

## Criteria Worksheet

Model: Nonprofit Affiliation

**Additional consideration: Return on community**

Criteria #1: 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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

| Pros  | Cons   |
|---|--|
| <ul style="list-style-type: none"><li>-Maintains non-profit nature of MHS</li><li>-May be a "lighter hand" than for-profit alternatives</li><li>-Can be advantages to being part of larger, successful organization</li></ul> | <ul style="list-style-type: none"><li>-Does not maintain full local control or decision making. Depending upon affiliation structure used and negotiations, local control/input can be fairly limited</li><li>-You "sink or swim" based upon fortunes of the larger organization</li><li>-May be loss of local culture and connectedness</li></ul> |

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# Criteria Worksheet

Model: Non-profit Affiliation

**OBJECTIVE #1: Minimize taxpayer financial and legal exposure**

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

Case Study/Presentation: Dave Burik  
Presentation Date: Aug. 4, 2010

| Pros  | Cons |
|---|------|
| <p>-Requires privatization of the system, so no taxpayer exposure</p> |      |

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# Criteria Worksheet

Model: Nonprofit Affiliation

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| <b>OBJECTIVE #1: Minimize taxpayer financial and legal exposure</b>                                    |
| Criteria #2: Minimize taxpayer legal exposure related to the ownership and governance/operation of MHS |

Case Study/Presentation: Dave Burik  
Presentation Date: Aug. 4, 2010

| Pros  | Cons |
|---|------|
| --Requires privatization of the system, so no taxpayer legal exposure |      |



# Citizens' Commission on Ownership and Governance of Memorial Health System (MHS)

## Criteria Worksheet

Model: Nonprofit Affiliation

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

Criteria #1: The model assures the provision of effective health system governance

**Factors to Consider:**

- Ability to adopt best practices with respect to Board complement and selection
- Decisions important to local community made at local level

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

| Pros  | Cons  |
|---|---|
| <p>-As part of a larger system, MHS gains access to their Board processes</p> <p>-Oversight by system Board may be a significant value add <u>if</u> system Board is good</p> <p>-Since now a private system no politicization of appointments/potential impediments to adoption of national best practice</p> <p>-No discouragement to service as Board is no longer a public body</p> | <p>-Authority of local Board limited as system Board maintains retained authority</p> <p>-Key decision making (finances and significant strategies) made at a regional/national—not local—level</p> |

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## Criteria Worksheet

Model: Nonprofit Affiliation

**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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

| <b>Pros</b>   | <b>Cons</b>  |
|---|--|
| <ul style="list-style-type: none"><li>-May be advantage of a larger organization to recruit/retain top talent</li><br/><li>-Being part of a larger organization can bring enhanced benefits to employees (movement within a larger organization, attractive employee benefits, other)</li></ul> | <ul style="list-style-type: none"><li>-Depending upon level of bureaucracy and degree of decision making delegated to local administration, range of opportunity may be limited</li><br/><li>-May impact culture if local nature of MHS impacted</li></ul> |

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## Criteria Worksheet

Model: Nonprofit Affiliation

**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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

| Pros   | Cons  |
|--|---|
| <p>-Can be advantage to being part of a larger organization with respect to ability to drive quality—sharing of resources, best practices, other. However, this is highly organizationally dependent, as merely being larger does not make the system better on quality initiatives</p> <p>-No longer a public hospital, so ability to work with medical professionals to incentivize quality care enhanced relative to public ownership</p> | <p>-Capital allocation process no longer within local control</p> |

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## Criteria Worksheet

Model: Nonprofit Affiliation

**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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

| Pros   | Cons  |
|--|---|
| <p>-Private hospital, so no restrictions imposed by public ownership</p> <p>-Relative to City ownership, should provide increased flexibility in compensation structures, strengthening staff recruiting/retention efforts</p> | <p>-Creates a parent Board above MHS Board. <u>This may or may not be value add</u></p> <p>-Corporate culture a blend of local and system—this can positive or negative</p> <p>-Can be viewed as good to be part of a larger organization or dilutive of local pride, culture, responsiveness</p> <p>Depending upon degree of authority delegated to the local level, and responsiveness of the parent organization, may or may not be an agile organization</p> <p>-May have enhanced resources if part of a larger organization, but at cost of additional governance and management layers</p> |

