

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE HEALTH AFFAIRS COMMITTEE

May 13, 2013
Nashville, Tennessee

The Health Affairs Committee of The University of Tennessee Board of Trustees met at 12:30 p.m. on Monday, May 13, 2013, in the offices of Bradley Arant Boult Cummings in Nashville, Tennessee.

I. CALL TO ORDER

Chair Charles C. Anderson, Jr., called the meeting to order.

II. ROLL CALL

UTHSC Chancellor Steve J. Schwab called the roll, and the following members of the Health Affairs Committee were present:

Charles C. Anderson, Jr.
Joseph A. DiPietro
D. Crawford Gallimore
David E. Millhorn
James L. Murphy, III
Don C. Stansberry, Jr.

Chancellor Schwab announced the presence of a quorum of the Committee. Other Trustees and members of the administrative staff were also present.

III. APPROVAL OF MINUTES OF PRIOR MEETING

Chair Anderson asked for any corrections to the minutes of the February 28, 2013 meeting of the Committee. A motion to approve the minutes as presented in the meeting materials was duly made and seconded, and the motion carried unanimously.

IV. FINANCIAL REVIEW OF EXISTING FACULTY PRACTICE PLANS IN MEMPHIS (Exhibit 1)

A. UT MEDICAL GROUP

Chancellor Schwab introduced the agenda and Vice Chancellor Tony Ferrara presented UTMG's financial reports for the past six months. He reported that revenue was stable with some administrative processes affecting variance in the budgeted revenue goal, such as the closing of the Imaging Center in Germantown and limited services to the Med, as of February 1. Expenses were down, he noted, due to loss of some physicians; however, UTMG was profitable and transitioning as expected. He continued to discuss the consolidated budget sheet comparing fiscal year ending March 31 and June 30, 2012, highlighting assets, liabilities and unrestricted assets. A Trustee asked to be provided a full year comparison in the future regarding UTMG.

B. UT LE BONHEUR PEDIATRIC SPECIALISTS

Mr. Ferrara reported ULPS was doing well financially and gaining better insight on projecting the budget for next year. He highlighted the continued growth of ULPS and the high patient activity/appointments within the past year, as the patient schedule increased from 6,552 to 10,456. A Trustee expressed concern about the decreases in appointments during certain times of the year. Mr. Ferrara responded that the down period corresponded with hospital high-capacity and staffing. Chancellor Schwab added that ULPS is successful and because of the increase in patient volume, UTHSC will benefit through the contracted academic payment.

V. UPDATE ON EFFORTS AND DISCUSSIONS TO IMPLEMENT UTMP PHASE II (Exhibit 2)

Chancellor Schwab discussed the current Board-approved affiliation with UT-Methodist Physicians, LLC (UTMP). He explained that UTHSC believes it is in its best interest that UTMP serve as a practice group for both UT faculty and non-faculty to give UT effective control over all physicians practicing at Methodist Hospital. He further explained that under Tennessee's corporate practice of medicine statute, UTMP, as an LLC, qualifies as a hospital "affiliate" of Methodist but not as a "faculty practice plan," which is reserved for entities organized as non-profit corporations and composed solely of faculty members. With UTMP organized as an "affiliate," Methodist must retain ultimate governance authority over the entity, and the entity does not qualify for the

favorable treatment for non-compete covenants reserved for “faculty practice plans.” Therefore, he continued, the structure of UTMP needs to be revisited so the University is not at risk of becoming a minority investor/partner if the relationship between the two entities changes. Chancellor Schwab outlined three options: (1) create a 501(c)(3) non-profit corporation faculty practice designed just like ULPS, with faculty only; (2) create a 501(c)(3) hybrid; or (3) leave UTMP organized as an LLC and an affiliate of Methodist employing both faculty and non-faculty physicians. The Trustees and Chancellor Schwab discussed the best options for the University, non-compete covenants in physician agreements, hospital partner support, buyouts, and legal ramifications. Chancellor Schwab advised that the UTHSC team is prepared to explore addressing the risk of loss of governance rights in UTMP as an LLC through substantial protection for the University built into the affiliation agreement with Methodist. UTHSC will explore pursuing legislation for a hybrid entity that would qualify as a faculty practice plan but allow the employment of some non-faculty physicians. The recommendation resolution will be included in the final version of the affiliation agreement with Methodist that will be presented to the Board at a later date.

VI. OTHER BUSINESS

There were no other items presented to the Committee for action.

By way of information only, Chancellor Schwab asked Executive Dean Stern to outline the process the University is using to design UTMG as a more effective practice plan for the future by addressing the following aspects: physician agreements, hospital specialties, financial processes, academic and clinical missions, reorganization of UTMG and the formation of UT Affiliated Practice Group (UTAP). Dr. Stern highlighted the importance to the University of additional clinical opportunities within the hospital healthcare system, in addition to recruitment value of added physicians/physician leaders. The University will also receive academic payments from hospital partners that will stimulate growth within the research and educational mission.

The presentation continued with the UTMG reorganizational plan and the infrastructure of the Central Billing Office (CBO). The CBO will provide billing services for practices within the specified network. The reorganization plan consists of the process in which assets and liabilities from UTMG will be transferred into three specified tiers. These tiers are designed to transfer items that are allocable in total or in part, equally used or able to be liquidated, wasted or retained by UTMG.

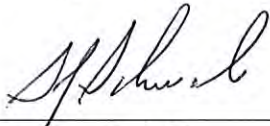
UTMG will cease operation, and physicians remaining in the practice will be moved to UTAP. The goal of UTAP is to protect revenue stream of the new practice group and provide an efficient vehicle for clinical formation. The reorganization plan will include several steps to select board members, adopt bylaws and other administrative processes. Dr. Stern concluded with the next steps that the University administration would like to take to resolve the final disposition of UTMG, the formation of UTAP, specified affiliation agreements, and a completed proposal to governing boards/board members and legal parties.

The Trustees asked questions regarding retirement packages, transfer of assets, exchange of dollars and the effect on physicians and all parties involved. Dr. Stern assured the Trustees that the transition, if approved, would be carefully administered.

VII. 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