



# Board of Regents Special Meeting

June 2018

June 18, 2018

9:00 a.m. - 11:00 a.m.

Boardroom, McNamara Alumni Center

## BOR - JUN 2018 - Special Meeting

1. Letter of Intent Between the University of Minnesota, University of Minnesota Physicians, and Fairview Health Services - Review/Action

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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Board of Regents**

**June 18, 2018**

**AGENDA ITEM:** Letter of Intent Between the University of Minnesota, University of Minnesota Physicians, and Fairview Health Services

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** President Eric W. Kaler  
Doug Peterson, General Counsel  
Brian Burnett, Senior Vice President  
Macaran Baird, CEO, University of Minnesota Physicians  
Brad Benson, University of Minnesota Physicians Board of Directors

## **PURPOSE & KEY POINTS**

The purpose of this item is review and action on a proposed nonbinding letter of intent (LOI) to enhance the partnership between the University of Minnesota, University of Minnesota Physicians (UMP), and Fairview Health Services.

Key items within the LOI include continued independence for UMP, a new structure for academic physician leadership within the aligned clinical enterprise, and significant new academic support for the Medical School.

## **PRESIDENT'S RECOMMENDATION**

The President recommends approval of the Resolution Related to M Health Fairview Letter of Intent.



## REGENTS OF THE UNIVERSITY OF MINNESOTA

### RESOLUTION RELATED TO

### M Health Fairview Letter of Intent

**WHEREAS**, since December 31, 1996, the University of Minnesota (the “University”), University of Minnesota Physicians (“UMPhysicians”) and Fairview Health Services (“Fairview”), have been working together to deliver world class health care, research and education to the state of Minnesota and beyond, at the University of Minnesota Medical Center and at other facilities within the Fairview system; and

**WHEREAS**, in 2013, the parties, desiring to improve their affiliation, entered into that certain Master Integrated Structure Agreement (“MISA”) and related agreements to begin providing services under the banner of M Health; however, because the M Health relationship has not achieved the goals and needs of the parties, the University, pursuant to the Board of Regents Resolution Related to Non-Renewal of the Master Integrated Structure Agreement adopted on May 12, 2017, issued its notice of non-renewal of the MISA, with the hope and expectation that a re-negotiated agreement would be put in place among the parties; and

**WHEREAS**, through significant efforts, the parties have now reached nonbinding terms for a re-negotiated agreement, which, once memorialized in definitive agreements, would have the goal of creating a nationally-renowned, high performing academic health system comprised of academic and community resources serving patients and communities in a coordinated manner, that also supports the education and research missions of the University across the care delivery system; and

**WHEREAS**, the Letter of Intent (and its Attachment A) attached to this Resolution reflects the non-binding expressions of intent reached by the parties for the renewed relationship, and also identifies certain other agreements the parties are willing to make to each other as they work towards putting definitive agreements in place by the end of September 2018, including extending the MISA termination date set forth in the University’s notice of non-renewal to the earlier of September 30, 2018 or the effective date of the definitive agreements.

**NOW, THEREFORE, BE IT RESOLVED** that that the Letter of Intent (and its Attachment A) attached to this Resolution is hereby approved and administration is hereby authorized and directed to execute the Letter of Intent on behalf of the University.

## LETTER OF INTENT

This Letter of Intent (“LOI”) is entered into by and among Regents of the University of Minnesota (“University”), University of Minnesota Physicians (“UMPhysicians”) and Fairview Health Services (“Fairview”) (collectively referred to as “Parties,” and each as a “Party.”) as of June \_\_\_, 2018 (the “Effective Date”).

This LOI consists of two parts, this four page document (paragraphs 1 through 8 and signature page) to be signed by the Parties (the “Signature Document”) and Attachment A entitled M Health Fairview Draft Proposal (“Attachment A”).

1. **Commitment to Renewed and Improved Relationship.** The Parties have been working diligently to establish proposed, basic terms of a renewed and improved relationship among the Parties. Attachment A to this LOI reflects those efforts and expresses the Parties’ desire to create a nationally-renowned, high performing academic health system comprised of academic and community resources serving patients and communities in a coordinated manner, that also supports the education and research missions of the University across the care delivery system.

