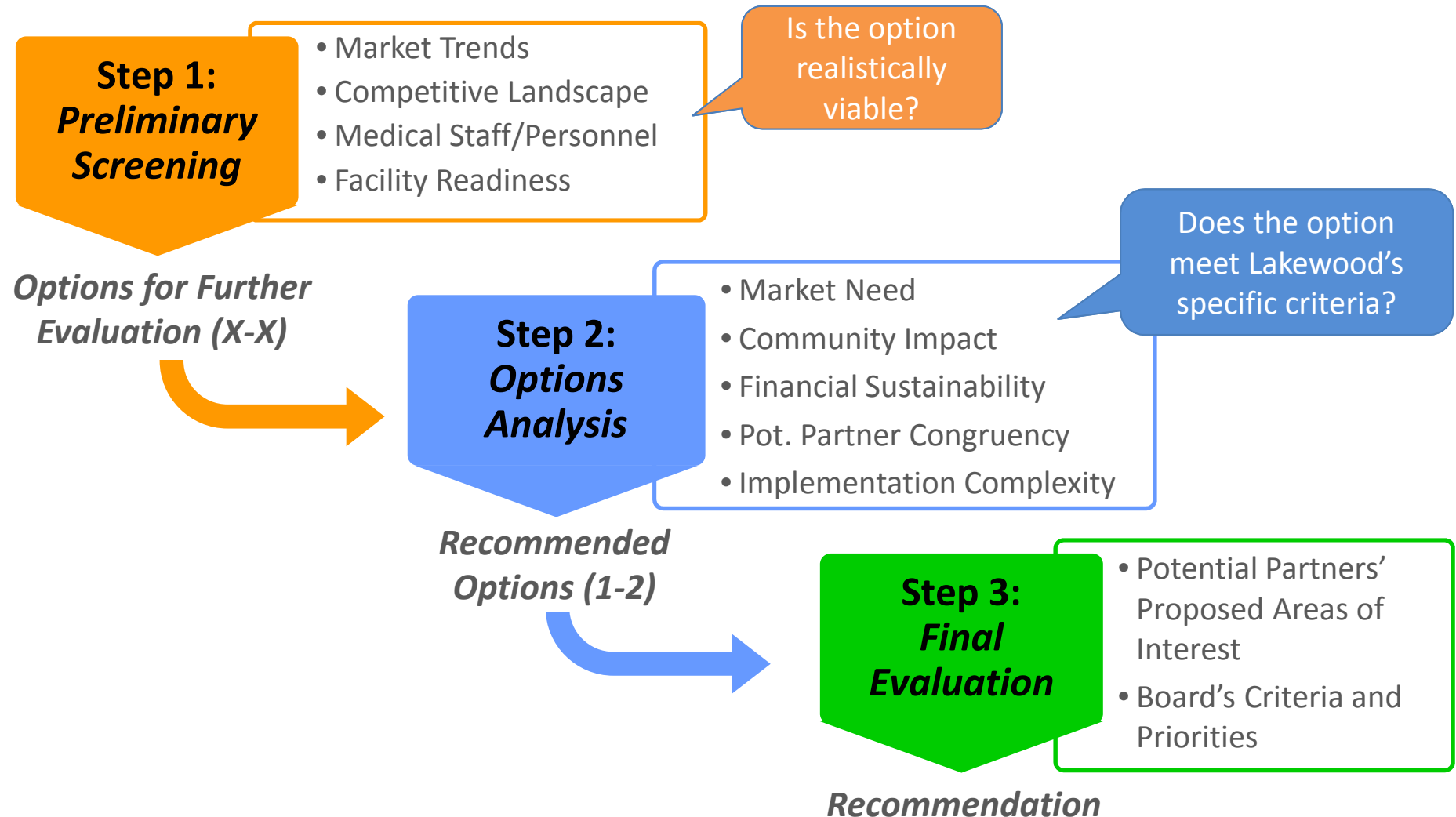
Source: ESRI demographic data.

Overview of Original Strategic Options

There are a variety of options which fall into one of four general categories

	Description	Specific Options
Modified Status Quo	These options are all relatively similar to the current model for Lakewood Hospital (a general acute-care hospital with 3-4 centers of excellence)	1. Right size hospital 2. Lower-Acuity, Chronic Care Focused Hospital 3. Hospital with Center(s) of Excellence
Family Health Focus	These options represent a change to the primary service model for Lakewood, and take advantage of market trends toward increased care in outpatient settings	4. Family Health Campus (No IP) 5. Hybrid: Family Health Campus (With IP)
Single Specialty Hospital	All of these options are to create a single-specialty, inpatient-focused hospital; most would imply a larger geographic service area to attract sufficient patient volumes	6. Specialty Hospital: <i>Ortho</i> 7. Specialty Hospital: <i>Acute Rehab</i> 8. Specialty Hospital: <i>Psych</i> 9. Specialty Hospital: <i>LTAC and/or SNFs</i>
Transition Out of Healthcare	In the spirit of an exhaustive set of options, it is an option to consider exiting the business of direct provision of health care and fulfillment of the City's health care mission in other ways	10. Phased Plan to Transition Out of Care Delivery Business

3-Step Evaluation Process



Step 1: *Preliminary Screening* Critical Success Factors Defined

Step 1: *Preliminary Screening*

- Macro Market Trends
- Competitive Landscape
- Medical Staff/Personnel
- Facility Readiness

During Step 1 of our evaluation process, we screened each option using the available data vis-à-vis whether the option could meet basic critical success factors to be considered a realistically viable option.

Options for Further Evaluation

For this “viability check”, we considered four primary **critical success factors**:

1. Macro Market Trends: Is the market for the services proposed growing and compatible with the needs of our target customers?
2. Competitive Landscape: Is it reasonable to believe that Lakewood could compete to retain/gain market share for the proposed service offerings?
3. Medical Staff/Personnel: Do we have access to the right types and numbers of physician and clinical staff necessary to provide the services proposed?
4. Facility Readiness: Do we have access to a facility (or can we afford to modify or build one) that will be configured appropriately to provide the proposed services?

