

From: Paul Colarusso <pcolarusso@huronconsultinggroup.com>
Sent: Tuesday, September 29, 2015 5:10 PM
To: Bullock, Tom; John Bodine
Cc: Butler, Kevin
Subject: !RE: Clarification on Huron statements in report for Lakewood

Please see below for our (Huron Consulting) response (in red) to Mike Skindell's campaign statements (underlined)

- "Under these circumstances, there is simply no cause to abandon Lakewood Hospital or do anything else in a hurry. As Huron Consulting affirmed, holding Cleveland Clinic to its obligations while conducting a patient, transparent, genuine search for a new partnership is a perfectly viable option." <http://savelakewoodhospital.org/why-lakewood-hospital-is-not-st-michaels/>
 - The term "perfectly" is inaccurate. While it is our opinion that continuing the partnership search process is an option that can be pursued, it will likely be expensive (due to the need for a replacement facility) and we not sure if it will yield positive results given the lack of independent physicians in the market (more on this below) and the lack of interested suitors.
- <http://savelakewoodhospital.org/huron-consulting-report-other-news/> "Certain of its [Huron's] observations have generated much discussion, among them:
 - The city's purported search for alternative partners was mishandled and abandoned well short of completion
 - Huron does not use the term "mishandled" or the phrase "abandoned well short of completion." Huron had concerns with certain areas of the marketing process, including (a) Subsidiium is not an investment banker, (b) a letter of release from Cleveland Clinic was not obtained, (c) there were two sets of RFPs, and (d) certain mission/faith-based systems or companies with a history of investing in distressed hospitals were not approached. However, it is incomplete and misleading to note the above without mentioning that it is our belief that the Hospital was marketed to nearly all logical parties and we have no expectation that a different outcome would have resulted if the above concerns were addressed during the sale process.
 - "The earlier report by Subsidiium consultants ignored important issues in concluding that Lakewood does not need "obsolete" inpatient hospital facilities
 - This is not our quote and is not supported by our analysis. In our report, we note that we believe the criteria Subsidiium utilized in determining the viable options for Lakewood is reasonable and comprehensive. We also note that we believe Subsidiium considered essentially all relevant potential options. That said, we point out that the City of Lakewood may

also consider non-financial factors that we did not investigate including the impact on employment in the community or whether or not the City feels it has a responsibility to ensure that acute care services are provided within Lakewood.

- “Continue operating under the current lease agreement, while also pursuing strategic initiatives and affiliation discussions” is a viable option for Lakewood.
 - Given numerous factors, including the recent downturn in financial performance, we believe that it will be difficult for the Hospital to continue on a status-quo course of action. Accordingly, this is only considered a viable option if the City addresses the facility issues, develops a supportive physician network, and pursues negotiations with potential partners. If this strategy is unsuccessful, the cost to the community in terms of financial losses and lost services could be significant. While the above initiatives and negotiations are taking place, the investment portfolio of LHA will likely be depleted.
- "A population the size of Lakewood has the ability to support an acute care hospital.."
 - The population is large enough to support an acute care hospital, but only if a larger portion of the population utilizes the facility (this would require the redirection of patients that are currently out-migrating to other facilities including Fairview).
- "Huron believes status quo 'may be a viable option if LHA and the City prefer to delay a decision on the Hospital, during which time the City would continue to receive payments under the lease.' Use additional time 'to develop a strategy to address facility issues, develop a supportive physician network; and pursue negotiations with potential partners.'"
 - It is our opinion that it would likely take several years to build a new facility and possibly longer to develop a physician network (if it is even possible). The time requirement can be shortened if the Hospital renovates the current space (as opposed to a complete rebuild), although refurbished space is seldom of the same standard as a new facility and may not be competitive depending on the extent of the renovations. It will likely cost over \$100 million to build a new facility and develop a physician network, potentially less if the existing space is renovated.
- "Right Size Hospital - Reduction of Beds - Huron believes this is 'a viable option if there is sufficient capital for facility renovations and an ability to expand the physician network and capture additional community support for the Hospital.'"
 - Our answer to this question is similar to the previous question, especially since we would expect a new or renovated hospital to contain fewer beds than are currently in place. We would expect a new facility to contain between 50 and 100

beds. Construction costs for a hospital typically range from \$700,000 to \$1.4 million per bed.

If you have any further questions, please let me know.

Thank you,

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