

# Q&A with Mayor Summers about the Future of Healthcare in Lakewood

## **What are the hallmarks of the proposal?**

This is a major investment in healthcare in our community — of more than \$100 million of private money — the magnitude of which we have not seen in decades.

This recommendation leverages significant trends toward outpatient care. It also better aligns service delivery with the chronic conditions found in our community such as diabetes, breathing disorders, addiction disorders and mental health needs. It preserves rehabilitation needs, as well 24-hour, 7-day emergency services.

This proposal also addresses the “affordability” aspect of the Affordable Care Act by removing very costly, vastly underutilized inpatient care facilities and replacing them with a more up-to-date, more energy efficient, and more adaptable facility that can be modified to address changing healthcare needs.

One often overlooked aspect of the proposal is the creation of a new, \$32 million community foundation whose purpose would be to support the health and welfare of Lakewood’s citizens with what I hope and expect would be profound and exciting initiatives in the area of population health management.

## **The hospital is being demolished? What will replace it?**

As part of the proposal, Cleveland Clinic will construct, own and operate an estimated \$34 million, 62,000-square-foot family health center, which will include a full-service round-the-clock emergency department, to replace Lakewood Hospital in the future. The new facility will include primary care and specialty programs concentrated on diabetes, geriatrics and cardiac care, among others, in addition to radiology and lab services. Additional services will be determined based on the needs of the community.

## **How will the way we receive our healthcare change?**

If you’re like most residents in Lakewood, you’re not using Lakewood Hospital at all. More than half of Lakewood residents use other providers and facilities for all their healthcare needs. As for those of us who do use the hospital, almost all — 94 percent — do so as outpatients, whether for emergency room visits, radiology services, rehabilitation or follow-up care. All of these outpatient services will be offered at the new Lakewood family health center.

## **Where will I be taken if I call 911?**

Our emergency medical squads are very quick to arrive at your home; nothing about this proposal will diminish that speed. Emergency care, overseen by physicians remotely in our state-of-the-art ambulances, begins immediately upon our arrival.

We will still have an emergency room in Lakewood. The majority of our emergency medical needs will still be served in Lakewood. Even today, our residents are transported to different hospitals depending on the nature of care required.

If your needs are appropriate for admittance to a hospital, several options are available and close. Fairview Hospital is located 3.3 miles away; MetroHealth Medical Center is 7 miles away; Lutheran Hospital is 5 miles away; and the Cleveland Clinic main campus is within 12 miles.

### **What is the relationship between the city of Lakewood, the Lakewood Hospital Association, the Cleveland Clinic, and the Lakewood Hospital Foundation?**

For 18 years, the Cleveland Clinic has partnered with the city of Lakewood to run Lakewood Hospital. The city, which owns the land and the building we know as the hospital, formally leases it to the Lakewood Hospital Association (“LHA”), a non-profit corporation organized for the charitable purpose of operating the hospital and its related health care services.

Under a 1996 agreement approved by the city government, LHA in turn relies on the Cleveland Clinic to manage Lakewood Hospital under the direction of the LHA governing board until the lease ends in 2026. This is quite unlike the relationship the Cleveland Clinic has with the seven other community hospitals the Clinic owns.

The Lakewood Hospital Foundation is a separate non-profit entity that, like many foundations providing philanthropic support to hospitals, does so for the benefit of Lakewood Hospital and healthcare in Lakewood. Its funds are completely separate from the city of Lakewood and the Lakewood Hospital Association.

### **Why are you involved in this process?**

By virtue of my office as mayor, I am also a member of the governing board of the Lakewood Hospital Association — as have been my predecessors, Mayors Sinagra, Harbarger, Cain, George and FitzGerald. Our service to the board is required by the lease agreements negotiated and approved by the city in 1987 and again 1996, each authorized under our city charter. Our duty as mayors has been to serve and protect Lakewood’s citizens both near- and long-term, and as hospital board members, we have executed that same duty.

### **Doesn't the city own the hospital?**

The city owns the land and the building only. The city does not operate the hospital. The hospital is not a government entity. It became controlled by a private corporation by a vote of Lakewood citizens in 1985 and pursuant to the city's subsequent lease agreements with the Lakewood Hospital Association in 1987 and 1996.