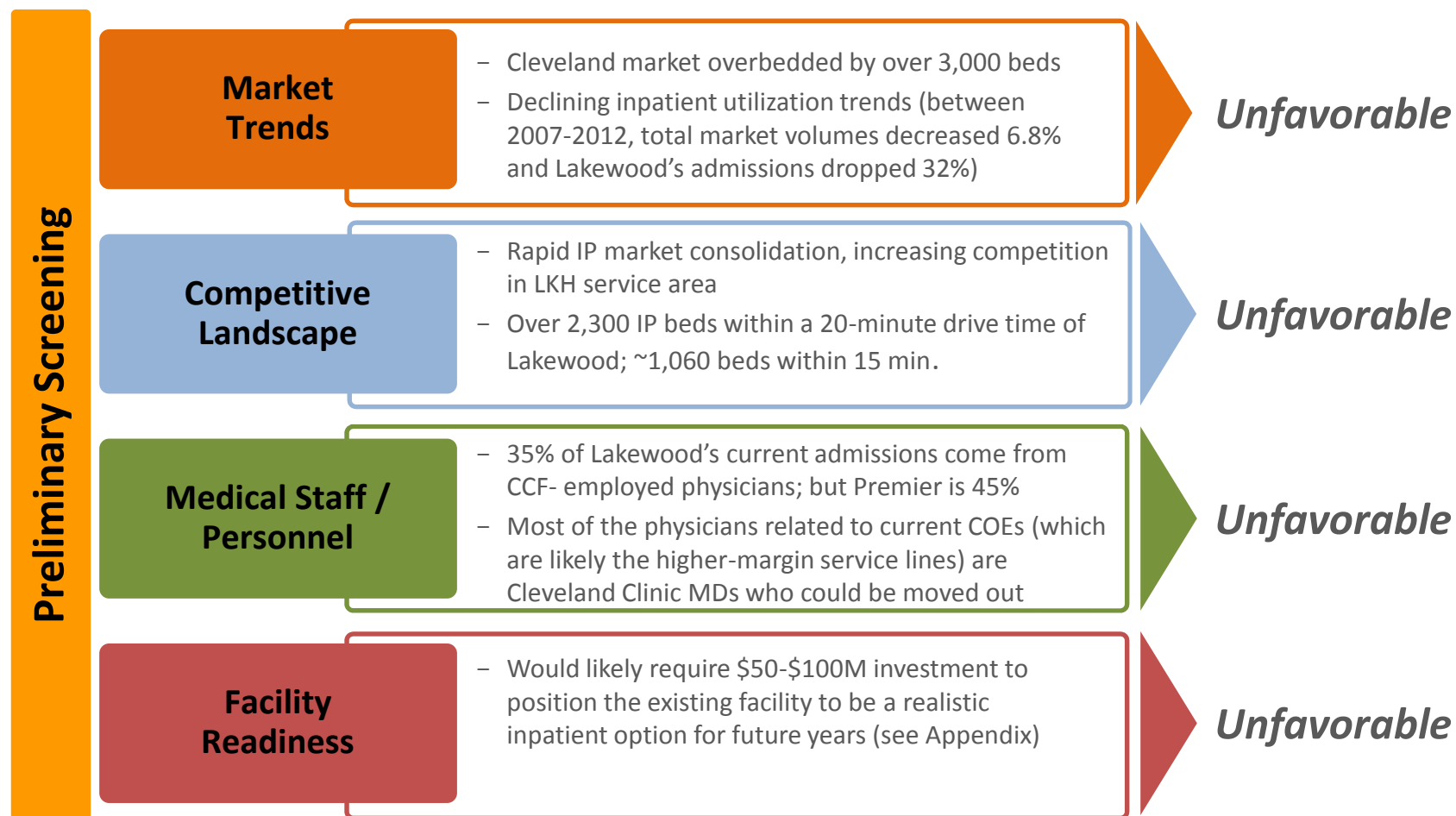
Step 1: Preliminary Screening

Summary of Results

Options	Critical Success Factors				Overall Rating	Recommendation
	Market Trends	Competitive Landscape	Medical Staff/ Personnel	Facility Readiness		
1. Right Size Hospital	U	U	U	U	U	No Further Evaluation
2. Lower-Acuity, Chronic Care Focused Hospital	N	N	N	N	N	For Discussion
3. Hospital with Center(s) of Excellence	U	U	U	U	U	No Further Evaluation
4. Family Health Park (No IP)	F	F	F	F	F	Additional Evaluation
5. Hybrid Family Health Park (with IP)	N	F	F	N	F/N	Additional Evaluation
6. Specialty Hospital: <i>Ortho</i>	U	U	N	N	U	No Further Evaluation
7. Specialty Hospital: <i>Acute Rehab</i>	N	U	F	N	N	For Discussion
8. Specialty Hospital: <i>Psych</i>	F	F	U	N	N	For Discussion
9. Specialty Hospital: <i>LTAC and/or SNF</i>	F	U	N	N	N	For Discussion
10. Transition Out of Health Care	U	F	U	F	N	No Further Evaluation

**Recommendation: No
Further Evaluation**

Step 1: *Preliminary Screening* Options 1 & 3: Right-Size Hospital and Hospital with Center(s) of Excellence

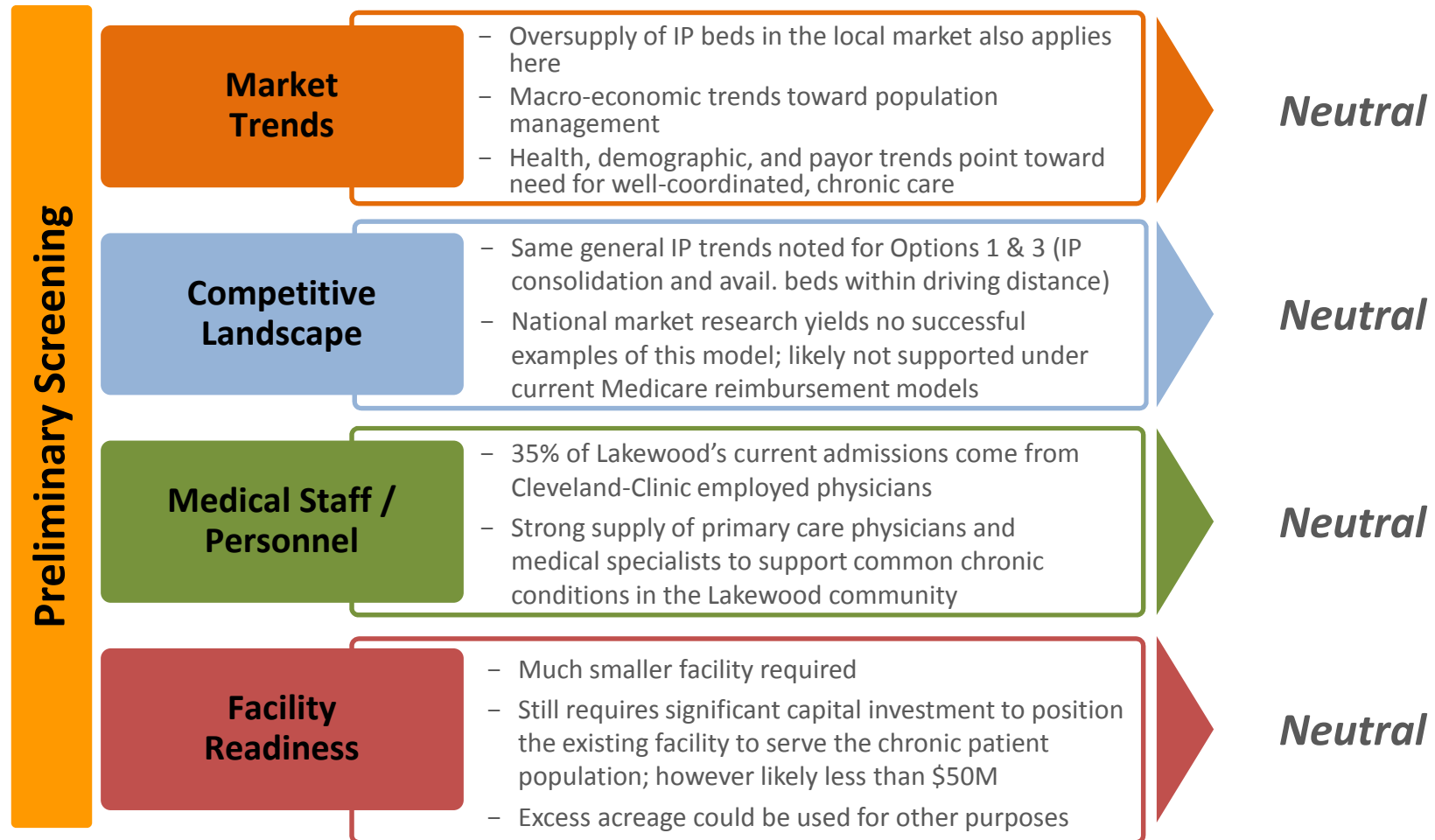


Overall Rating: Unfavorable

**Recommendation:
For Discussion**

Step 1: *Preliminary Screening*

Option 2: Lower Acuity, Chronic Care-Focused Hospital



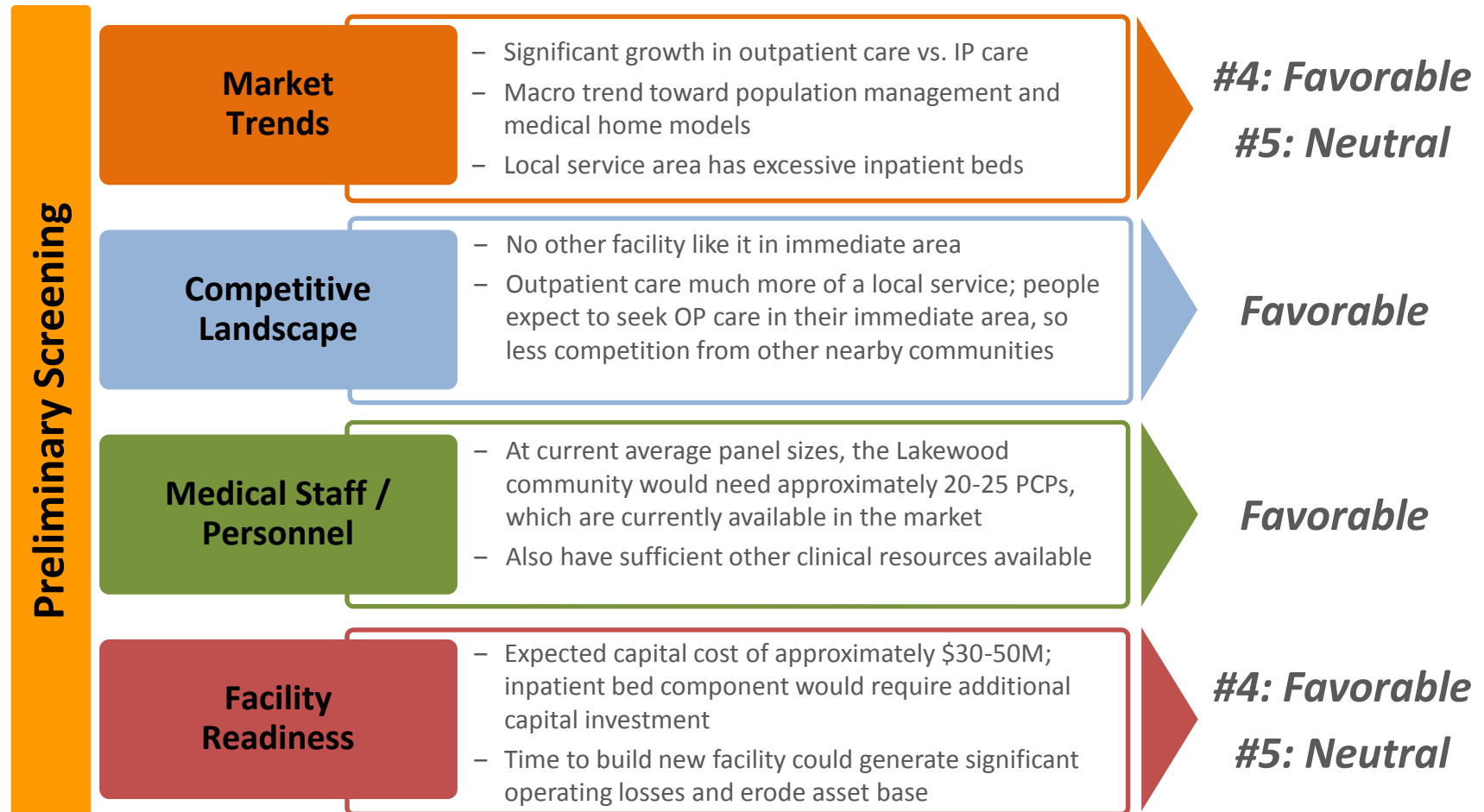
Overall Rating: Neutral

**Recommendation:
Additional Evaluation**

Step 1: *Preliminary Screening*

Option 4: Family Health Park (No IP)

