

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE HEALTH AFFAIRS COMMITTEE

May 13, 2014
Nashville, Tennessee

The Health Affairs Committee of The University of Tennessee Board of Trustees met at 10:00 a.m. CDT on Tuesday, May 13, 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 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 Cates 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 (by telephone)
Joseph A. DiPietro
J. Brian Ferguson
D. Crawford Gallimore
Vicky B. Gregg (by telephone)
James L. Murphy, III

The Secretary announced the presence of a quorum of the Committee at the meeting location. Trustee Don Stansberry and Dr. David Millhorn were unable to attend. Although not a member of the Committee, Faculty Trustee Thad Wilson joined by telephone. 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. A motion to approve the minutes as presented in the meeting materials was duly made and seconded, and the motion carried unanimously.

IV. CHANCELLOR'S REPORT

Chancellor Schwab briefly reported on the status of the faculty practice plans, noting that the strategy of aligning faculty practices with central core teaching hospitals remains on track.

V. FINANCIAL REVIEW OF FACULTY PRACTICE PLANS IN MEMPHIS

Mr. Tony Ferrara, UTHSC Vice Chancellor for Finance and Operations, presented a financial overview of the faculty practice plans in Memphis (Exhibit 1). He stated that UT Medical Group (UTMG) has had a difficult year to date and reviewed the statement of operations and balance sheet as of March 31, 2014. Dr. Schwab reminded the committee that UTMG is the only practice group for which UT still has liability. However, they are in the process of moving physicians to UT Regional One Medical Practice Group as previously planned. A discussion ensued regarding the future possibilities for UTMG.

Mr. Ferrara next presented financials for UT LeBonheur Pediatric Specialists (ULPS) and UT Methodist Physicians (UTMP), and briefly discussed the financial difficulty Memphis hospital partners have had.

Chancellor Schwab stated that with national acceptance of the Affordable Care Act (ACA), disproportionate share payments for safety net hospitals were eliminated. Tennessee chose not to participate in the ACA, but disproportionate share payments have been extended nonetheless. This will mean substantial payments of ~\$8 million each to Erlanger, Methodist, and Regional One. Additionally, the state will add Erlanger to the public hospital payment group so they will receive ~\$22 million in assistance based on performance.

VI. UPDATE ON UT-REGIONAL ONE PHYSICIANS

Dr. Ken Brown, Executive Vice Chancellor and Chief of Staff reported that the affiliation agreement with Regional One is near finalization.

VII. UPDATE ON UT-ERLANGER

Dr. Brown had met with the Erlanger CEO the previous evening and the affiliation agreement is currently being presented to the Erlanger Board. It will be brought to closure soon.

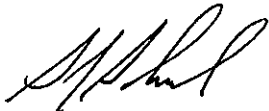
He mentioned new developments including a Nashville campus expansion with St. Thomas and construction of the Plough Center GMP pharmaceutical manufacturing compound facility which will change the scope and capacity for GMP. Additionally, Dr. Brown shared that the West Tennessee Regional Forensic Center, the medical examiner's office in Memphis that manages autopsies for western Tennessee, has awarded the Health Science Center's bid to manage the forensic center. The pathologists and staff will be employees of the Health Science Center, and a fellowship will be created to train forensic pathologists. The city and county are also providing resources for the forensic center to process the current DNA testing backlog. These opportunities for revenue will be presented in detail for consideration in the near future.

Trustee Murphy inquired regarding the liability of the GMP. Dr. Brown replied that initially the expanded GMP facility would be a UT facility, so claims would be limited under the claims commission.

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