

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE HEALTH AFFAIRS COMMITTEE

March 22, 2018
Memphis, Tennessee

The Health Affairs Committee of The University of Tennessee Board of Trustees met at 2:30 p.m. CDT on Thursday, March 22, 2018, in the O.D. Larry Dinning Hall of the Student-Alumni Center on the campus of The University of Tennessee Health Science Center in Memphis.

I. CALL TO ORDER

In the temporary absence of Committee Chair Charles C. Anderson, Jr. due to traffic conditions, Board Vice Chair Jubran 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:

George E. Cates
Joseph A. DiPietro (non-voting)
Spruell Driver, Jr.
D. Crawford Gallimore
Vicky Gregg
Raja J. Jubran

Chancellor Schwab announced a quorum. Other Trustees, members of the administrative staff, members of the public and media were also present at the meeting location.

Charles C. Anderson, Jr., Committee Chair, arrived shortly after the roll call.

III. MINUTES OF THE LAST MEETING

Dr. Schwab called for any corrections to the minutes of the February 22, 2018 meeting of the Committee. Hearing none, Trustee Jubran made the following prepared motion:

I move that the reading of the minutes of the February 22, 2018 meeting of the Health Affairs Committee be omitted and the minutes approved as presented in the meeting materials, provided that the Secretary is authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

The motion was seconded and passed.

IV. DESIGNATION OF A NEWLY FORMED PROFESSIONAL CORPORATION AS THE COLLEGE OF MEDICINE'S PRIMARY FACULTY PRACTICE PLAN FOR ADULT ONCOLOGY SERVICES AND AUTHORIZATION FOR EXECUTION OF A MASTER TRANSACTION AGREEMENT AND ASSOCIATED TRANSACTIONAL AGREEMENTS WITH METHODIST LE BONHEUR HEALTHCARE AND THE WEST CLINIC, P.C. OR ITS SUCCESSOR

Dr. Schwab reported that the following item was brought forward and discussed as an information item at the last meeting of the Committee and is now proposed for action. He stated that in October 2011, the Board of Trustees designated The West Clinic, P.C. (TWC) as a College of Medicine faculty practice plan for adult oncology and authorized the administration to execute necessary affiliation agreements with Methodist Healthcare-Memphis Hospitals ("Methodist") and with TWC. The affiliation has been very successful clinically and academically. He reported that UTHSC, Methodist (through its sole member Methodist Le Bonheur Healthcare), and The West Clinic are in the final stages of negotiating a Master Transaction Agreement (MTA), which references a number of transactional agreements to be entered into by the parties. Most of the transactional agreements involve only a reorganization of TWC's relationship with Methodist and do not involve UTHSC. He noted that the purpose of the proposed transaction is to achieve greater clinical integration and alignment of the respective oncology services provided by the parties to foster enhanced accessible, high quality, cost-effective, patient-centric oncology services. The oncology service line at Methodist hospitals and cancer center sites will include radiation, medical, hematology, surgical and specialty oncology services, and related ancillary services for adult cancer patients.

Dr. Schwab explained that the proposed transaction is not entirely exclusive in nature. UTHSC currently has specific pre-existing arrangements involving the provision of certain cancer services by UTHSC faculty at the Memphis Veterans Administration Medical Center, St. Jude's Children's Research Hospital, Regional

One Medical Center, and University Clinical Health (formerly UT Medical Group, Inc.). Under the proposed transaction, UTHSC will be permitted to continue these pre-existing arrangements as they currently exist (“Grandfathered Arrangements”). He discussed the proposed structure. The West Clinic, P.C. currently obtains the services of UTHSC physicians through several professional services agreements with other UT faculty practice groups. A major goal of the Master Transaction Agreement is to provide for greater integration of those cancer-related services into a new entity that will employ physicians directly. The West Clinic, P.C. will be transitioned to a “captive” (friendly) professional corporation with Methodist Le Bonheur Healthcare as the parent organization. This transition will allow UTHSC to place and hire full-time UTHSC faculty into the new P.C. and also allow conversion of the current part-time faculty into full-time faculty. The new P.C. will have a TWC division and an Academic Division to allow for greater contracting flexibility.