Option 5: Family Health Park (With IP)



#4

Overall Rating: Favorable

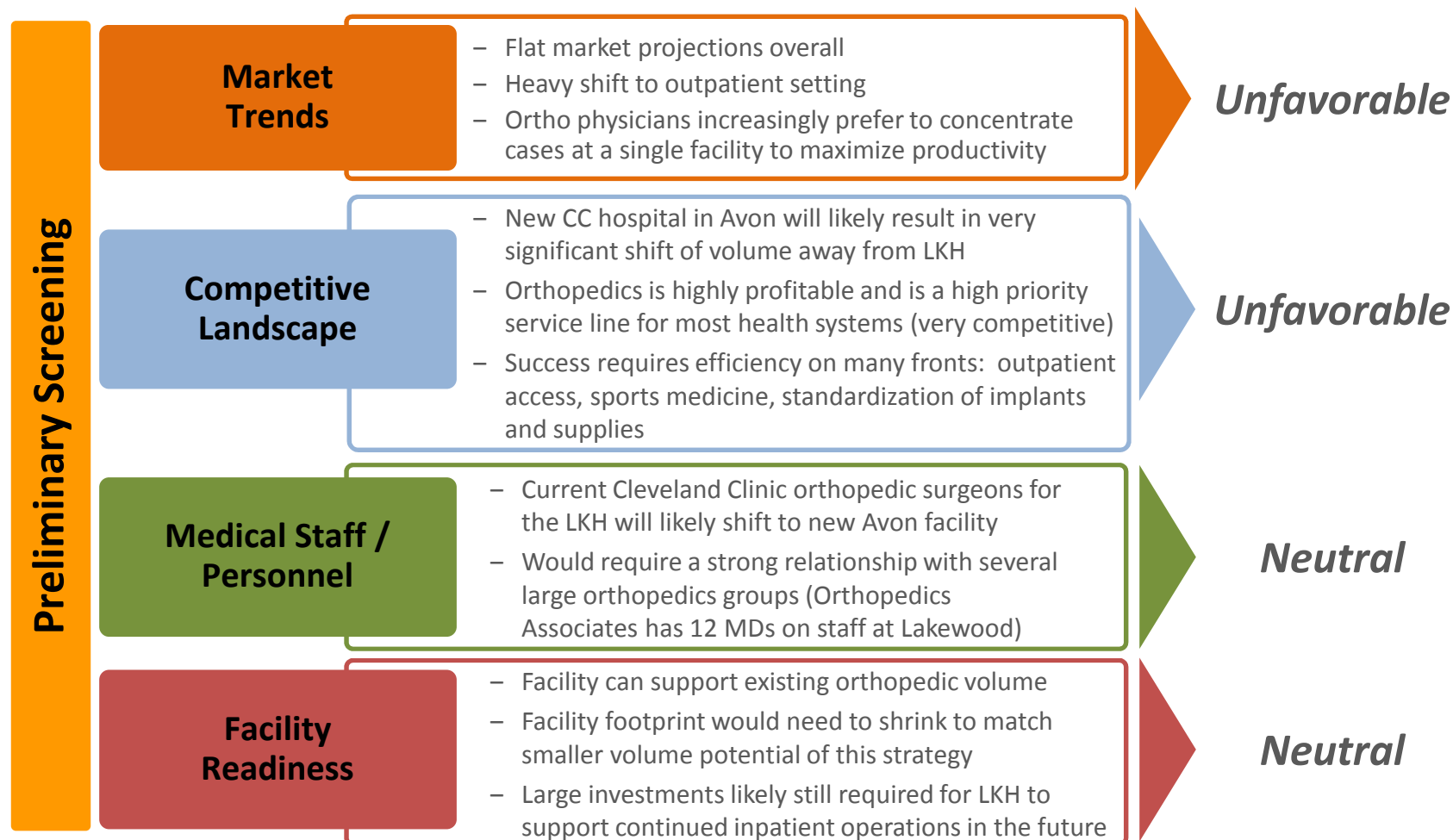
#5

Overall Rating: Favorable/Neutral

**Recommendation:
No Further Evaluation**

Step 1: *Preliminary Screening*

Option 6: Specialty Hospital: *Orthopedics*

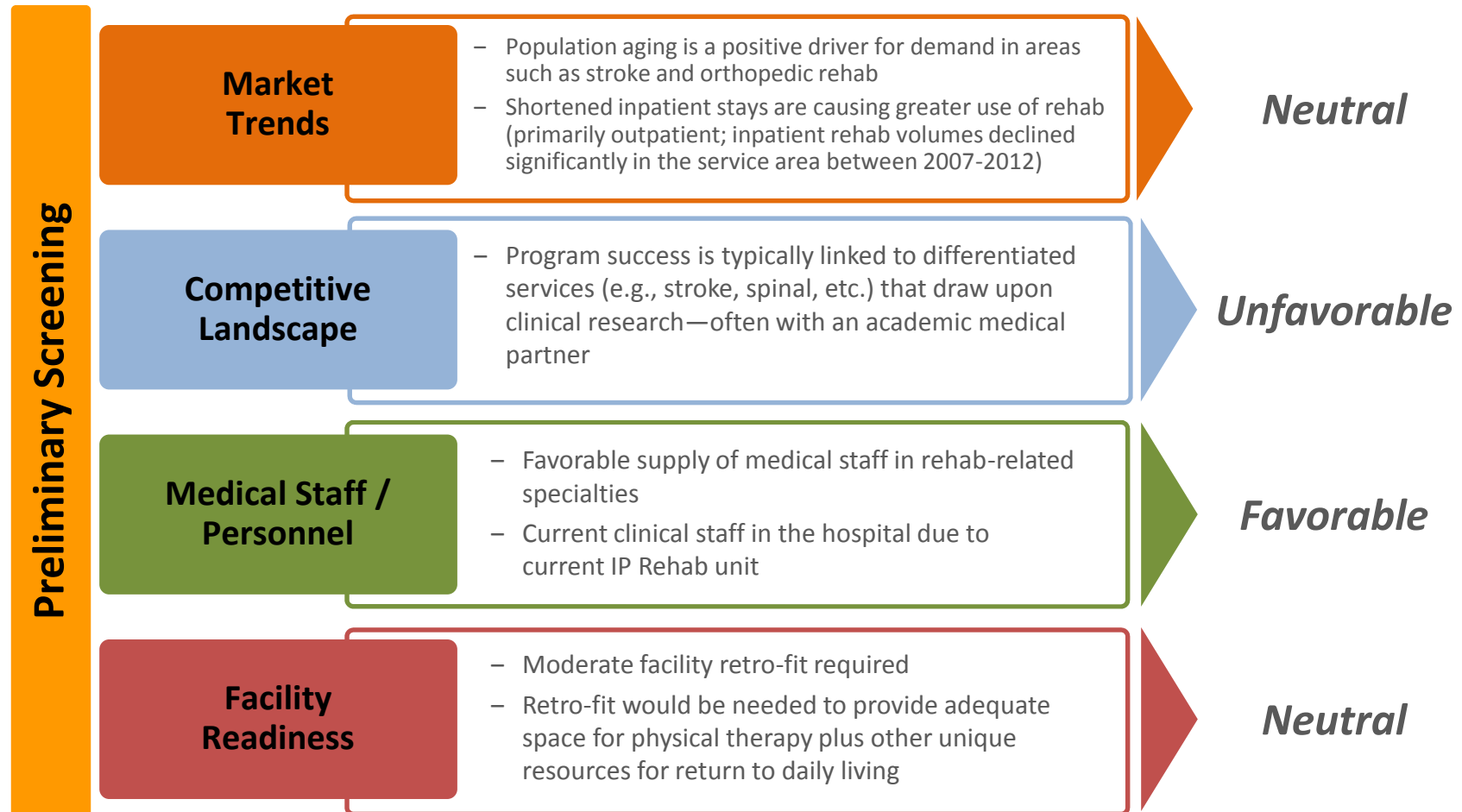


Overall Rating: Unfavorable

**Recommendation:
For Discussion**

Step 1: *Preliminary Screening*

Option 7: Specialty Hospital: *Acute Rehab*

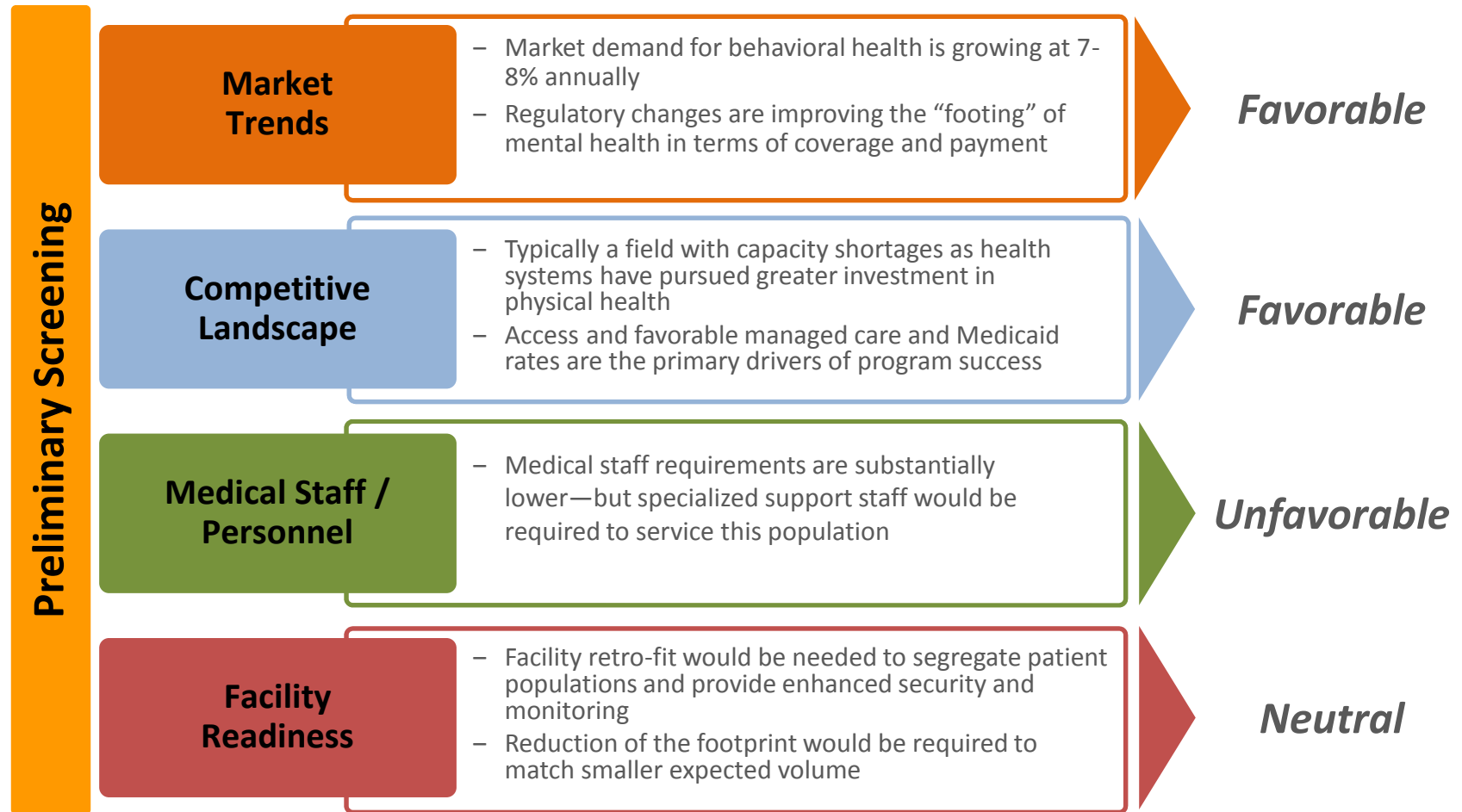


Overall Rating: Neutral

**Recommendation:
For Discussion**

Step 1: *Preliminary Screening*

Option 8: Specialty Hospital: *Psychiatric Hospital*

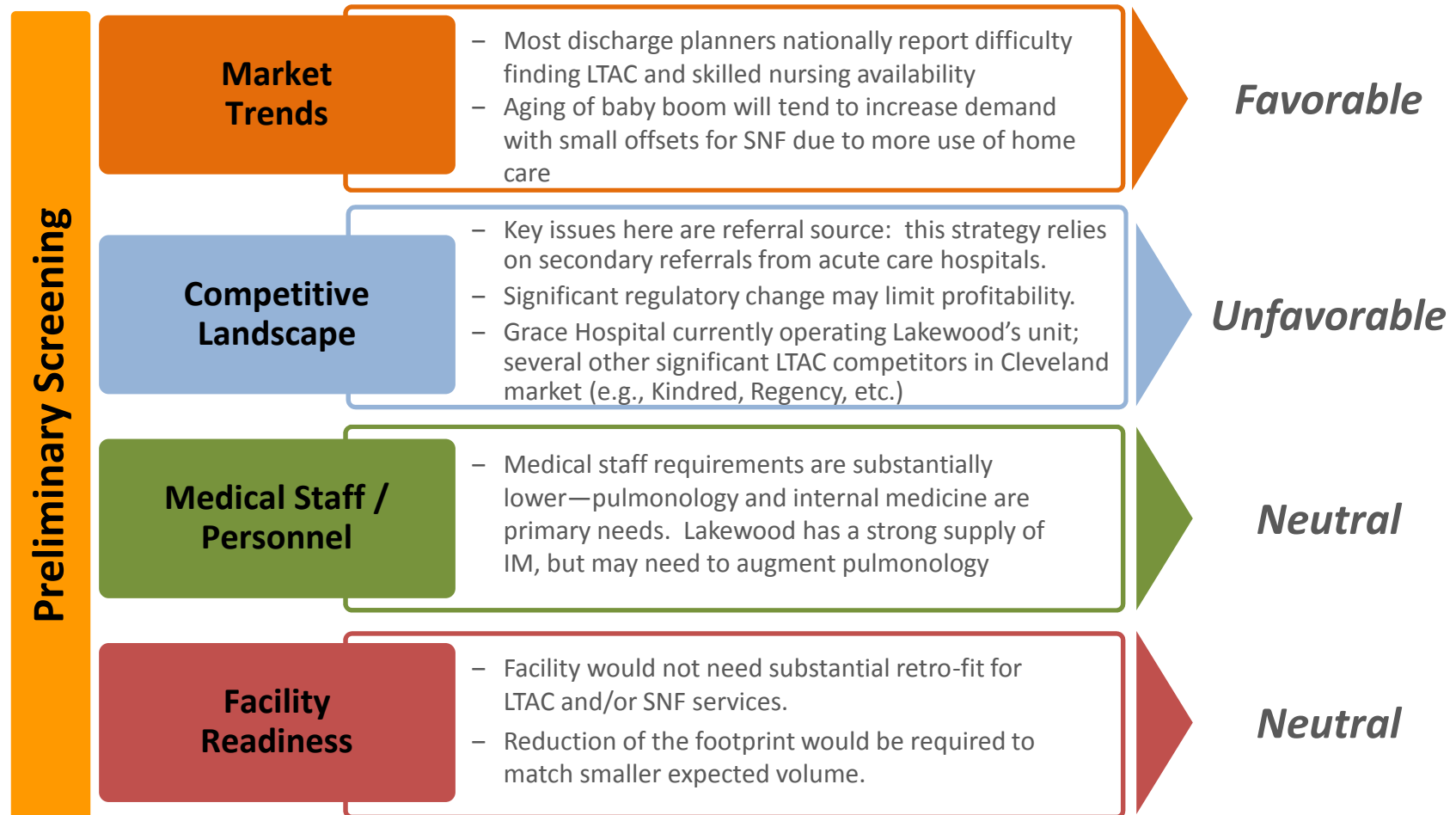


Overall Rating: Neutral

**Recommendation:
For Discussion**

Step 1: *Preliminary Screening*

Option 9: Specialty Hospital: *LTAC and/or SNF*



Overall Rating: Neutral

Recommendation: No Further Evaluation

Step 1: *Preliminary Screening*

Option 10: Transition Out of Health Care



Overall Rating: Neutral

Step 2: *Options Analysis*

Criteria Defined

Step 2: *Options Analysis*

- Market Need
- Community Impact
- Financial Sustainability
- Pot. Partner Congruency
- Implementation Complexity

*Recommended
Options*

During Step 2 of our evaluation process, we will analyze the options that remain after the preliminary screening and evaluate them relative to the most important criteria that are specific to Lakewood and Lakewood's key constituents and stakeholders

The slides that follow summarize the more detailed considerations that will be assessed for each of the five criteria listed above.

Step 2: *Options Analysis*

Criteria Defined (continued)

Specifically, we will consider each of the remaining options in terms of the following five **criteria**:

1. Market Need:

- Population/Demographics: community health needs, volume projections for inpatient services, outpatient services, number of PCPs and specialists required to meet the health needs of the Lakewood population
- Ensure convenient access (according to typical industry standards for drive times by service type) to services for Lakewood residents
