

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE HEALTH AFFAIRS COMMITTEE

June 20, 2012  
Knoxville, Tennessee

The Health Affairs Committee of the Board of Trustees of The University of Tennessee held its inaugural meeting at 9:00 a.m. EDT on Wednesday, June 20, 2012, in the Hollingsworth Auditorium on the campus of the Institute of Agriculture in Knoxville.

**I. CALL TO ORDER**

Robert Talbott, Chair, called the meeting to order

**II. ROLL CALL**

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

Robert S. Talbott, Chair  
Dr. Joseph A. DiPietro (non-voting)  
Monice M. Hagler  
James E. Hall  
David Millhorn (non-voting)  
James L. Murphy, III  
Don C. Stansberry, Jr.

Trustee Spruell Driver, Jr, members of UTHSC leadership, and members of the administrative staff were also present.

**III. HEALTH AFFAIRS COMMITTEE CHARTER**

Chair Talbott recognized Chancellor Schwab to present the first item of business, the proposed charter for the Health Affairs Committee. Chancellor Schwab explained that the proposed charter is consistent with the Bylaw provisions creating the Health Affairs Committee and recommended its approval. Trustee Murphy moved approval of the proposed charter (Exhibit 1). Trustee Hagler seconded, and the motion carried unanimously.

In accordance with the Bylaws, the proposed charter will be presented to the full Board for approval as a recommendation of the Trusteeship Committee.

#### **IV. OVERVIEW OF EXISTING AND PLANNED FACULTY PRACTICE PLANS**

Chancellor Schwab introduced Chris Collins, ECG consultant and Gary Shorb, CEO Methodist Hospital - Memphis. He then gave an overview (Exhibit 2) of all the UTHSC clinical practice plans and their strategy of alignment with partner hospitals. Dr. Schwab highlighted the objectives of UTHSC governed practice plans: secures the clinical teaching environment; secures potential for patient based research; national clinical program recognition; and largest source of discretionary revenue to fund research and growth.

As an example of the importance of the clinical practice plans, Schwab described the progress at the Le Bonheur Children's Hospital since the creation of UT Le Bonheur Pediatric Specialists (ULPS) two years ago. Le Bonheur is now nationally ranked as 24<sup>th</sup> among pediatric hospitals in the nation due significantly to the relationship between UTHSC and Le Bonheur.

To move forward with its mission, UTHSC needs to establish an adult practice plan with the same prestige as the pediatric group. This will be accomplished through UT Methodist Physicians (UTMP) and an expanded relationship with Methodist Hospital.

Chancellor Schwab then summarized the proposed faculty practice structure for the UTHSC campus in Memphis, including UT Medical Group (UTMG), ULPS, and UTMP.

In response to a question from Trustee Driver concerning UTMG, Chancellor Schwab explained the difference between aligned and non-aligned physicians and their relationship with hospitals. He then discussed academic payments and the Health Science Center's goal for academic payments.

In response to a question about the difference between owned and governed practice plans, Chancellor Schwab explained the structure and advantages/disadvantages of each.

In response to a question from Trustee Hall about the financial status of UTMG, Chancellor Schwab replied that it is back on track. Chris Collins and Executive Dean Stern concurred and elaborated on the financial status of UTMG.

## V. FINANCIAL REVIEW OF EXISTING FACULTY PLANS IN MEMPHIS

UTHSC Chief Business Officer Tony Ferrara began his presentation (Exhibit 3) on the finances of UTMG for the 11-month period ending May 31, 2012. UTMG experienced a good year overall. Revenues were up. Provider salaries were slightly over budget due to the hiring of new physicians. However, overall UTMG has a positive bottom line. Chair Talbott requested that future presentations on the financial status of the practice plans include a cash flow statement.

Mr. Ferrara then presented ULPS finances for the 11-month period ending May 31, 2012. ULPS also had a good year, although recruitments costs were up as well as the overall budget. This was due to various investment costs. UT and Methodist are contributing to the growth of the number of physicians in the practice.

Trustee Anderson and Trustee Stansberry asked questions concerning the decisions that led to ULPS being over-budget. Chancellor Schwab and Dean Stern responded with explanations about the decision to invest in recruiting and hiring outstanding pediatricians who are also research scientists to grow research at the Health Science Center.

