

## Criteria Worksheet

Model: For-profit

### 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
<p>-Sale allows City to completely exit the health system business</p> <p>-Creation of a foundation may benefit citizens of Colorado Springs</p>	<p>-In either model—sale or j.v.—local control is either completely lost (sale) or greatly diminished relative to current ownership (j.v.)</p> <p>-Hospital Transfer Act limits use of sale proceeds</p> <p>-Would seem to challenge historical mission of MHS</p> <p>-Impact of MHS converting to or working with a for-profit organization untested in Colorado Springs</p> <p>-Unusual for a system with MHS' market and finances to pursue a for-profit linkage, so may be difficult to explain to local community</p>

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# Criteria Worksheet

Model: For-profit

**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>- In sale and j.v., possibly no financial exposure but this dependent upon negotiations over trailing liabilities</p>	<p>-Financial exposure dependent upon negotiations</p>

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## Criteria Worksheet

Model: For-profit

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

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

<b>Pros</b>	<b>Cons</b>
-In sale or j.v. possibly no legal exposure but this dependent upon negotiations over trailing liabilities	-Degree of exposure uncertain pending negotiations



## Criteria Worksheet

Model: For-profit

**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
-Can be value to larger system oversight vis-à-vis standalone system	-If sold, only an advisory board at MHS  -If a joint venture, likely maintenance of City restrictions on appointment, as City continues as partial owner of MHS and would want to exercise governance appointment/oversight of its j.v. interest  -In a j.v., unclear degree to which Board has a significant role, given management contract with partner and domination of partner's ownership interest relative to City's


## Criteria Worksheet

Model: For-profit

**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>
<p>-Being part of a larger organization may facilitate attracting talent</p>	<p>-Tends to be significant turnover of executives in for-profit organizations</p> <p>-J.V. structure may be unattractive to executive leadership as team is serving two masters (City and j.v. partner)</p> <p>-Must leave PERA</p>

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## Criteria Worksheet

Model: For-profit

**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 quality advantages of being part of a larger organization due to sharing of resources and expertise across a larger system</p> <p>-Freed of City restrictions, ability to work with medical providers likely enhanced (ability to joint venture, incentivize behavior, other)</p>	<p>-If sold, capital allocation decided by organization outside of Colorado Springs so decision making may not reflect local desires</p> <p>-if j.v., limited ability to direct capital given management contract parameters and reduced Board influence</p> <p>-Medical providers may not wish to work with a for-profit organization</p>

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## Criteria Worksheet

Model: For-profit

**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>-For profit owners are generally very agile, with streamlined, quick decision making</p> <p>-Will provide increased flexibility in compensation structures, strengthening staff recruiting/retention efforts</p> <p>-May have enhanced resources if part of a larger organization</p>	<p>-Generally more executive turnover means that maintaining consistent organizational culture can be challenging</p> <p>-Limited Board authority under both sale and j.v. model raises questions on ability to be responsive to local needs</p> <p>-Depending upon how enabling legislation is written, may continue some degree of City oversight, now interjecting two elected bodies (the governing board and the City) into the decision making process</p> <p>-While increased flexibility on compensation relative to continued City ownership, cultural issues and for-profit mentality might negatively impact employee recruitment</p>

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## Criteria Worksheet

Model: For-profit

**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

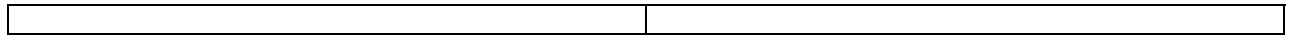
**Factors to Consider:**

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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

Pros	Cons
-For-profit organizations generally know how to drive down costs	-May conflict with City's desire for MHS to be an economic engine for Colorado Springs



## Criteria Worksheet

Model: For-profit

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

Criteria #6: Model facilitates the development of an Integrated Delivery System (IDS)

**Factors to Consider:**

- 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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

Pros	Cons
<p>-Being part of a larger organization can facilitate I.T. expenditures, other needs necessary to develop an IDS</p> <p>-For-profit organizations can be skilled in creating working relationships with physicians, and may bring enhanced capital to devote to this</p>	<p>-Unclear if medical community will support a for-profit system in Colorado Springs</p> <p>-Uncertain how other providers in Colorado Springs and in region will respond to a for-profit organization</p> <p>-For-profit nature may conflict with MHS' historical mission of service</p>

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## Criteria Worksheet

Model: For-profit

**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

Case Study/Presentation: Dave Burik

Presentation Date: Aug. 4, 2010

Pros	Cons
<p>-A strong for-profit partner can often significantly expand capital access, both regarding what to they initially commit to the organization and their ability to access the capital markets</p>	<p>-Capital decisions not made locally. Even in a j.v. model, capital decision making limited relative to current ownership structure</p> <p>-Capital generated at MHS does not stay within MHS market</p> <p>-Purpose of MHS revenue is not to serve community but rather to enhance shareholder value (change in mission/mentality)</p>

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## Criteria Worksheet

Model: For-profit

**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
<ul style="list-style-type: none"><li>-Foundation created from sale proceeds</li><li>-Risk of continued ownership of system terminated (ability to "cash out")</li><li>-Some ability to benefit of asset growth in a j.v. model</li></ul>	<ul style="list-style-type: none"><li>-Hospital Transfer Act limits use of proceeds to purposes of MHS</li><li>-If a sale, community no longer shares in growth of asset as Colorado Springs no longer owns MHS</li><li>-Loss of control, so no ability to revise strategy</li><li>-Partner may opt to sell the system or their interest in the j.v. City ownership in a j.v. is essentially unsellable</li></ul>

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## Criteria Worksheet

Model: For-profit

**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
<p>-May lead to a stronger financial position, so local needs more effectively met</p> <p>-Creation of a foundation to fulfill "unmet" local needs (to extent consistent with Hospital Transfer Act requirements)</p>	<p>-For-profit ownership (whether sale or j.v.) would typically be viewed as opposed to/challenging of MHS' historical mission of being a safety net</p> <p>-Governance control no longer local</p> <p>-Capital decisions made largely by out of market "decider"</p> <p>-Impact on MHS partnering organizations uncertain</p> <p>-Likely does not offer continuity of ownership as for-profit model often leads to facility "turnover." For-profit organizations will generally only commit to maintaining the facility open for five years, and will never accept significant limitations upon their ability to transfer their ownership interest.</p>

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