2. **Non-Binding Nature; Definitive Agreements.** Except for paragraphs 3 through 8 of this Signature Document, which the Parties agree are binding agreements, this Signature Document and Attachment A are not binding on any Party, and do not create any enforceable legal rights or obligations, but rather signify the Parties desire to work towards establishing definitive agreements (“Definitive Agreements”) that will memorialize, in binding fashion, the general understandings set forth in Attachment A, by no later than September 1, 2018, for presentation to their respective governing bodies for approval in September 2018, and, contingent upon such approvals, execution of the applicable Definitive Agreements by the Parties in September 2018. In recognition of the Parties’ desire to improve already existing relationships among or between them, Definitive Agreements may take the form of amendments to certain existing agreements, such as, but not limited to, that certain 1996 Academic Affiliation Agreement (the “Academic Affiliation Agreement”) between the University and Fairview.

3. **Extension of Master Integrated Structure Agreement (M Health) Termination Date.** On May 24, 2017, the University issued its notice of intent not to renew that certain Master Integrated Structure Agreement (“MISA”) among the Parties dated June 1, 2013 (the “University Notice”). On May 25, 2017, Fairview issued its notice of intent not to renew the MISA (the “Fairview Notice”). By that certain Agreement to Extend the Master Integrated Structure Agreement Termination Date (the “MISA Extension Agreement”) among the University, UMPhysicians and Fairview dated May 21, 2018, the University modified the University Notice to provide for a MISA termination date of June 30, 2018, Fairview modified the Fairview Notice to provide for a MISA termination date of June 30, 2018, and UMPhysicians agreed to the modifications. The University, UMPhysicians and Fairview recognized in the MISA Extension Agreement that they may need to agree to further extend the MISA termination date, subject to any required governing body authorizations, while the Parties negotiate the

Definitive Agreements. Therefore, the University, UMPhysicians and Fairview now agree that:

- Notwithstanding anything to the contrary in the MISA, the University may, and the University hereby does, further modify the University Notice to provide that the MISA termination date shall be the earlier of September 30, 2018 or the effective date of Definitive Agreements.
- Notwithstanding anything to the contrary in the MISA, Fairview may, and Fairview hereby does, further modify the Fairview Notice to provide that the MISA termination date shall be the earlier of September 30, 2018 or the effective date of Definitive Agreements.

4. **Exclusivity.** In order to preserve the integrity of the negotiation of a high performing academic health system as provided in this LOI, each of the Parties agrees that from the Effective Date through the earlier of the execution of Definitive Agreements or September 30, 2018 (the “Exclusivity Period”), neither it nor any of its directors, members, regents, officers, employees, agents, representatives, affiliates, subsidiaries, successors and assigns will, directly or indirectly, solicit any offer from, negotiate or enter into discussions with or provide any information to any other persons or business entities in aid of any possible business combination, affiliation, joint venture or other form of collaboration to create a nationally-renowned, high performing academic health system with a flagship academic and clinical relationship, comprised of academic and community resources serving patients and communities in a coordinated manner that also supports the education and research missions of a medical school (an “*Alternative Transaction*”), without the express written consent of the other Parties. Such Alternative Transaction does not include the creation of a pediatric academic health system currently contemplated by the Parties. Nothing in this section modifies the rights and obligations of the parties under the Academic Affiliation Agreement or the affiliation agreement between Fairview and UMPhysicians dated December 31, 1996.

5. **Confidentiality.** In connection with the negotiation of the Definitive Agreements, the Parties agree as follows:

5.1 The Parties will, upon execution of this LOI, provide to each other (through discussions, sharing of documents, and correspondence between principals, agents, employees or representatives of the Parties), certain non-public, confidential business information and data. Such information and data includes, without limitation, information and data regarding finances, management, operations, organizational structure, goals and objectives, business plans and strategic plans, and the proposed terms and status of negotiations (the foregoing information hereinafter referred to collectively as “*Confidential Information*”). For the avoidance of doubt, a Party is encouraged to mark its written Confidential Information as confidential and trade secret information. Notwithstanding anything set forth herein to the contrary, the following information shall not be considered Confidential Information: (i) information with respect to one Party that is currently a part of the public domain, or becomes a part of the public domain through no fault of another Party, (ii) information already in a Party’s possession at the time of disclosure by another Party, (iii) information acquired by a Party from a third party having the right to make such a disclosure at the time such Party receives the information,

(iv) information disclosed by a Party to the other Party for a reason other than concerning the development of Definitive Agreements, or (v) information required to be disclosed in accordance with applicable law or duly issued judicial process.

