

Criteria Worksheet

Model: Stand alone 501(c)(3) [Including transfer of assets/liabilities, lease of assets]

OBJECTIVE #1: Minimize taxpayer financial and legal exposure

Criteria #1: Minimizes taxpayer financial exposure related to the ownership/governance/operation of MHS

Case Study/Presentation: Rulon Stacey
Presentation Date: July 7, 2010

Pros	Cons
-No financial exposure to taxpayers as MHS completely separated from City ownership/Governance	

Model: Stand alone 501(c)(3) [Including transfer of assets/liabilities, lease of assets]

OBJECTIVE #1: Minimize taxpayer financial and legal exposure

Criteria #2: Minimizes taxpayer legal exposure related to the ownership/governance/operation of MHS

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Pros	Cons
-No legal exposure to taxpayers as MHS completely separated from MHS ownership/governance	

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<p>OBJECTIVE #2: Maximize MHS benefit to community, including high quality care and economic/financial impact</p>
<p>Criteria #1: The model assures the provision of effective health system governance</p> <p>Factors to Consider:</p> <ul style="list-style-type: none"> • Ability to adopt best practices with respect to Board complement and selection • Decisions important to local community made at local level

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Pros	Cons
<p>-501(c)(3) organizations are in the mainstream and therefore easier to recruit qualified Board members</p> <p>-Local governance and control maintained</p> <p>-No longer a public institution so inefficient oversight structure associated with City ownership model not present</p> <p>-Not subject to CORA so no hindrances to Board recruitment and retention</p> <p>-Flexibility in Board appointments as not subject to political calculations: may enhance skill sets, national/regional representation of Board</p> <p>-Single tier oversight structure enables fuller attention to health system governance</p> <p>-If appropriate controls imposed upon 501(c) (3) structure local governance focus can be assured</p> <p>-Can structure governance so that City has a voice</p>	<p>-Loss of direct City control of governance and, therefore, system activities</p> <p>-High quality system governance—if it exists—can add value to organizational governance and leadership</p>

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OBJECTIVE #2: Maximize MHS benefit to community, including high quality care and economic/financial impact

Criteria #2: Model assists in attracting effective executive leadership

Factors to Consider: Creates organizational model attractive to top talent at all levels of management

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Pros	Cons
<p>-Vast majority of health systems are not governmentally owned, bringing MHS into the mainstream when it seeks to recruit executive talent (wider pool of talent available as public hospital leadership is a somewhat unique skill set)</p> <p>-Model is attractive to organizational leaders at all levels (executive, managerial, medical)</p> <p>-More flexibility on compensation programs</p> <p>-Absence of restrictions imposed by City ownership may make organization more effective, thereby aiding recruiting/retention</p>	<p>-Lack of direct City oversight places great trust in System Board/Executive leadership</p> <p>-High quality system leadership—if it exists—can enhance quality of local leadership</p> <p>-A larger system can sometimes aid in recruitment and retention of talent throughout the organization</p>

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OBJECTIVE #2: Maximize MHS benefit to community, including high quality care and economic/financial impact

Criteria #3: Model promotes the delivery of high quality care

Factors to Consider:

- Enhances adoption of best practices in quality care, including development of internal expertise and quality-supportive culture
- Capital allocation process supports meeting local community needs

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Pros	Cons
<p>-Enhanced flexibility inherent in model enhances innovation</p> <p>-Effective platform for partnering with medical providers to drive quality/reduce “negative” variation in practice</p> <p>-Removes inefficiencies inherent in government ownership model—use of outside expertise, contracting issues, for example—thereby potentially enhancing quality, both objectively and through quickening the pace of quality transformation</p> <p>-Can put in place requirements for quality benchmarking to assure responsiveness to local needs and expectations</p>	<p>-Lack of direct City oversight places great trust in System Board/Executive leadership</p> <p>--Inability to learn/adopt best practices from sister organizations as possible if part of a larger system</p> <p>-I.T., which is the heart of market leading quality systems, can be more expensive as a stand alone (other capital equipment also more expensive)</p>

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OBJECTIVE #2: Maximize MHS benefit to community, including high quality care and economic/financial impact

Criteria #4: Model facilitates the creation of a high agility organization

Factors to Consider:

- Minimizes layers of governance and management
- Avoids structural impediments not affecting MHS competitors
- Facilitates development of a corporate culture responsive to local needs
- Strengthens Memorial Health System’s ability to attract/retain highly qualified staff through competitive compensation and benefits

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Pros	Cons
<p>-Single tier of responsible governance enhances efficiency</p> <p>-Avoids all structural impediments associated with governmental ownership (CORA, contracting, audits, politicization of decision making, etc.)</p> <p>-Enables quicker response time to market challenges</p> <p>-Enhanced flexibility in compensation and benefit options</p> <p>-Mainstream organizational model, thereby enhancing recruitment/retention of talent at all organizational levels</p> <p>-Facilitates a regional approach to health care delivery, potentially increasing scale of MHS and ability to respond effectively to the market</p>	<p>-Lack of direct City oversight places great trust in System Board/Executive leadership</p> <p>-Dependent upon achieving sufficient scale as a stand alone organization to have sufficient capital and talent resources to be agile</p>

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OBJECTIVE #2: Maximize MHS benefit to community, including high quality care and economic/financial impact

Criteria #5: Model facilitates the creation of a high efficiency organization

Factors to Consider:

Maximizes ability to become a low cost provider of health care services

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Pros	Cons
<ul style="list-style-type: none">-Drives out excess costs associated with governmental ownership-Enhanced flexibility of organizational model enhances overall flexibility and efficiency of organization-Removing politicization of issues potentially enables lowering of costs-Model enhances ability to integrate with medical providers, thereby leading to cost reductions-Model enhances ability to integrate with medical providers, thereby leading to higher quality and potentially greater efficiency	<ul style="list-style-type: none">-Dependent upon achieving sufficient scale as a stand alone to capture efficiencies-Inability to learn/adopt best practices from sister organizations as possible if part of a larger system

