

MEMORANDUM

TO: Mutual Presidents

FROM: Kevin B. Flannery, General Manager *KBF*

DATE: September 16, 2009

SUBJECT: Medical Center Operations

Attached please find "Leisure World Medical Center - Meeting the Future Needs of Our Community," which identifies the objectives pertaining to management's review of the Medical Center operations. This document was presented to the Health Committee on Tuesday, September 15th, and will be presented to the Executive Committee and the Board of Directors at their meetings in the month of September.

Updates on the evaluation will be reported to the Health Committee, the Executive Committee, and the LWCC Board of Directors on a monthly basis, as requested and approved by the Board of Directors at their meeting in July.

Leisure World Medical Center
Meeting the Future Needs of Our Community

The basic business plan that is being followed in the operation of the Leisure World Medical Center is very much consistent with the plan that has been in place for approximately the last 35 years. The environment has changed, and it is necessary for the Community to evaluate what form of business operation will provide the highest level of service in a cost controlled environment. This is the overall objective of undertaking an evaluation of operations and exploring options. One of the options that we are focusing on at the present time is partnering with either an outside health care system operator or the possibility of the existing professional staff organizing as a single entity. (For the purposes of this document, we are defining a medical health system as an existing entity and operation presently on the outside, or possibly the formation of a group by the existing professional staff.) A more detailed list of specific objectives follows.

- Expand on Insurance Coverage Acceptance

Result: The ability to accept a variety of insurers would increase the number of residents using the Medical Center. This, in turn, would increase revenue and therefore decrease the subsidization in the Community budget.

- Expand Scope of Specialties

Result: In partnering with a Medical Health System, the Community would have access to a greater pool of physicians, which could lead to an expansion of specialties offered and improve the scope of service to the patient. This, in turn, would create the same pattern of increased demand, increased revenue and, therefore, decreased Community subsidization. In addition, an improved ability to optimize the use of office and examination rooms would increase efficiency and improve the level of service to patients.

- Eliminate Financial Risks through Contract Protection

Result: An agreement with a Medical Health System would define and limit the Community's exposure to financial risk. Cash flow would be improved by eliminating receivables and inventories, as well as the need to carry Professional Liability insurance.

- Establish the Use of Electronic Medical Records

Result: The ability to tie into a Medical Health System's electronic medical records system would eliminate the need for future capital investment by the Community. In addition, service at the emergency room would be greatly improved by interconnectivity to patient medical records at the Leisure World Medical Center.

- Decrease Administration Ancillary Services

Result: A partnership with a Medical Health System and the resulting smaller work force would reduce the amount of ancillary services required, such as human resources and accounting functions.

- Establish a Pro-Active Platform to Represent the Medical Service Needs of Leisure World Residents at both the state and the county level
- Advance and Promote a Comprehensive Educational Forum for Health Care in the Community

As the process unfolds, the most advantageous "form" of business operations will become clearer. No matter what form that takes, however, or who the partner may be, the Medical Center will continue to provide services to Leisure World residents only.

At the present time, the individuals representing the Community in discussions are as follows:

Kevin B. Flannery, General Manager, Leisure World of Maryland Corporation
Virginia Bronaugh, Administrator of the Leisure World Medical Center
Dr. Burt Feldman, Director of the Leisure World Medical Center