

CONVERSION STRUCTURE EVALUATION

Abbreviated Report Summary

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Overview of the Evaluation Process

On Aug. 31, 2023, Lee Health's Board of Directors voted to evaluate the current health system structure.

Kaufman Hall (among others) was engaged to conduct a third-party evaluation to assess the benefits and considerations of a potential conversion from the current special district structure to a community-focused nonprofit structure. The full report is posted [here](#).

For its review, Kaufman Hall explored these and other key questions:


- 1 What is the approach to optimizing the go-forward corporate structure for Lee Health?
- 2 What are the implications for Lee Health and the community?
- 3 How would employee benefits and practices be impacted?
- 4 What are the benefits and challenges operationally and strategically for Lee Health?
- 5 How does a potential conversion impact the financial structure of Lee Health?

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Recommendation

Recommendation - 1

“Lee Health is expected to continue facing systematic operational, strategic, political, and financial challenges, along with regional and local competitive pressures.”

-  To the extent Lee Health can realize the value of prospective strategic opportunities, increase its competitive position at a level that surpasses the near-term financial impact and continue to effectively deliver on its mission, Kaufman Hall stated: **“We recommend Lee Health continue with the conversion process” (p. 25)**. This means evaluating the potential benefits of the strategic and operational opportunities as the Board of Directors considers the decision over the next 120 days.

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Summary of Potential Benefits & Impacts

Considerations



SAFETY NET MISSION

“Lee Health has long operated as the safety net provider for Lee County, a core tenet of the mission and culture of the organization. The Lee Health Board and management intend to continue and enhance the safety net mission of the organization... The Enabling Act requires any agreement entered into by the Lee Health Board and Lee County Board of County Commissioners [must] include an enforceable commitment to continue programs and services in perpetuity” (p. 15).

EXPANSION OF SERVICES

“...geographic limitations have constrained Lee Health’s service offerings... Expanding services outside Lee County provides Lee Health the opportunity to offer highly specialized services to residents in Lee County and the broader region and support existing programs to enhance quality and patient safety” (p. 15).

REPRESENTATION OF ALL PATIENTS SERVED BY LEE HEALTH

“One out of every five patients served by Lee Health... [and] 58% of fundraising over the last three years was from individuals who reside outside of Lee County... Lee Health is unable to serve these patients and employees in their local settings, resulting in significant travel for access to their preferred healthcare providers [despite] substantial demand for the Lee Health brand and reputation” (p. 15). “With no geographic limitation, Lee Health may pursue additional strategic opportunities to support its existing patient base and further enhance its safety net mission” (p. 17).

Considerations - 1



EMPLOYEES

“The employment status and benefit programs for Lee Health employees would be substantially similar to the existing programs today” (p. 18).

PHYSICIANS AND PROVIDERS/SOVEREIGN IMMUNITY

“With ongoing legislative efforts to raise liability limits, an increase in lawsuits, insurance premiums, and related costs is probable for Lee Health in its current structure...Lee Health would operate similar to other health system competitors [throughout Florida and across the country] forgoing its sovereign immunity protections...Lee Health would address the loss of sovereign immunity through enhanced insurance protections and provider education” (p. 18).

PHYSICIANS AND PROVIDERS/PARTNERSHIPS

“Private nonprofit corporations are better positioned to invest in partnerships with physicians via joint ventures and other mechanisms. [A] change may enhance Lee Health’s ability to compete...improving Lee Health’s physician retention and the community’s access to high quality care” (p. 17).

NEW OPPORTUNITIES

“Certain organizations are unwilling to partner with organizations subject to public disclosure requirements, potentially limiting the capabilities Lee Health can offer to the community. Lee Health may pursue and expand partnerships with other hospital and health system providers, improving care coordination across the region” (p. 17).

Considerations - 2



TRANSPARENCY & REPORTING

“Lee Health would be subject to disclosure and reporting standards consistent with other nonprofit health systems across the country and in Florida; Lee Health would no longer be subject to the Florida Public Records Act or Sunshine Laws. A potential conversion would support transparent and confidential strategic planning discussions between the Lee Health Board and management...there is reduced potential for competitors to preemptively disrupt Lee Health strategic plans” (p. 16).

FQHC MODEL

“It is likely that Lee Health and Lee Community Healthcare would transition the FQHC model to a new structure in the possible event of a conversion. Lee Health evaluated four alternatives as a component of diligence, with financial impact ranging from no change to an approximately \$49 million loss. In the next phase of evaluation, Lee Health and Lee Community Healthcare would determine a preferred option based on strategic, operational, and financial factors” (p. 18).

GOVERNANCE

“A private nonprofit governance model offers certain benefits relative to the current district structure: Representation of All Patients. Governance Consistency. Diversify Perspectives. Enhance Governance. Nimble Leadership. Public Disclosures” (p. 19).