In 1987, city council approved an agreement resulting in the lease of all real and personal property of the hospital to LHA. The hospital was operated by LHA in partnership with another health system until 1996. In 1996, the lease was amended when LHA aligned with the Cleveland Clinic health system.

The only parties to the 1987 and 1996 lease agreements are the city of Lakewood and the LHA. While the city holds title to the buildings and the property, no city funds are used for operations or investments to the hospital.

### **What are the required services under the existing lease and have they been provided?**

The required healthcare services that the current lease obligates the LHA and Cleveland Clinic to provide to our citizens are obstetrical/gynecological services, a 24-hour-a-day emergency room, and intensive care and acute-care medical/surgical services. These services are still being provided.

Since the current lease was signed in 1996, the city government has approved changes to the original required services over the years, most recently in 2010. As a result, rescue and paramedic services are now provided by the city's Division of Fire, and the hospital is no longer a center for trauma and inpatient pediatric care.

### **The current lease with the Cleveland Clinic runs through 2026. Why don't the Lakewood Hospital board members just let the lease expire in 2026?**

The board members always understood letting the lease run out as an option, but grew to realize it is the worst option. The current model of healthcare delivery cannot survive in Lakewood through 2026. The existence of the lease provides us leverage now to use it as a tool to negotiate and gain more for Lakewood's citizens.

Over time, the board has come to understand that the hospital's inpatient volumes will continue to decline and operating losses will continue to accelerate in excess of income, well before the lease expires. Because the Lakewood Hospital Association owns and operates the hospital, the existing \$50 million that LHA has in cash on hand will be used to fund these losses. The board members

estimate that the \$50 million in cash will be gone in three to five years. Capital expenses necessary to keep the hospital functional will be unable to be paid and the hospital may be forced to close. At the end of 2026 or sooner, the city will have a large obsolete structure — the hospital building — that could cost the taxpayers tens of millions of dollars to demolish. The Lakewood Hospital Association will have exhausted any money that might have been used to create a wellness foundation or to invest otherwise in our citizens' healthcare needs.

The Lakewood Hospital Association came to understand that the Cleveland Clinic would not renew its participation in the inpatient model in Lakewood at the end of the lease term. It also became apparent that no one else would be interested in investing in inpatient healthcare in Lakewood. (Given the chance to submit proposals, no other systems have offered to step in and run the inpatient hospital now.)

### **Is this current proposal a binding agreement?**

The proposal I've been discussing is in the form of a letter of intent signed by three parties: the Cleveland Clinic, the Lakewood Hospital Association and the Lakewood Hospital Foundation. It is not binding on the city of Lakewood. City council and I are treating it as a proposal, subject to further negotiations and changes.

Several hours-long community meetings have thus far been hosted by the Lakewood Hospital Association, and city council is continuing through its own rigorous schedule of public meetings on the subject of the hospital and healthcare in Lakewood. All meetings have been well attended by members of the public. Every public forum of the hospital association and every meeting of city council has been and will continue to be announced in advance on the city's website, [www.onelakewood.com](http://www.onelakewood.com). No decisions will be made without members of the public having a chance to view city council's deliberations and weigh in.

### **What are the current financial trends of the Lakewood Hospital Association? Why are we making this decision today? Why not wait two or three years?**

Outpatient trends that are unfavorable to Lakewood Hospital will have accelerated in two or three years. Competitive investments elsewhere (for example, at St. John Medical Center and the Cleveland Clinic Avon Hospital now being built) have and will have hastened the loss of patients at Lakewood Hospital. As volumes decline, service quality will put at risk and patient confidence will diminish. I submit that patients would not willingly go to a hospital where there are hardly any other patients. Regulatory pressures — the shift to prevention and early detection — and these market-driven financial pressures will make the current inpatient hospital model unsustainable in Lakewood.

We're taking a proactive approach to save the balance sheet of the Lakewood Hospital Association in order to invest in the new outpatient model. There's no way to cut costs further. By acting now, we use the leverage of the lease agreement to our citizens' advantage.