- Investing in a facility which can evolve with the health care market in the future – as best we can project/expect

2. Community Impact:

- Jobs
- Tax base/payroll taxes
- Economic development/secondary benefits
- Consistent with or supports the health mission for the City
- Presents an opportunity or mechanism for the community to retain some influence over the services offered within the Lakewood city limits

Step 2: *Options Analysis*

Criteria Defined (continued)

Specifically, we will consider each of the remaining options in terms of the following five **criteria**:

3. Financial Sustainability:

- Magnitude of initial capital investment required
- Ongoing capital needs and adequate financial performance to allow for re-investment needs
- Expected ROI

4. Potential Partner Congruency:

- How well aligned is each potential option with Cleveland Clinic's strategy for the Cleveland market?
- What are the potential deal terms with other potential partners?
- Could another partner provide support for an option that might support Lakewood's health mission more significantly than the Cleveland Clinic option?

5. Implementation Complexity:

- What has to be in place for the new strategy to be successful?
- How realistic are the key assumptions for the new strategy?
- How does each option compare to the others in terms of implementation risks and complexity?

Step 2: Options Analysis Summary

We evaluated the remaining options relative to each other (ranked in order). Note that this chart does not apply any relative weighting or prioritization of particular criteria.

Options					
	Community Health Impact	Community Economic Impact	Financial Sustainability	Potential Partner Congruency	Execution Risk/ Implementation Complexity
Option 4 – Family Health Campus (No IP)	2	3	1	1	1
Option 5A Hybrid – Family Health Campus (With General IP Beds)	2	1	3	3	2
Option 5B Hybrid – Family Health Campus (With IP Rehab Beds)	2	2	2/3	2	3

How Does Our Weighting Impact Our Evaluation of the Options?