Dr. Schwab stated that by law, the board of directors of the new P.C. must be composed of physician members of the corporation. However, the proposed Master Transaction Agreement establishes an Executive Cancer Council to oversee the oncology service line at Methodist hospitals and cancer center sites. The Executive Cancer Council will be composed of 19 members: six members appointed by TWC; six members appointed by Methodist; six members appointed by UTHSC; and the Executive Director of the P.C. appointed by the P.C. The Executive Cancer Council will make recommendations to UTHSC regarding teaching, research, and academic matters related to the oncology service line, but UTHSC will retain ultimate decision-making authority with respect to the teaching programs and research initiatives by UTHSC faculty physicians. Expansion or relocation of UTHSC’s Grandfathered Arrangements will require the affirmative vote of a 75% supermajority vote all nineteen members of the Executive Cancer Council. Revisions to the composition of the Executive Cancer Council or to its charter, or to the new P.C.’s organizational chart will likewise require such a supermajority vote of the Executive Cancer Council.

An affiliation agreement will be entered into between UT and the new P.C. to replace the current affiliation agreement between UT and The West Clinic, P.C. The current UT-Methodist affiliation agreement for cancer care will be amended to be consistent with the Master Transaction Agreement, and to ensure that the \$5 million academic support payment for UTHSC will continue under the new structure. Methodist will continue the annual \$5 million base mission support payment to UTHSC for at least another five years. These funds are segregated in a cancer center support account and used in accordance with the affiliation agreement between UT and Methodist.

Methodist will commit an additional \$5 million annually to support investment in physicians, researchers, laboratories, community outreach, prevention, and other initiatives tied directly to the requirements for designation by the National Cancer Institute as an Academic Cancer Center. Use of these additional funds shall be determined by the Executive Cancer Council described above.

Discussing the financial risks, he noted that the new P.C. and/or Methodist will continue to bear all financial risks for operation of the new P.C.; UTHSC will bear none. The proposed transaction provides a path to the Health Science Center's ultimate goal of achieving designation by the National Cancer Institute as an Academic Cancer Center. He noted that this would join St. Jude and be the second, NCI designated cancer center in Memphis.

The administration requests that the new professional corporation described in the proposal be designated as the faculty practice plan for adult oncology services, subject to final negotiation of the necessary agreements acceptable to the UTHSC administration and subject to execution of the necessary agreements after review and approval by the Chief Financial Officer and the General Counsel. Dr. DiPietro asked Dr. Schwab to give the Committee an idea on how long it would take to become an academic cancer center. He stated that right now we meet all the requirements to be a clinically integrated cancer center, NCI designation will require a large prevention network, and substantial grant portfolio beyond what we currently have. We believe, with investing \$10 million per year, we will be competitive for NCI designation. Trustee Evans added that it is an incredibly ambitious goal, NCI has about 60 of these centers around the country and typically one has to close before adding another, but it is a goal that should be set and structure programs toward achieving it. Trustee Evans asked whether the continuing payment of \$5 million is contingent at all on 340B Federal Drug Discount Program remaining in place. Dr. Schwab responded that there are no contingencies written in the contract on the payment. Trustee McBride asked Dr. Schwab to comment on the split between education and research for the \$10 million. Dr. Schwab responded that he believes that given that initially the \$5 million payments have gone to education to really drive the educational enterprise that the future dollars may be devoted to the research mission.

Hearing no further questions, Chair Anderson called to the Committee's attention the Resolution in the meeting materials and asked for a voting member to move the Resolution. Trustee Jubran moved that the Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED: The Board of Trustees approves designation of a newly formed professional corporation as the College of Medicine's primary faculty practice plan for adult oncology services, subject to final negotiation of necessary agreements acceptable to the Health Science Center administration and further subject to execution of the necessary agreements after review and approval by the Chief Financial Officer and the General Counsel; provided that if the necessary agreements have not been executed by June 1, 2018, the agreements shall be subject to approval by the Board of Trustees, after review and approval by the Chief Financial Officer and General Counsel, at the next regular meeting of the Board.

The motion was seconded and passed.

V. DESIGNATION OF WEST TENNESSEE MEDICAL GROUP, INC. AS THE COLLEGE OF MEDICINE'S FACULTY PRACTICE PLAN FOR FAMILY MEDICINE IN THE JACKSON, TENNESSEE, SERVICE AREA AND AUTHORIZATION FOR EXECUTION OF AN AFFILIATION AGREEMENT WITH WEST TENNESSEE MEDICAL GROUP, INC.