Trustee Stansberry expressed his view that the committee should be informed of decisions resulting in expenditures beyond budget. Chancellor Schwab replied that the committee will receive information about expenditures during its regularly scheduled meetings.

Trustee Hagler suggested that the administration propose a more flexible budget in the future.

Trustee Driver asked how ULPS deficits are addressed. Chancellor Schwab explained that in accordance with the agreement with LeBonheur, half the deficit is covered by reduction of the annual mission support payment from Methodist to UTHSC, and half is covered by Methodist directly, and that the University's liability for the deficit is limited to the amount of the annual mission support payment from Methodist.

Trustee Murphy added that he would like to see the proposed budget before it is approved. He noted, however, that he understands the cost of growing the practice plan and UTHSC research efforts.

## **VI. UPDATE ON UT ERLANGER PRACTICE PLAN**

Dr. Brown began his presentation (Exhibit 4) by acknowledging Trustee Hall and Trustee Foy for their tremendous efforts to help pave the way in Chattanooga and the importance of the UT Erlanger practice plan in that community.

Dr. Brown explained the reasons for establishing this practice plan with Erlanger hospitals and noted that the University will have no financial liability under this practice plan. He explained that the practice plan is critical to the survival of Erlanger and its regional market share in the Chattanooga community. It will serve as a nucleus of UT and Erlanger physician integration strategies, begin the evolution of bringing community physicians groups into a unified medical group, elevate Erlanger as an academic medical center, and enhance physician recruitment and retention in the community.

## **VII. UPDATE ON UT-METHODIST CANCER ORGANIZATION**

Chancellor Schwab informed the committee that the agreements related to the UT Methodist cancer organization have been fully executed as authorized by the Board of Trustees in October 2011.

## **VIII. UPDATE ON UTHSC-ST. THOMAS CLINICAL CAMPUS IN NASHVILLE**

Chancellor Schwab then discussed the future agreement with St. Thomas Health Systems. UTHSC and St. Thomas will jointly develop and administer an expanded Graduate Medical Education program in Nashville with programs and hospital sites in Nashville and Murfreesboro.

## **IX. FUTURE OF UT METHODIST PHYSICIAN PRACTICE PLAN**

Dean Stern began his presentation (Exhibit 5) by explaining his goal of making UTHSC a "Research and Education Power House," as well as a clinical success. He explained that alignment with a hospital brings a whole system of care with resulting new clinical opportunities, program growth, recruitment, financial stability, durability, and a best practice environment. Programs will have a clinical, educational, and research component. The proposed practice plan will be governed jointly by UT and Methodist, but the University will have no financial responsibility for the practice plan.

Dean Stern then asked Methodist CEO Gary Shorb to address the committee. Mr. Shorb began by discussing the demographics of Methodist. It is a system with \$1.4 billion in revenue, 11,000 employees (the largest private employer behind FedEx in Memphis), 2,000 physicians, and seven hospitals. He then

discussed the goal of Methodist to become one of the best health systems in the country. He noted that the top 25 health systems in America are academically affiliated, so the UT- Methodist partnership is a key to success. The pediatric physicians recruited last year have made significant contributions toward this goal of the Methodist system. He announced that Methodist is planning a \$100 million development campaign as an endowment to support research and education.

Dr. Stern and Gary Shorb then outlined UTHSC priorities, the opportunities and challenges presented by the proposed alignment between UTHSC and Methodist, the demographics of the clinical integration strategy, and the steps for Phase II of the practice plan.

Chair Talbott asked that Methodist financial statements be provided to the committee, and Dr. Schwab agreed to do so.

Trustee Stansberry asked about branding. Dean Stern replied that branding will be addressed in the written agreements, which will be presented to the committee for review and approval.

Chair Talbott praised the approach of UTHSC and its hospital affiliates and stated that the committee looks forward to hearing more and receiving documents at the next meeting.

#### **X. OTHER BUSINESS**

The Chair called for any other business to come before the Committee. There was none.

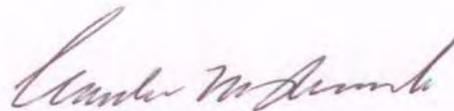
#### **XI. ADJOURNMENT**

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

Respectfully Submitted,



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



Charles M. Peccolo  
Treasurer and Chief Financial Officer