- When the evaluation of each option is weighted based on the input of the Select Committee members, the recommendation remains the same

UNWEIGHTED RELATIVE SCORES						
CRITERIA					Total Raw Score	Average Weighted Score (Lowest Score is Best)
Community Health Impact	Community Economic Impact	Financial Sustainability	Potential Partner Congruency	Execution Risk/ Implementation Complexity		
Option 4: Family Health Campus (No IP)	2	3	1	1	8	1.87
Option 5A: Hybrid -- Family Health Campus (With General IP Beds)	2	1	3	3	11	2.05
Option 5B: Hybrid -- Family Health Campus (With IP Rehab Beds)	2	2	2/3	2	11.5	2.23
Average Weighting by Criteria	38	24	18	9	12	

Key Assumptions for Options to be Considered

In order to complete our evaluation of the remaining options, and apply the criteria we've discussed, we must make several assumptions about the specific facilities we are considering under each option. *The underlying sources and supporting calculations for these assumptions are included in the Appendix.*

Option	# Beds	Cost to Build	Potential Jobs	Approx. Annual Payroll Tax
4. Family Health Campus	0	~\$40-50M	~175-225	\$160,000 - \$200,000
5A. Family Health Campus with inpatient beds	55-80 beds	~\$40-50M for outpatient, plus \$35-70M for inpatient (depending on renovation or new building)	~450-500	\$400,000 - \$450,000
5B. Family Health Campus with acute rehab beds	24-36 beds	~\$40-50M for outpatient, plus \$5-20M for inpatient (depending on renovation or new building)	~295-345	\$265,000 - \$310,000
CURRENT	253 beds (Currently staffing for ~135); including 35 rehab	N/A	Approx. 950 full-time equivalents	2012 Actual: \$936,000

Evaluation of Community Impact

- In terms of direct community impact, the implications for potential jobs and payroll taxes for the City are shown below:

Option	Potential Jobs	Approx. Annual Payroll Tax
4. Family Health Campus	~175-225	\$160,000 - \$200,000
5A. Family Health Campus with inpatient beds	~450-500	\$400,000 - \$450,000
5B. Family Health Campus with acute rehab beds	~295-345	\$265,000 - \$310,000
CURRENT	Approx. 950 FTEs	2012 Actual: \$936,000

- Option 5A yields the greatest direct impact on employment and payroll taxes, however, the capital investments required for Options 5A and 5B may be prohibitive for the City and the community
- The near-term economic impact of a \$40-50M+ construction project in Lakewood will likely be significant
- An additional longer-term impact of these options to consider is the impact on the physician community. According to a Lewin Group study, in Ohio, on average, an **office-based physician generates \$1.4M of total economic output and 5.8 jobs** (including their own). So ensuring that each option keeps office-based physicians in the Lakewood community is critical to favorable longer-term community impact

Financial Sustainability

- For the purposes of ranking the remaining options relative to each other, Subsidium summarized several different sources of high-level estimates to determine likely “order of magnitude” capital investment requirements for each option

Option	# Beds	Cost to Build
4. Family Health Campus	0	~\$40-50M
5A. Family Health Campus with inpatient beds	50-75 beds	~\$40-50M for outpatient, plus \$30-60M for inpatient (depending on renovation or new building)
5B. Family Health Campus with acute rehab beds	24-36 beds	~\$40-50M for outpatient, plus \$5-20M for inpatient (depending on renovation or new building)

- In addition, from an ongoing operations perspective, there is significant reason to question whether either Options 5A or 5B could be operated profitably at a small scale in order to generate enough cash to fund ongoing re-investment needs over time (although the rehab service line is currently one of LKH’s most profitable service lines)
 - In other words, the potential ROI on the significant capital investments for Options 5A and/or 5B are questionable, although detailed pro forma calculations were outside the scope of Subsidium’s engagement and further analysis would be required

Options 5A and 5B: Estimated Bed Calculation

Option 5A: Family Health Campus with Inpatient Beds

	2012 # Admits	2012 LKH %	2012 LKH #	Next 5 Years						
				Market Growth	LKH % r	LKH # Admits	ALOS	Capacity	# Beds	
PSA	24,948	22.2%	5,538	-10%	-20%	3,988	4	85%	51	Total # Beds <i>(+/- 20%)</i> 55 - 80
SSA	45,287	4.2%	1,902	-10%	-20%	1,369	4	85%	18	
						5,357	TOTAL		69	

Option 5B: Family Health Campus with Acute Rehab Beds

	Rehab Admits ('12)	ALOS	Capacity	Mkt. # Beds	LKH %	LKH # Beds	Total # Beds <i>(+/- 20%)</i> 24 - 36
90% SA	2,628	14	85%	119	25%	30	

Source: Ohio Hospital Association database for 2012 admission data. Subsidium estimates based on historical market growth trends and Lakewood Hospital's specific market share trends. See Subsidium discussion document dated 10/9/13 for additional trend data.

Summary of Potential Hospital Renovation Costs

Future Capital Projects: 2013 and beyond

(Does NOT include IT, Medical Equipment, Furniture, and Inflation)

1	Hospital Space	\$26,316,500
2	Clinical Space	\$20,000,000
3	Administration Space	\$2,676,000
4	Support Space	\$3,823,200
5	Common Areas	\$5,577,600
6	Approved Infrastructure	\$1,259,938
7	Infrastructure Backlog	\$11,300,000
	Subtotal	\$70,953,238
	Design	\$5,321,493
	Contingency	\$15,254,946
	*Total Construction	\$91,529,677



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Potential Partner Congruency

Ultimately, the agreements made with a potential partner will be subject to extensive negotiations. The summaries below are only directional in nature and should not be considered as formal proposals.

Option	Potential Partner: Cleveland Clinic (CCF)	Potential Partner: Premier Physicians	Potential Partner: MetroHealth System
4. Family Health Campus	- Well-aligned with CCF's overall market strategy - Received a preliminary concept document from CCF management	Primary option supported by Premier in their response	Primary option supported by MetroHealth in their response
5A. Family Health Campus with inpatient beds	- No interest from CCF in an option in Lakewood to include IP beds. - However, we could negotiate for 23-hour observation beds in conjunction with the emergency department	Premier recommended further research to determine whether inpatient/ observation beds would be needed to serve the community needs	Primary option supported by MetroHealth in their response (including only short-stay/ observation beds, not general IP acute beds)
5B. Family Health Campus with acute rehab beds	May be some opportunity for negotiation with CCF to include acute rehab beds	Premier's response did not strongly support LKH as a rehab facility (but didn't address the hybrid model)	Unknown position; not mentioned in the MetroHealth response

Execution Risk/Implementation Complexity

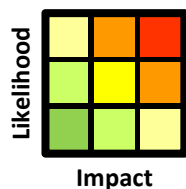
Overview of Key Categories of Potential Risks

Risk Category	Overview of Risks
Market Demand	Risk that the demand for Lakewood-based services continues to decline in excess of assumptions or that demand for new services is less than assumed
Competitors	Risk that a competitor builds a similar capability outside of Lakewood, but in the Lakewood primary service area, and successfully steals market share
Physician Strategy	Risk that a change in the scope of Lakewood Hospital's service offerings will result in significant numbers of physicians closing their practices in Lakewood; and/or not being able to recruit needed physicians to Lakewood
Staffing	Risk that current LKH staff will get nervous about possibly job losses and leave before we are ready to change the scope of the facility
Financial • Short-term: e.g., operating losses • Longer-term: e.g., economic base for Lakewood	Risk that once the community begins to understand the changes proposed to the scope of services, that they will stop coming to LKH right away and operating losses escalate significantly; or the construction process significantly disrupts operations, resulting in losses. In the longer-term, risk that other Lakewood businesses suffer as well under certain scenarios.
Partnership(s)	Risk that we cannot come to terms with a strategic partner to help us execute on the strategy
Timing	Risk that the public dialogue about this decision is prolonged and it increases the likelihood of other execution risks occurring

Execution Risk/Implementation Complexity (Framework)

- Key considerations regarding evaluation of execution risk:
 - Most of the execution risk related to this decision is shorter-term in nature; much of it is related to the transition of the current facility to a new model
 - Much of the longer-term execution risk of this decision will be borne by the ultimate owner/operator of the new facility, although the City of Lakewood will also bear some of the risk related to the general economic health of the City
- We can compare the relative execution risk of each remaining option using the framework shown to the right

Likelihood of Adverse Event/Outcome			
	1	3	5
	Little Impact	Moderate Impact	Highly Adverse
	Magnitude of the Consequences		
5 Virtually Certain	5	15	25
3 Even Odds	3	9	15
1 Remote	1	3	5



Potential Execution Risk Profile

Option Comparison

	Market Demand	Competitors	Physicians	Staffing	Financial	Partners	Timing	TOTAL RISK SCORE
Option 4: <i>Family Health Campus</i>	3	9	25	15	15	5	15	87
Option 5A: <i>Family Health Campus with inpatient beds</i>	25	3	15	9	25	15	5	97
Option 5B: <i>Family Health Campus with acute rehab beds</i>	15	3	25	15	15	15	15	103

Partner

- Who should we work with to implement our chosen strategy?
- Who's the best long-term partner?