Considerations - 3

FINANCIAL

“While a potential conversion may result in the near-term loss of certain supplemental funding sources, it does provide the opportunity to execute on new strategic growth initiatives that advance Lee Health’s mission, enhance access to high quality care, and generate new streams of revenue” (p. 20).

“There are various initiatives Lee Health may pursue to address the loss of certain supplemental funding sources, if not replace them altogether; some of these replacement supplemental funding sources may require execution over a period of time, and they necessitate further study to understand the potential risks when compared to the status quo” (p. 20).

Next Steps

Next Steps



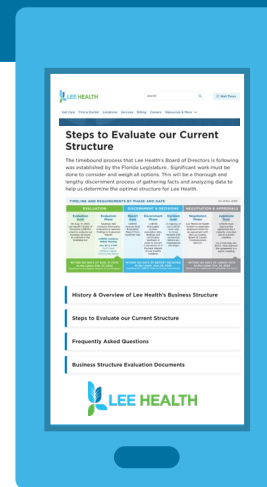
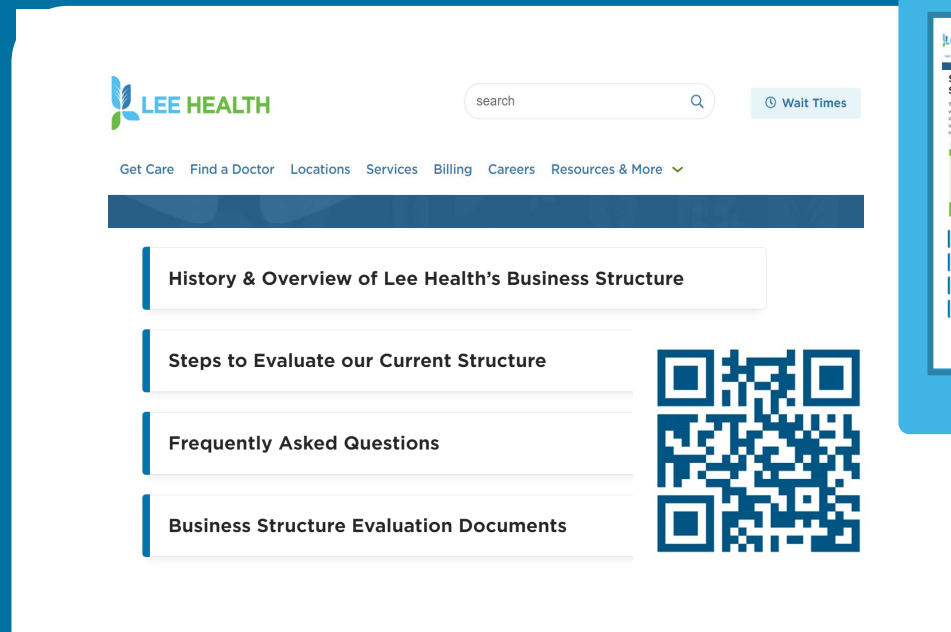
With the question “**Should we** convert to a community-focused, private nonprofit structure?” addressed by the Kaufman Hall report, the Lee Health Board and management will now turn its attention to answering a different question. **Can we?** **The purpose of the Discernment Phase is to answer this question.**



EVALUATION		DISCERNMENT			NEGOTIATION	
Evaluation Gate	Phase 1 Evaluation	Report Gate	Phase 2 Discernment	Decision Gate	Phase 3 Negotiation	Approvals Gate
WITHIN 180 DAYS OF AUG. 31 VOTE By: Feb. 27, 2024 Deadline for Evaluation Report to be Finalized		WITHIN 120 DAYS OF REPORT RECEIVED Anticipated: June 20, 2024 Deadline for LHBOD Vote to Pursue Conversion			WITHIN 120 DAYS OF LHBOD VOTE Anticipated: October 2024 Deadline for Approval of Agreement by BOCC	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Lee Health Board of Directors vote to conduct evaluation (Completed 8.31.23) <input checked="" type="checkbox"/> Conduct a Public Hearing <input checked="" type="checkbox"/> Receive Evaluation Report 		<ul style="list-style-type: none"> <input type="checkbox"/> Examine Evaluation Report & identify structure that provides greatest benefit <input type="checkbox"/> LHBOD Board of Directors Act: <ul style="list-style-type: none"> ▪ Pursue conversion & start Phase 3 ▪ End the process with no changes 			<ul style="list-style-type: none"> <input type="checkbox"/> Negotiate terms for an agreement with Lee County <input type="checkbox"/> Votes to accept or reject terms by: <ul style="list-style-type: none"> ▪ Lee Health Board of Directors ▪ Board of County Commissioners 	

Our Single Point Of Truth

LeeHealth.org/LookingAhead



Access by
Phone, Tablet or
Computer

Frequently Updated
Official Resources
(Including Board Updates)

Detailed Timeline
with Phases & Gates

Link to Submit
Additional Questions

You can also email us at
LookingAhead@LeeHealth.org