

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE HEALTH AFFAIRS COMMITTEE

January 17, 2014
Nashville, Tennessee

The Health Affairs Committee of The University of Tennessee Board of Trustees met at 10:00 a.m. CST on Friday, January 17, 2014, in the Offices of Bradley Arant Boult Cummings in Nashville, Tennessee.

I. CALL TO ORDER

Charles C. Anderson, Chair, called the meeting to order. The Secretary then reviewed the requirements under the Sunshine Law for meetings conducted with members participating by telephone. The Secretary explained that those participating in the meeting at each location must be identified and that all votes must be taken by a roll call. She announced those present at the meeting location in Nashville. Trustees Gallimore and Gregg participated by telephone. No one else was present at their locations.

II. ROLL CALL

The Secretary called the roll, and the following members of the Health Affairs Committee were present:

Charles C. Anderson, Jr.
George E. Cates
Joseph A. DiPietro
J. Brian Ferguson
D. Crawford Gallimore (by telephone)
Vicky B. Gregg (by telephone)
David E. Millhorn
James L. Murphy, III
Don C. Stansberry, Jr.

The Secretary announced the presence of a quorum of the Committee at the meeting location. Other Trustees and members of the administrative staff were also present.

III. MINUTES OF LAST MEETING

Chair Anderson asked for any corrections to the minutes of the September 5, 2014 meeting of the Committee. Trustee Stansberry moved approval of the minutes as presented in the meeting materials. Trustee Ferguson seconded, the Secretary called the roll, and the motion carried unanimously.

IV. CHANCELLOR'S REPORT

Chancellor Schwab said it had been a good year clinically for UT Health Science Center and reported the following accomplishments.

The process of aligning faculty practices with central core teaching hospitals has stayed on track. Health care graduates were at a record high of 1,189. UTHSC also had record Relative Value Unit production (approximately 3 million RVUs) and growth, record clinical billing approaching \$1 billion, and record growth in academic payment from the teaching hospitals.

Le Bonheur Hospital moved up in ranking to top 25, and both Methodist and UT Medical Centers were ranked again among the *U.S. News and World Report* Best Hospitals. UT Methodist Physicians has had significant growth rapidly and without any problems. The Memphis hospitals are being re-branded in a joint agreement with Methodist Le Bonheur Healthcare; branding and renaming are expected by June 2014. Site visits for the residency program at St. Thomas are in process. Kidney transplants have begun, and a joint liver transplant program with St. Thomas is being developed.

Dr. Schwab stated that a major malpractice decision against UT Medical Group outlines the risk of non-aligned practices and underscores the need for a strategy with risk borne by an affiliated hospital rather than the practice group. UTMG is actively working through the legal issues with strong legal counsel.

V. FINANCIAL REVIEW OF FACULTY PRACTICE PLANS IN MEMPHIS

Mr. Tony Ferrara, UTHSC Vice Chancellor for Finance and Operations, gave financial updates for the faculty practice plans (Exhibit 1). Starting with ULPS, Mr. Ferrara said the year was changed from fiscal to calendar, so the period is only six months. He reviewed the ULPS statement of operations ending December 2013, explaining that operational variances within the budget are due to the delayed hiring of physicians and billing. He noted, however, that Le Bonheur Hospital continues to have very strong volume and financial strength. He also presented the consolidated balance sheet of ULPS. Dr. DiPietro asked

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Mr. Ferrara to explain what was included in contract receivables. Mr. Ferrara responded that the receivables include contracts for physician services with St. Jude and Le Bonheur, but patient receivables represent the majority. Chancellor Schwab and Executive Dean Stern assured the Committee that the University is risk-free in its practice plan arrangements and also receives many in-kind services from the affiliated hospital.

Mr. Ferrara briefly highlighted operations variances and financial statements for UTMP for its four-months of operations, ending November 30, 2013. Dr. Schwab reminded the Committee that although the academic payment is less with UTMP, any losses are borne solely by Methodist and do not reduce the academic support payment.

VI. DESIGNATION OF UT-REGIONAL ONE PHYSICIANS AS A FACULTY PRACTICE PLAN FOR THE COLLEGE OF MEDICINE IN MEMPHIS AND AUTHORIZATION FOR EXECUTION OF ASSOCIATED AGREEMENTS

Dr. David Stern, College of Medicine Executive Dean, presented the proposal to develop a faculty practice plan with The MED (Exhibit 2). He began by stating the core objectives of the program and the importance of the relationship between UT and The Med, the Regional Medical Center of Memphis. He continued to highlight faculty composition, board member governance, mutually exclusive programs, financial commitments, dual mission support and the next steps in the planning process.

After questions by the Committee and responses by Dr. Stern and Dr. Schwab, Trustee Cates moved that the Board of Trustees authorize the administration to execute a Master Affiliation Agreement between the University and The Regional Medical Center (Shelby County Healthcare Corporation) and an Affiliation Agreement between the University and UT Regional One Physicians, under which UT Regional One Physicians will serve as a faculty practice plan for multi-specialty care, such authorization being subject to prior review and approval of the agreements by the Chair of the Health Affairs Committee on the recommendation of the University's President, Chief Financial Officer, and General Counsel and further subject to the prior review and approval of all required or appropriate state government officials. Trustee Ferguson seconded, the Secretary called the roll, and the motion carried unanimously.

VII UT ERLANGER UPDATE

Dr. Ken Brown, Executive Vice Chancellor and Chief Operations Officer, gave the presentation on the UT Erlanger Affiliation Agreement (Exhibit 3). Dr. Brown

began by addressing the process to date and the hiring of a new CEO for Erlanger, Kevin Spiegel who has a relationship with UT from his former employment with Methodist University Hospital. He highlighted the goals of the affiliation agreement and the need for medical education, research and clinical care in southeastern Tennessee and the surrounding region. Dr. Brown also discussed the financial relationship with Erlanger and responded to Committee questions about Erlanger's status.

X. ADJOURNMENT

There being no further business to come before the Health Affairs Committee, the meeting was adjourned.

Respectfully Submitted,



Steve J. Schwab, MD
Chancellor, UT Health Science Center



Charles M. Peccolo
Treasurer and Chief Financial Officer