January 2014 –
June 2014

Details on the Strategic Options Evaluation Process and Key Data Considered

Section 3: Choosing the Partner (Jan. 2014 – June 2014)

Key Rationale Considered

Partner

- Who should we work with to implement our chosen strategy?
- Who's the best long-term partner?

January 2014 –
June 2014

- Approached local partner options first – UH, CCF, MetroHealth, CHP and Premier Physicians
 - CCF, Metro and Premier expressed interest in Lakewood, but all expressed interest in outpatient services only
- Marketed the hospital to potential for-profit investors
 - Approached 7 for-profit hospital companies to generate interest in LKH and all 7 declined to propose
- Received formal proposals from Cleveland Clinic and MetroHealth/Premier Physicians
 - Very different strategies
- Evaluated potential risks and benefits to the Lakewood community, including cost of status quo

CONCLUSION: Chose to pursue a relationship with our current partner (Cleveland Clinic), but under revised terms to support long-term sustainability for both parties

Updates on External Letter of Intent Process

As of February 6, 2014

Initial Outreach to Local Parties

Expressed Interest

- Cleveland Clinic
- MetroHealth
- Premier Physicians

Declined Interest

- University Hospitals
- Catholic Health Partners

Follow-up Outreach to Additional Parties (Blinded)

Expressed Interest

- Community Health Systems (CHS)
- Universal Health Services (UHS)
- Capella Healthcare
- IASIS Healthcare

No Response

- Hospital Corporation of America (HCA)
- Prospect Medical
- Ohio Health

RFP Updates: As of April 2, 2014

- Refresher: approached a total of ten organizations about a potential strategic relationship with Lakewood Hospital
- Sent formal Requests for Proposal to six organizations
- Expecting proposals from two organizations (Metro and CCF)
- Proposals due in two weeks

Preliminary Guiding Principles for Evaluation of Proposals and the Negotiating Process

- In keeping with the input from Trustees and per the Board's resolution in December 2013, the future health care system in Lakewood should be defined and evaluated relative to two critical criteria:
 - Support the community health needs in the future; and
 - Financial viability in the near term and sustainability for the future.
- Therefore, the Guiding Principles for negotiations should also be consistent with those two key criteria

Preliminary Guiding Principles for Evaluation of Proposals and the Negotiating Process

Community Health Needs

- Include minimum set of services required to appropriately serve the health needs of the community
- Incorporate innovative services
- Transition plan is critical
- Ensure services are available to all Lakewood residents
- Retain some level of influence over services offered in Lakewood (e.g., governance or covenants related to land)
- Increased focus on prevention and health promotion

Financial Viability/Sustainability

- Demonstrate long-term economic commitment to health care in Lakewood
- Understand the full “value” of the existing lease and what early termination implies
- Proactive approach (possibly including economic commitment) to retaining and growing physician presence in Lakewood
- Economically viable solution for the City

Financial Projections: Objective and Approach

- **Objective:** Calculate current net present value of lease payments; and develop preliminary estimates of financial impact of remaining in the current lease arrangement
- **Approach to Cash Flow Projections:**
 - Base Case EBIDA Projections
 - Avon impact on EBIDA Projections
 - Revenue loss from Avon is based on estimates of changes in physician referral patterns
 - Patient level financial accounting allows specific identification of revenues and costs that would be impacted
 - Revenue loss and cost impact was calculated separately for inpatient and outpatient
 - Additional projections of capital expenditures, net working capital and rate of return on investments to develop a range of potential free cash flow through 2026

Net Present Value of Lease Payments

As of: Year	Net Present Value of Remaining Unpaid Lease Payments
2014	\$9,926,962
2015	\$9,372,580
2016	\$8,784,935
2017	\$8,162,031
2018	\$7,451,753
2019	\$6,698,858
2020	\$5,900,789

As of: Year	Net Present Value of Remaining Unpaid Lease Payments
2021	\$5,054,837
2022	\$4,158,127
2023	\$3,207,614
2024	\$2,200,071
2025	\$1,132,075
2026	\$0

Summary of Key Assumptions: Financial Projections

Base Case Income Statement	Volume Impact of Avon on Income Statement	Cash Flow Projections			
3 Scenarios	2 Scenarios	3 Scenarios			
1. Base case: Decrease revenue by 3% per year (2013 rate of change) 2. Decrease revenue by 6% per year through 2016, and 2% thereafter 3. Best case: -1% after 2016	1. CCF moves 80% of its current volumes out of LKH to new Avon hospital 2. CCF moves 50% of current volumes	1. Capital Expenditures per year as a percent of depreciation 2. Net working capital % assumption 3. Assumed rate of return on investments			
Notes/Caveats: Assumed expenses would decrease proportionally; but expense reductions may not be able to keep pace with revenue reductions	Notes/Caveats: If we continue the current lease, CCF would likely find programs to maintain at LKH, so could assume a much smaller volume loss		CapEx % of Deprec	Net Working Capital	Rate of Return on Invstmt
		Base Case	100%	8%	6%
		Favorable	66.7%	6%	10%
		Unfavorable	100%	9%	5%

Financial Projections: Cash Flow Impact

Base Case

	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Audited	Unaudited	Budget	Projected	Projected	Projected	Projected	Projected	Projected
Free cash flow									
EBIDA	3,479,000	6,430,000	4,955,318	5,090,670	(10,917,480)	(26,923,726)	(26,881,890)	(26,839,028)	(26,795,501)
Less:									
Change in net working capital		(276,240)	(412,800)	(167,300)	(172,057)	(168,962)	(165,954)	(163,028)	(160,178)
Capital expenditures		2,259,000	5,568,000	5,134,000	5,439,321	5,420,382	5,421,557	5,421,484	5,421,488
Free cash flow		4,447,240	(199,882)	123,970	(16,184,745)	(32,175,145)	(32,137,493)	(32,097,484)	(32,056,810)
Cash flow deficit		-	199,882	-	16,184,745	32,175,145	32,137,493	32,097,484	32,056,810
Long term investments									
Rate of return			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Beginning balance		45,110,000	50,310,000	50,789,600	51,297,976	38,191,110	8,307,431	n/a	n/a
Change in value		7,739,000	3,018,600	3,047,376	3,077,879	2,291,467	498,446	n/a	n/a
Sales of investments		(2,539,000)	(2,539,000)	(2,539,000)	(16,184,745)	(32,175,145)	(32,137,493)	n/a	n/a
Ending balance		50,310,000	50,789,600	51,297,976	38,191,110	8,307,431	(23,331,615)	n/a	n/a

- With the assumed loss of volume due to Avon, operating cash flow turns negative.
- Shortfalls are funded by the LHA assets—investments.
- In the base case, a rate of return on investments of 6%, results in depletion of the investments assets **by the end of the 2nd year of Avon's operations.**

Range of Potential Cash Flow Impacts

- In terms of the LHA investment balance, if we assume a more favorable shift in CCF volume (only 50% shift to Avon vs. 80%), then we could preserve a positive LHA investment balance for approximately one additional year
- Potential obligations for additional funding of cash flow deficits:
 - *We don't currently have a definitive legal opinion about whether CCF would remain obligated to fund any operating losses and negative cash flow throughout the remainder of the lease*
 - If they were somehow obligated to fund cash flow for LKH until the end of 2026, they would likely take action to stem the losses, and the impact of their potential action cannot be projected

However, if we assume the range of scenarios that are shown on page 9, then the total net present value of the cumulative cash flow deficit from mid-2018 through 2026 could be between \$158M and \$214M

Overview of the Options: *Two Very Different Strategies*

Key Considerations	Cleveland Clinic	MetroHealth
Overall Strategy	Referral strategy (hub and spoke) –for feeding highest acuity referrals to main campus	Distributed strategy, focused on primary care; hub and spokes deliver right care in the right place to minimize cost
Different Players	Top tier, well-funded, internationally-renowned specialty medical center	Nationally-recognized, primary/secondary-care focused, low-cost/high-value provider
Core Competencies	Traditionally highly specialty-focused; but trying to become more population health-focused	Well-versed in management and care of populations similar to the Lakewood community
Future Vision for Lakewood	Outpatient focus in City of Lakewood; inpatient hubs nearby; wellness concepts to complement facility-based services	Inpatient focus in Lakewood with a “distributed hub” approach; also includes ambulatory and wellness programs

Overview of the Options: *Two Very Different Strategies*

Key Considerations	Cleveland Clinic	MetroHealth
Consistent with market trends?	Consistent with trend toward more outpatient, less inpatient services	Consistent with cost management and the emerging economics of health care
Financial impact – short term	Adverse impact on Lakewood community economy, and on independent physician community	Minimal; could be a favorable impact on the independent physician community
Financial impact – long term	May result in significant community funding resources to invest in additional health promotion programs	Likely does not result in community funding resources to invest in health; risk that the hospital still eventually closes

Overview of the Proposals: *Common Elements*

Despite the significant differences in the two proposals and the underlying strategies, there are some common elements

Category	Common Elements
City Ownership	City would not be involved in the delivery of health care services in Lakewood; but would maintain an interest in ultimate land use of Detroit Avenue property
Ambulatory Care Investments	Both recommend additional investments in ambulatory care in Lakewood
Community-Based Health Promotion	Both recommend development of complementary community-based health promotion programs (but possibly to varying degrees)
Distribution of Beds	Both proposals imply a re-distribution of inpatient beds in the Cleveland area (but for different purposes)

Overview of the Proposals: *Two Very Different Strategies*

Cleveland Clinic Proposal

- Build Family Health Center (FHC)
- Close hospital
- Create Lakewood Health Partners (LHP) to implement innovative community health and wellness strategies
- CCF maintains a role in LHP and in governance
- Financials – CCF funds the FHC; City/LHA/LHF/LHP funds everything else

MetroHealth Proposal

- Keep hospital; make it the lower-acuity, lower cost site of services for MHS
- Invest in enhanced ambulatory services in Lakewood
- Transfer some volumes from MHS to support LKH
- Proposed full transfer of all LHA/City assets to MHS; flexible on how to structure it
- Financials – invest some capital in Lakewood, but much of it would come from CCF and/or LHA/LHF

Outcome of June 19, 2014 LHA Caucus

- We reviewed the revised/refined proposals from both MH and CCF
- Subsidiary recommended, and Caucus agreed, to proceed with discussions with Cleveland Clinic regarding a potential letter of intent
 - Strategic direction for Lakewood was a key consideration
 - Additional key consideration was the fact that we could not proceed with further detailed discussions with MetroHealth until we determined the potential terms for either terminating the current Definitive Agreement or re-defining the relationship with the Clinic

Terms

- How are we going to structure and finance our future relationships and services?