### **What is outdated about the current model of healthcare delivery?**

There are several factors in my view: The technological changes affecting how healthcare can and will be delivered are dramatic. Procedures formally requiring lengthy hospital stays are now performed in doctor's offices and at outpatient clinics; regulations have required a shift to preventative care; and there is an urgent need to lower healthcare costs which have been shifted to the household level and this shift has had a devastating impact on middle-class households. The bottom line: our healthcare needs have changed, as has healthcare delivery. Today, chronic diseases such as diabetes, pulmonary disorders, chemical addictions and mental health are key contributors to poor health. These types of chronic diseases are no longer treated with inpatient medical care.

### **If inpatient care isn't a part of the future, then why are the Cleveland Clinic and other healthcare providers building new facilities?**

I can't speak for the Clinic, but it's my understanding that the Clinic views itself as underserving the Lorain County market and points west, meriting the construction of a smaller inpatient hospital in Avon necessary for the system to compete. University Hospitals' \$100 million investment in St John Medical Center in Westlake — as well as other strategic moves among the competing systems — have significantly changed the competitive landscape west of Lakewood.

Unfortunately, an unintended consequence of these moves is the loss of a good deal of Lakewood Hospital's patient volume. In 2017, Lakewood Hospital expects to lose an additional 10 percent of its volume because of these competitive moves by the two big healthcare systems in Northeastern Ohio. That would be devastating to our hospital.

### **This process appears to lack transparency. Why weren't residents told sooner?**

In 1985, Lakewood citizens voted to shift the ownership structure from a public hospital to a private, non-profit model. Even then, the citizens and the LHA board understood that the increasing complexity of healthcare required thoughtful and confidential strategic discussions, analysis and consideration. Lakewood Hospital is not a public hospital, and no tax dollars are used to support the Lakewood Hospital strategic process. There are three elected officials (two members of Lakewood City Council and me) out of 23 board members who oversee the hospital. Many board members are Lakewood residents and all are passionate about our citizens' healthcare needs.

Strategic considerations were wide-ranging, including the review of who would be the best long-term clinical partner. These considerations are sensitive and confidential, and must be so in order to work through the viability of each option. The consideration of possibilities that ultimately were proven not viable would have fueled rumor, confusion, anxiety, misunderstanding and disruption at the hospital. This would clearly have had a negative impact on quality of care and even accelerated already negative patient-volume trends.

In essence, the board members saw that our duties were to identify the problems facing the hospital and propose a solution. We went through a two-year process of analyzing and evaluating the best option and best viable partner. We then unanimously voted to approve the letter of intent, which outlined what we felt was the best option, at our LHA board meeting on Jan. 14, 2015. The employees of the hospital were informed of this decision nine hours later at 8 a.m. Jan. 15, and the citizens were notified an hour later at a press conference, followed by press releases and social media.

As a hospital trustee and as Lakewood's mayor, I always understood there would and should be a public discussion of these issues. I believed this discussion would be best served by having a proposed solution as well as identification of all the challenges facing Lakewood Hospital. We are in the midst of this public discussion now, with both the LHA board and city council playing an active role in leading it.

### **What will happen to those employed at Lakewood Hospital?**

There are about 1,000 people employed at Lakewood Hospital. Under the proposed plan, they will all have jobs within the Cleveland Clinic system. However, those employees will first be needed at the current facility while the hospital remains open. If jobs are affected during the course of the transition to the Lakewood family health center, the Cleveland Clinic has the capacity throughout its enterprise to provide every Lakewood Hospital caregiver who wants a job with an opportunity to work in its health system or with one of its partner organizations.

### **What is the city doing to ensure that it's getting the best deal possible?**

The city government has hired outside legal counsel to conduct due diligence, review historical information and represent the city's interests in any future negotiations, and is considering hiring other experts for assistance.

### **What will be the economic impact to the city when the hospital closes? How will the city make up the loss of rent and payroll taxes?**

The hospital-related revenues to the city represent approximately 4 percent of the city's general fund budget — or 1.6 percent of the city's total budget. That is not an insurmountable loss to make up. The significant cash resources generated by this deal will delay any negative impact to the city by five years or more. This proposal also provides time to replace these lost revenues. In addition, this investment — with more than 4 acres of land, medical office buildings and several residential homes — offers a variety of development options to the city.

Of greater concern is the negative impact of an empty and abandoned Lakewood Hospital. I am confident this would be the specter facing us if we continue down the road of the current lease and inpatient model.

*For more questions, please call the mayor's office at 216-529-6600.*