Chair Anderson stated the next item was also first discussed with this Committee as an information item. He called on Dr. Schwab to present the proposal. Dr. Schwab stated that UTHSC has maintained a family medicine training program and associated clinical teaching practice through a UTHSC clinic located in Jackson, Tennessee, for many years. Because the practice is too distant to be included in current UTHSC practice plans, the practice has operated as a part of UTHSC and has been heavily subsidized by UTHSC.

He stated that UTHSC desires to sell the clinic real property (land and building) to Jackson-Madison County General Hospital and to have Jackson General's physician practice group, West Tennessee Medical Group, Inc. (WTMG), assume operation of the clinic and the faculty clinical practice. UTHSC would continue to administer the residency program and the research and education activities and pay the academic portion of faculty compensation. Jackson General is the sole corporate member of WTMG.

WTMG would be designated by the Board of Trustees as a College of Medicine faculty practice plan that would employ part-time and full-time UTHSC faculty members to perform billable clinical services under a separate strategic business unit of WTMG utilizing the assumed corporate name of "UT Family Medical Practice" (UTFMP) or another name incorporating the University's name, subject

to the written approval of the University's President. Much like UT Methodist Physicians, LLC (another Board-designated faculty practice plan), WTMG would be a multi-specialty physician group practice that will employ both faculty and non-faculty physicians.

WTMG would amend its bylaws to create a separate operating committee called the "Academic Practice Operations Committee" (APOC) to oversee the clinical practice of the UTHSC faculty physicians. The APOC would consist of an equal number of UTHSC and WTMG appointees. WTMG would continue to oversee the clinical practice of its non-faculty physicians without oversight by the APOC.

WTMG will bear all financial risk for operation of the family medicine practice; UTHSC will bear none. This is the primary advantage of the proposal for UTHSC, which currently subsidizes the practice to a substantial extent. Further, UTHSC will be relieved of the responsibility for greatly needed and costly upgrades, maintenance, and repairs to the clinic building.

Dr. Schwab recommended that the West Tennessee Medical Group, Inc. be designated as the faculty practice plan for family medicine in the Jackson, Tennessee, service area, subject to final negotiation of an affiliation agreement acceptable to the UTHSC administration and subject to execution of the affiliation agreement after review and approval by the Chief Financial Officer and the General Counsel. A Trustee asked what other legacy University run practices UTHSC still administers. Dr. Schwab responded that UTHSC still runs the family practice program in Knoxville as well as the dental practice and speech and hearing practice that operate as arms of the University.

Hearing no further questions, Chair Anderson called to the Committee's attention the Resolution in the meeting materials and asked for a voting member to move the Resolution. Trustee Jubran moved that the Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED: The Board of Trustees approves designation of West Tennessee Medical Group as the College of Medicine's Faculty Practice Plan for Family Medicine in the Jackson, Tennessee, Service Area, subject to final negotiation of an affiliation agreement acceptable to the Health Science Center administration and further subject to execution of the affiliation agreement after review and approval by the Chief Financial Officer and the General Counsel; provided that if the affiliation agreement has not been executed by June 1, 2018, the agreement shall be subject to approval by the Board of Trustees, after review and approval by the Chief Financial Officer and General Counsel, at the next regular meeting of the Board.

The motion was seconded and passed.

VI. DESIGNATION OF UT-MEMPHIS PATHOLOGY GROUP AS A COLLEGE OF MEDICINE FACULTY PRACTICE PLAN AND AUTHORIZATION FOR EXECUTION OF AN AFFILIATION AGREEMENT WITH MEMPHIS PATHOLOGY GROUP P.C.

Chair Anderson stated that this item is for information only. On February 22, the Committee voted to recommend this item for approval by the Board. The item is presented for information today to give Trustees who are not members of the Committee an opportunity to discuss or ask questions. Chancellor Schwab provided a brief overview of this item. There were no further questions.

VII. OTHER BUSINESS

There was no other business to come before the Committee.

VIII. ADJOURNMENT

There being no other business to come before the Committee, the meeting was adjourned.

Respectfully Submitted,

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