July 2014 –
December
2014

Details on the Strategic Options Evaluation Process and Key Data Considered

Section 4: Key Terms (July 2014 – Dec. 2014)

Key Rationale Considered

Terms

- How are we going to structure and finance our future relationships and services?

July 2014 –
December
2014

- Evaluated the potential costs to both parties of the status quo contract (likely between \$150-200M in losses between now and 2026)
- Terms MUST include adequate financial capacity for Lakewood to invest in the health of the community through its own means (developed rough estimates)
- Terms must support the City's viability in the face of potentially significant revenue reductions
- Terms provide for the City to have influence over future uses of this important property in the center of Lakewood

CONCLUSION: Negotiated terms to establish a strong tax-exempt entity to invest in community health initiatives and to help the City maintain its long-term financial health

Points of reference for potential counter-proposal

- We considered several different high-level potential points of reference which may be helpful in developing our counter-proposal(s)
 - Recent hospital sales (both full market and “distressed” type sales) on a per-licensed bed basis
 - NPV of the expected contribution margin to CCF from the admissions at Lakewood which are likely to end up moving to another CCF facility
 - Potential costs for population health-based programs which the Lakewood community may envision funding in the future
- Additional details are on the following pages, but the summary of these points of reference is below:

Reference Approach	Reference Amount
Recent hospital sales (avg. \$125K-\$300K per bed)	\$29M - \$70M
Potential capital needs for Foundation to fund population health initiatives	\$31M
NPV of contribution margin (3 years at \$13M/year)*	\$38M

*Note: excludes impact of indirect costs and normalized capital expenditures

Recent hospital sales

- One potential reference point is to consider what the “fair market value” would be for a hospital like Lakewood if we were to sell the hospital to a willing buyer
- We gathered information on several recent hospital sales, some of which were “distressed” sales, which would likely be more representative of the type of pricing Lakewood might experience

Representative Price per Licensed Bed Metrics				
	Total Beds	Purchase Price	Purchase Price/ Bed	Comments
Hospital Deal A	476	\$ 45,000,000	\$ 94,538	2 hospitals in deal, distressed sale
Hospital Deal B	866	\$ 273,000,000	\$ 315,242	2 hospitals in deal, with a well-established Foundation, very profitable and well-run system
Hospital Deal C	57	\$ 32,000,000	\$ 561,404	Specialty heart hospital
Hospital Deal D	357	\$ 45,000,000	\$ 126,050	Single hospital, distressed sale
Hospital Deal E	351	\$ 105,000,000	\$ 299,145	2 hospitals
Hospital Deal F	347	\$ 150,000,000	\$ 432,277	Large hospital, very well-run
Hospital Deal G	154	\$ 50,000,000	\$ 324,675	Single hospital, more similar size to Lakewood

AVERAGE	\$ 307,619
AVERAGE-Less Hi/Lo	\$ 299,478
AVERAGE-Distressed Sale	\$ 110,294

Average prices applied to LKH		
Beds	Avg prices	Applied to LKH beds
240	\$ 307,619	\$ 73,828,509
	\$ 299,478	\$ 71,874,729
	\$ 110,294	\$ 26,470,588

Estimated costs of potential investments in population health

Bottom-Up Buildup of Estimated Investments for Community Needs (Annual Operating Costs)							
Capital costs would be separate estimates							
Overall assumption: Foundation endowment must be large enough to generate annual investment income to cover annual operating budget target for community health needs							
Endowment Amount (calculated)	\$ 31,494,291				Key Assumptions		
Interest Rate	5%				Lakewood population	49,600	
Annual Investment Income needed	\$ 1,574,715				Avg household income	\$ 42,000	
Admin/Infrastructure assumption	10%				Uninsured percentage	12.9%	
Estimated community programs costs	\$ 1,431,559				Age 65+	13.0%	
Overall categories of targeted community health needs					Under age 18	24.0%	
Chronic condition management					Heart disease	4.4%	
Behavioral health					Heart failure	1.8%	
Substance abuse					Hypertension	27.4%	
Access to care (transportation, affordability, provider supply)					Asthma	11.0%	
Health education, navigation, advocacy					Diabetes	7.6%	
Obesity/diet/exercise - healthy living					Depression/Anxiety	9.6%	
					Obesity	26.4%	
					Smoking	27.3%	
					Chemical Dependency	7.6%	

Estimated costs of potential investments in population health, continued

							Total Cost
Program Build-up	Assumptions				Subtotal costs		Assumption
Chronic condition management (nurse coach program)	Prevalence rate in commercial popul		15.0%		\$ 58,255.20		\$ 219,752.80
	Prevalence rate in Medicare popul		35.0%		\$ 20,311.20		
	Avg program cost (\$mpy)		\$ 36.00				
	Avg participation rate		25.0%				
Device/home monitoring program	CHF, HR Diab, 65+ in poverty -- total prevalen		5.7%		\$ 141,186		
	Participation		10.0%				
	Per participant per year		\$ 500.00				
Behavioral Health/Subs Abuse	Dep/Anxiety Prevalence		9.6%		\$ 314,801.28		\$ 314,801.28
	Subs Abuse Prevalence		7.6%				
	% Uninsured		12.9%				
	% under 18		24.0%				
	Assume 10 visits/enrollee X \$100/visit						
	--per enrollee cost		\$ 1,000				
	Participation rate		10%				
Access to Care --Transportation	Elderly in poverty		3.1%		\$ 99,404.60		\$ 99,404.60
	Uninsured		12.9%				
	Assume 50% utilization		50%				
	Assume 1x per year X \$25/ride		\$ 25.00				
Advocacy/Navigation/Education	Total population resource		49,600		\$ 297,600		\$ 297,600
	Assume participation rate		25%				
	Avg program cost (\$mpy)		\$ 24.00				
Obesity/Healthy Living/Exercise	Parks, walking trails?				placeholder		\$ 500,000
	Fitness resources?						
Grand Total							\$ 1,431,558.68

Annual contribution margin

- Estimated annual contribution margin from the CCF-admitted cases currently at Lakewood that would likely be transferred to other CCF facilities after the Lakewood transition

Row Labels	Sum of Total Cases	Sum of Tech Net Revenue	Sum of Tech Contribution Margin
Orthopaedics	714	11,538,529	4,706,842
Rehabilitation	633	9,725,371	3,619,091
Neurosciences - Neurosurgery	96	1,854,822	884,650
Obstetrics	410	1,865,644	557,120
Dig Diseases - Gastroenterology	143	903,340	529,912
General Surgery	81	1,001,220	429,860
Heart - CV Medical	162	1,436,278	412,955
Dig Diseases - Colorectal	40	579,761	289,048
Pulmonology	121	783,494	276,091
Infectious Disease	42	473,173	227,459
Neurosciences - Neurology	77	526,463	211,012
General Medicine	121	720,925	161,913
Nephrology	65	360,870	154,567
Endocrinology	35	197,317	105,304
Heart - Vascular Surgical	13	195,195	103,147
Oncology - Medical	30	204,356	97,342
Tracheostomy	2	164,765	80,501
ENT	19	108,900	45,347
Urology	9	66,473	44,820
Gynecology	13	96,498	37,869
Neonatology	112	156,944	28,570
Thoracic Surgery	3	75,773	27,150
Psychiatry	17	106,627	27,034
Unknown	15	49,856	11,063
Plastic Surgery	1	-	(9,499)
Grand Total	2,974	33,192,594	13,059,168

Summary of Letter of Intent: Key Terms

Section/Topic	Summary of Terms
Parties to Agreement	CCF, LHA, LHF and (potentially eventually, the City)
Founding Principles	Based on the changing health care environment (from sick care to population-based care); objective to transform services in Lakewood from inpatient to comprehensive outpatient, wellness and outreach services
Key Components: FHC and Services	• CCF would build the FHC: approx. 62,000 sq. ft and ~\$34M • Requires estimated 2.5 acres • Parking subject to a business plan, but intent is to maximize parking in the Belle Avenue deck and ensure it covers ongoing operating and maintenance costs • Includes 24/7 Emergency Department • Buyback provisions for the City for the land and improvements