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<p>OBJECTIVE #2: Maximize MHS benefit to community, including high quality care and economic/financial impact</p>
<p>Criteria #6: Model facilitates the development of an Integrated Delivery System (IDS)</p> <p>Factors to Consider:</p> <ul style="list-style-type: none"> • Attractive model to develop strong physician/clinician/community partnerships • Enjoys support of local medical community • Enhances ability to create strategic linkages across the region • Capital support for development of IDS • Addresses I.T. needs of MHS

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Pros	Cons
<p>-501(c)(3) model attractive to medical providers</p> <p>-Removes impediments of City ownership when contracting with medical providers (CORA, etc.)</p> <p>-Enables equity joint venture and other models of physician integration and partnership</p> <p>-Facilitates linkages across region as no City ownership impediments to regionalization</p> <p>-Locally owned and controlled organization is model strongly favored by medical community</p> <p>-Decision making kept local and, therefore, responsive to local needs and expectations</p> <p>-No “outside” demands or limitations on capital allocation</p>	<p>-Capital access can be enhanced in successful larger systems vis-à-vis stand alone organizations, thereby aiding IDS formation and success</p> <p>-Thought leadership can be enhanced in successful larger systems vis-à-vis stand alone organizations, thereby aiding IDS formation and success</p>

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OBJECTIVE #2: Maximize MHS benefit to community, including high quality care and economic/financial impact

Criteria #7: Model facilitates achieving strong financial performance

Factors to Consider:

- Strengthens capital generation to fulfill local capital and strategic needs
- Strengthens capital access to fulfill local capital and strategic needs

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Pros	Cons
<p>-Removes inherent inefficiencies associated with governmental ownership (CORA, contracting, audit costs, etc.), thereby improving financial performance</p> <p>-Facilitates attraction of top talent, thereby improving performance</p> <p>-Enhanced flexibility associated with model is absolute imperative given the demands of health reform</p> <p>-Enables innovative partnering with medical community, a key requirement for future success</p> <p>-Levels playing field with competitors relative to burdens imposed by governmental ownership</p> <p>-Enables regional approach, potentially strengthening MHS</p> <p>-No outside demands/limitations upon capital (local control)</p>	<p>-MHS may not be as successful financially as a stand alone than as part of a larger system</p> <ul style="list-style-type: none">-May not acquire sufficient scale-Costs of capital can be higher-Capital spend costs (equipment, supplies, building projects) can be higher given smaller scale relative to a larger system)-Lack of deep bench strength vis-à-vis larger systems <p>-On other hand, MHS could be weakened if part of an unsuccessful larger system</p>

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OBJECTIVE #2: Maximize MHS benefit to community, including high quality care and economic/financial impact

Criteria #8: Financial return to community

Factors to Consider:

- Proceeds available from each governance/ownership model
- Impact of proceeds on provision of health care and attainment of other community goals

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Pros	Cons
<p>-Ability to generate financial return to community through lease arrangement, sale of assets, creation of foundation, indigency care, other</p> <p>-Strengthens local employment as all jobs stay in the community</p> <p>-Can structure model so that City retains ownership interest in MHS</p> <ul style="list-style-type: none">-Dissolution proceeds-Sale proceeds-Merger interest-If lease, assets return upon expiration	<p>-What is impact of PERA?</p> <p>-Transaction costs associated with moving from City ownership</p> <p>-Less money available to City as a stand alone then if sold to a system</p>

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OBJECTIVE #3: Access to excellent health care designed and delivered around community needs

Criteria #1: Protects/strengthens MHS's mission of assuring access to care without regard to ability to pay (charity care policy)

Factors to Consider:

- Allows focusing of programs/directing of resources to meet local mission needs
- Strengthens Memorial Health System's role as a partner with other organizations
- Offers continuity of ownership so that local mission will be supported over the long term

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Pros	Cons
<p>-Retains local control and decision making and, therefore, responsiveness to local community needs (conversely, no outside demands on resources so they can be fully dedicated to local meet local needs and expectations)</p> <p>-Can structure into the model access guarantees (service mix, charity care, indigency standards, etc.)</p> <p>-Local ownership and control a very strong preference of local partnering organizations</p> <p>-Can structure into the model continuity of local ownership so that local mission will be supported over the long term</p> <p>-By facilitating development of an IDS model can strengthen access to care through enhanced financial performance of MHS</p> <p>-By facilitating development of an IDS model can strengthen accessibility to care by moving toward a "seamless" care delivery system</p>	<p>-City control of MHS can presumably assure that it keeps focused on meeting a local mission of access to care</p> <p>-MHS may be financially stronger as part of a system, thereby enabling it to provide even better access and accessibility to care than it would as a stand alone</p>

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Additional consideration: Return on community

Criteria: Maximizes return on community commensurate with the community's interest in MHS

Factors to Consider:

- Intangible aspects associated with various governance/ownership models
- "Fit" of each model with goals/culture of Colorado Springs

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Pros	Cons
<p>-Maintains local ownership and control, likely a very important attribute to the citizens of Colorado Springs</p> <p>-If model structured to do so, enables growth of City asset with enhanced value accruing to City</p> <p>-Relative to continued City ownership and governance, positions MHS for a much stronger future clinically and financially, while maintaining (or potentially enhancing if MHS thrives) MHS' role as a safety net</p>	<p>-To the extent that City ownership is desired this no longer exists</p> <p>-While MHS would not be locally owned and/ or controlled as part of system, it could be stronger as part of a larger organization</p>