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## Criteria Worksheet

Model: Nonprofit Affiliation

**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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

| Pros   | Cons  |
|--|---|
| <ul style="list-style-type: none"><li>-Depending upon financial strength of larger system, can be important economies of scale</li><li>- As a private system, no restrictions on regional growth</li></ul> | <ul style="list-style-type: none"><li>-System costs can be significant and swallow savings resulting from economies of scale</li><li>-Strategies now looked at not through MHS-centric lens, but what is good for the whole. This may impact regional growth strategies</li><li>-Weaknesses at system level get translated into additional costs at MHS level</li></ul> |

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## Criteria Worksheet

Model: Nonprofit Affiliation

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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

| Pros  | Cons  |
|---|---|
| <p>-As a private hospital, fewer restrictions (relative to City ownership) upon ability to work with medical providers</p> <p>-May be additional resources/sophistication brought to bear in crafting and implementing an integration strategy with physicians, other providers</p> <p>-Support of medical community dependent upon reputation of partnering organization</p> | <p>-Capital no longer in local control, so implementation of strategy not a local decision. Regional strategy dependent upon footprint of partner, system capital priorities, other</p> <p>-While organizationally dependent, generally there is no new capital contributed by the larger system</p> <p>-Ability to implement strategy dependent upon degree of decision making delegated to local administration</p> <p>-Local linkages may or may not be assisted, dependent upon system-wide strategy, capital outlay, other</p> <p>-Support of medical community dependent upon reputation of partnering organization</p> |

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## Criteria Worksheet

Model: Nonprofit Affiliation

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| <p><b>OBJECTIVE #2: Maximize MHS benefit to community, including high quality care and economic/financial impact</b></p>   |
| <p>Criteria #7: Model facilitates achieving strong financial performance</p> <p><b>Factors to Consider:</b></p> <ul style="list-style-type: none"> <li>• Strengthens capital generation to fulfill local capital and strategic needs</li> <li>• Strengthens capital access to fulfill local capital and strategic needs</li> </ul> |

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

| Pros  | Cons   |
|---|--|
| <p>-May be economies of scale which drop to bottom line</p> <p>-If part of a larger, stronger organization access to capital/cost of capital can be materially enhanced</p> <p>-“Big brother” should MHS suffer a downturn (capital, expertise, other)</p> <p>-Private system, so no growth restrictions as imposed by City ownership</p> | <p>-System costs can be significant and minimize/erase economies of scale (organizationally dependent)</p> <p>-Capital decision making no longer local</p> <p>-Competing for capital across system</p> <p>-Capital can be used across the system. Monies derived at MHS may not benefit MHS market</p> |

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## Criteria Worksheet

Model: Nonprofit Affiliation

**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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

| Pros  | Cons  |
|---|---|
| <p>-If affiliation is part of joining a system, fewer (potentially no) funds for benefit of City flow outside of MHS when it privatized</p> <p>-If a sale or lease to a system, may be proceeds or a revenue stream for the City, which could be devoted to health care or other City needs</p> | <p>-As part of a larger organization, monies generated by MHS are not necessarily used to directly benefit MHS</p> <p>-Capital/strategic spending decided at larger system level (not local)</p> <p>-The more money received by the City in creating the affiliation, the less control residing at the local level.</p> |

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## Criteria Worksheet

Model: Nonprofit Affiliation

**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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

| Pros  | Cons  |
|---|---|
| -May be access to additional resources as part of a larger organization, strengthening MHS' partnership opportunities | -Capital/strategic spending, and budget approval, at larger system level<br><br>- May or may not strengthen MHS' role as a partner—dependent upon focus, reputation of larger system MHS joining<br><br>-Continuity of ownership may or may not be assured—dependent upon structure of affiliation<br><br>-Depending upon degree of decision making delegated to local administration, partnerships could be impacted |

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