Summary of Letter of Intent: Key Terms

Section/Topic	Summary of Terms
New Agreement	We would develop a new “2015 Definitive Agreement” which would replace the existing Lease and Definitive Agreement from 1995
New Tax-Exempt Entity	• Create a new tax-exempt, community-based foundation • CCF would fund \$24.4M to the foundation (<i>half at effective date, half when plan for hospital decom. is complete</i>) • CCF would also contribute additional payments of \$500K per year for 16 years (total of \$8M)
Role of CCF in New Entity	• Board seats: CCF would have 2 seats (out of up to 21) • 2015 Definitive Agreement would include a mutually agreed-upon naming opportunity for CCF related to a program or facility funded by the new entity, as long as it doesn’t conflict with a donor naming opportunity • CCF has right of first refusal to be the provider of programs/services over \$500K/year

Summary of Letter of Intent: Key Terms

Section/Topic	Summary of Terms
Wind-down/ Dissolution	• The President of the LHA will direct the dissolution plan • Dissolution plan will be an exhibit to the 2015 Definitive Agreement • LHA Trustees can be substituted by the Member during the wind-down period (except at least one representative of the City of Lakewood) • LHA balance sheet will be used to fund the wind-down with CCF covering any costs in excess of the LHA assets • 850 Columbia Road will be sold to CCF at estimated current market value • All assets of LHF excluded • The land under the Hospital, except what is sold for FHC remains the property of the City • City also retains ownership of other property, including parking garage, MOB, Community Health Center, homes and paved lots

Summary of Letter of Intent: Key Terms

Section/Topic	Summary of Terms
FM Residency	The FM Residency program will relocate from Fairview to Lakewood FHC
Emergency Dept	• The President of LHA will continue to operate the current ED at Lakewood during the wind-down, if reasonably possible, until the FHC's ED opens • Members of the LHA Board of Trustees will cooperate with and support the LHA President except where they believe in good faith it is contrary to their fiduciary obligations
Records	CCF will administer archival recordkeeping
Support	• The City's Mayor will publicly support the transition • The City will promptly grant needed regulatory approvals, etc., which are within its authority • CCF, in turn, will work with Avon to help negotiate an agreement with Lakewood on payroll tax-sharing

Summary of Letter of Intent: Key Terms

Section/Topic	Summary of Terms
Other Terms	• No other health system provider on the same land • CCF will cover insurance runout • 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 • All parties are subject to confidentiality agreement during the period prior to Definitive Agreement

Key Milestones/Timeline

- Since the Caucus authorized us to begin negotiations with the Cleveland Clinic, we've had 7 formal negotiating sessions with them, in addition to numerous interim calls and discussions
- We received a formal draft letter of intent for consideration on September 11th

	Week of:																		
Key Milestones	16-Jun	23-Jun	30-Jun	7-Jul	14-Jul	21-Jul	28-Jul	4-Aug	11-Aug	18-Aug	25-Aug	1-Sep	8-Sep	15-Sep	22-Sep	29-Sep	6-Oct	13-Oct	20-Oct
Board Caucus Meetings	X																		X
Step 2 Team Meetings		X	X		X	X	X	X	X			X		X	X		X	X	
CCF Meetings/Negotiations			X		X				X		X		X	X	X				
Interim CCF Discussions					X	X		X	X								X	X	
MetroHealth meetings														X					
Other Notable Events:																			
Received draft LOI from CCF													11-Sep						
Lakewood Counter Proposal Sent															24-Sep				

Summary of Discussions and Recommended LOI

	Date	Transition payment	Contribution to Foundation	Retained assets	850 Columbia Road	Total
CCF 1 st Offer	Sept. 11 th	\$20	\$5	6	n/a	\$31
LHA counter	Sept. 24 th	50	12	6	n/a	68
Caucus poll		31.95	5	6	8.2	51.15
CCF response	Nov 5 th	26	8	6	n/a	40
LHA counter		31.95	5	6	8.2	57.15
CCF response	Nov 10 th	26	8	6	5	45
LHA counter	Nov 24 th	26	8	6	8.2	48.2
<i>Current LOI -- recommended</i>	<i>Dec 9th</i>	<i>\$24.4</i>	<i>\$8</i>	<i>\$6</i>	<i>\$8.2</i>	<i>\$46.6</i>

Next Steps?

Future Vision for the Lakewood Health System

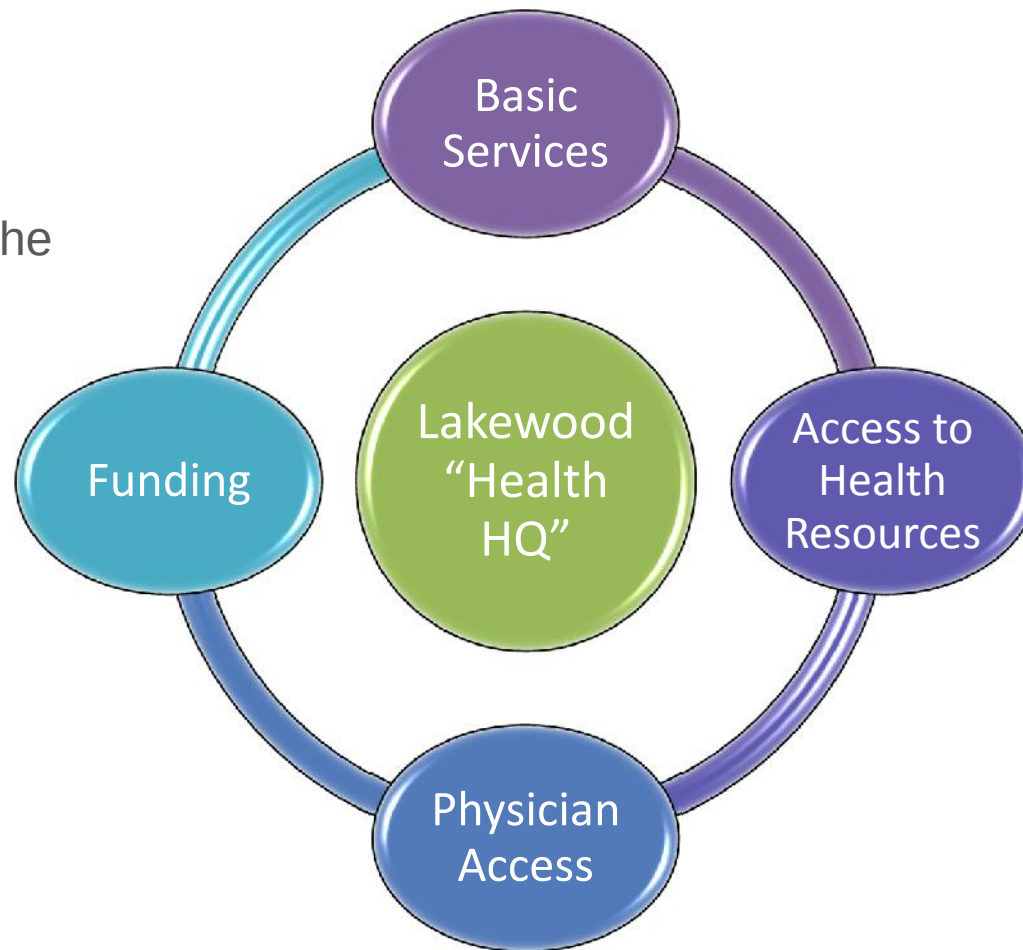
Draft for Discussion: Vision for Future Health Care System in Lakewood

- Vision Statement:
 - The Community of Lakewood, Ohio will invest in a portfolio of effective and innovative programs to make Lakewood the healthiest community in Ohio, and to advocate for the health-related needs of our most vulnerable populations
- Key Guiding Principles:
 - Promote a culture of health in Lakewood that truly differentiates our community and attracts people to live and work here
 - Provide a strong base of health-related programs and services to keep physicians in Lakewood (to live and work)
 - Develop a mechanism to ensure strong coordination and collaboration across all health-related services, programs and providers in Lakewood
 - Help to make health care easier to navigate for our people

Draft for Discussion: Vision for Future Health Care System in Lakewood

The Community Health Needs Assessment completed in 2011-2012 reflects four primary health-related needs of the community

- Basic services
- Access to health resources
- Physician access
- Funding



Making the Vision More Tangible.....Examples of Specific Programs Lakewood “Health HQ” Could Coordinate

CONTINUUM OF HEALTH STATUS

Low or No Risk → Moderate Risk → High Risk



STAGE OF LIFE

- Neonates
- Infants
- Children
- Adolescents
- Early Adults
- Adults
- Older Adults
- Frail Elderly

State of the Art, Brand New or Updated Health Care Facility

Additional Programs and Services

- Wellness center/fitness center
- School-based counseling programs
- Behavioral health services, such as peer counseling programs
- Personal health navigators
- Health advocates/health coaches, case managers
- Physician subsidy programs
- Parks, walking trails, dog parks
- Health care pricing transparency tools
- Promotion of mobile/urgent care services
- Health care pricing transparency tools
- Subsidies for in-home monitoring devices
- Sophisticated data analytics and research to drive investments in evidence-based programs (e.g., hot-spotting)

Making the Vision More Tangible.....Example

For the community communications sessions, we'll need to develop vignettes to show different segments of the Lakewood community how they might experience the proposed future health services and programs in Lakewood:

Scenario 1: Young family, working parents, two children (7 and 10); one child with asthma



Investments in:

- Family fitness/wellness center (either fund existing facilities and partners, or consider building additional facilities to increase capacity in Lakewood)
- Ensure primary care physicians and pediatricians have incentives to live and practice in Lakewood
- Support for health-related programs in the Lakewood schools
- Advanced imaging and diagnostic testing for asthma management
- Online tools for asthma tracking