5.2 In consideration of the Parties disclosing Confidential Information to each other, each Party agrees (i) to receive and review the Confidential Information of each other Party in strict confidence and not use or disclose the Confidential Information of another Party in any manner other than as reasonably necessary for purposes of evaluating, developing, implementing and/or negotiating the Definitive Agreements or as required by law (such necessity hereinafter referred to as “*As Necessary*”); (ii) to only disclose Confidential Information of another Party As Necessary to its directors, regents, officers, employees, professional consultants, attorneys, financial advisors and accountants who have a reasonable need to know in connection with evaluating consummating and/or negotiating the Definitive Agreements; and (iii) to maintain and to cause its directors, members, regents, officers, employees, agents, representatives, affiliates, subsidiaries, successors and assigns to maintain the confidentiality of all Confidential Information of each other Party and not to disclose such information to any third party except as provided herein.

5.2.1 Each Party agrees not to duplicate or make any copies of another Party’s Confidential Information except As Necessary, and (unless otherwise agreed by the disclosing Party) to return or destroy all Confidential Information, including all copies, to the applicable disclosing Party within ten (10) business days as requested by the applicable Party or Parties.

5.2.2 Each Party shall advise its members, directors, regents, officers, employees, consultants, attorneys, accountants, agents, affiliates, subsidiaries, successors, assigns and other representatives of the provisions of this Section.

6. **Press Release.** The Parties shall work together to issue any press release relating to this LOI or any Definitive Agreements.

7. **No Waiver or Modification.** The Parties agree that nothing contained in this Signature Document or Attachment A or otherwise shall be deemed to have waived or modified any of their rights or remedies under or in connection with the Academic Affiliation Agreement, the MISA or other agreements between or among any of them, and each Party hereby expressly reserves all rights and remedies.

8. **No Assignment; No Third Party Beneficiary.** The only Parties to this LOI are the University, UMPHysicians and Fairview. This LOI may not be assigned by any party, by operation of law or otherwise, without the prior written consent of the other Parties. No person or entity is intended or shall be deemed or determined to be a third party beneficiary of this LOI.

**REGENTS OF THE UNIVERSITY  
OF MINNESOTA**

By \_\_\_\_\_  
Eric W. Kaler, Ph.D.  
Its: President

**FAIRVIEW HEALTH SERVICES**

By \_\_\_\_\_  
James Hereford  
Its: Chief Executive Officer

By \_\_\_\_\_  
Jakub Tolar, MD, PhD  
Its: Dean, Medical School and Interim  
Vice President for Health Sciences

**UNIVERSITY OF MINNESOTA  
PHYSICIANS**

By \_\_\_\_\_  
Macaran Baird, MD, MS  
Its: Chief Executive Officer

Attachment A

M Health Fairview Dated May 25, 2018

M Health Fairview Proposal

<p><b>1. Purpose</b></p>	<p>Fairview Health Services (“Fairview”), the University of Minnesota (the “University”), and the University of Minnesota Physicians (“UMP”) (collectively, the “Parties”) aspire to create a nationally-renowned, high-performing academic health system (the “care delivery system”) comprised of academic and community resources serving patients and communities in a coordinated manner, while also supporting the education and research missions of the University across the care delivery system. A successful academic health system requires a clearly articulated commitment by governance and senior management of the University, UMP, and Fairview to achieve top decile status for the University of Minnesota Medical School (“UMMS”) and for the health system. Such rankings will require top performing primary care, community hospitals and an academic medical center (“AMC”), ultimately becoming a destination system for complex care in the metropolitan region and national market.</p>
<p><b>2. Vision</b></p>	<ol style="list-style-type: none"><li>1. The care delivery system will grow as a hybrid academic and community health system, in which the components are well-coordinated and mutually reinforcing, based on the unique strengths of each, and it will achieve its goal of operational excellence across the entire care delivery system.</li><li>2. The Parties together commit to the following goals – that the flagship University of Minnesota Medical Center (“UMMC”) and the UMMS, as part of and connected to the care delivery system, will become the following:<ol style="list-style-type: none"><li>a. A top-decile medical school within eight years, as measured by national rank of sponsored research by the National Institute of Health;</li><li>b. Nationally ranked AMC by U.S. News World and Report overall, and also in ten adult specialties;</li><li>c. Vizient top ten AMC and ambulatory ranking for Quality and Accountability;</li><li>d. The premier destination system for complex care in the Twin Cities metro market; and</li><li>e. An organization that succeeds in recruiting outstanding physicians, nurses, other health providers, residents, dentists and employees,</li></ol></li></ol>

	<p style="text-align: center;">f. A leading organization in population health, that can improve the health of our communities.</p> <ol style="list-style-type: none"> <li>3. The Parties will develop plans to enhance the ways that the University’s academic health center (AHC) schools beyond just the UMMS (pharmacy, dentistry, nursing, public health and veterinary) can contribute to and benefit from the Fairview relationship. Within this relationship, the Parties will seek to provide a rewarding learning and working environment and to encourage trainees to consider student placements, student internships, interprofessional projects, Quality Improvement opportunities and employment within the system.</li> <li>4. The Parties will focus on leading research, education and practice aimed at discovering new approaches to improving health throughout the care delivery system’s communities and the nation. The care delivery system will consistently demonstrate promotion of undergraduate, graduate and post graduate education.</li> <li>5. The Parties recognize that achieving their goals will require substantial new investments over the next decade, as well as effective collaborations and strategic initiatives across the care delivery system.</li> <li>6. Growth will be required to provide the additional resources necessary to maximize the above goals, and the Parties recognize that incentives must be aligned around the overall growth of the care delivery system, and especially growth in key complex care service lines and primary care services.</li> <li>7. The Parties recognize that innovation is a core attribute of the culture they aim to create across the care delivery system and that it will be reinforced by collaborations between Fairview, UMP, the UMMS, and other schools/departments across the University to establish the care delivery system as a national leader.</li> </ol>
<p><b>3. Branding</b></p>	<ol style="list-style-type: none"> <li>1. The Parties agree to leverage the brand equities of both the MHealth and Fairview brands in the market through the brand of “MHealth Fairview.”</li> <li>2. MHealth Fairview will be used to achieve alignment, maximum brand awareness, positive image, and marketing benefit, with the ability to use the brand flexibly for different sites and businesses. Use of the MHealth brand as part of the composite MHealth Fairview trademark will require meeting certain standards approved by the UM Board of Regents.</li> <li>3. The Parties will develop an enhanced marketing plan to increase the public recognition and value of the MHealth Fairview brand.</li> </ol>

	<ol style="list-style-type: none"> <li>4. The Parties understand that the use of the Fairview and UMP brands could be used separately from the MHealth Fairview brand where there is no shared decision making. But conversely, the MHealth Fairview brand be used wherever UMP provider and the UMP CEO have significant roles.</li> <li>5. Permitted Uses of the MHealth Fairview brand are expected to include (under mutually agreed brand use standards) both “Core” healthcare services (e.g. inpatient, outpatient, telemedicine, etc.) and certain other related services if mutually agreed to and if the University has appropriate management input and quality oversight. Prohibited Uses of the brand will include political campaigns, endorsements, ownership or operations of College or professional sports, alcoholic products, tobacco or vapor products, and drugs.</li> <li>6. The Parties agree that the MHealth Fairview brand will be the University maroon and gold color scheme.</li> <li>7. The Parties agree to develop a new Branding and trademark license Agreement to accomplish these goals as outlined above.</li> <li>8. The mutual use of the MHealth Fairview brand in this manner is meant to leverage the strength of the two organizations and value in the marketplace.</li> <li>9. The parties agree to review the effectiveness of their branding practices at a point 5 years after the Branding Agreement is signed.</li> </ol>
<p><b>4. Facilities</b></p>	<ol style="list-style-type: none"> <li>1. Fairview commits to maintaining facilities throughout the care delivery system as high quality facilities. Through our dyad leadership model, the integrated care delivery system will work to prioritize capital expenditure projects across the system.</li> <li>2. In addition, Fairview will invest in UMMC as the UMMS’s flagship hospital with an initial capital improvement of \$111 million, which has already begun, and will focus on operating rooms, conversion to private patient rooms, enhanced education space, a completion of the West Bank, and other elements consistent with the needs of a leading AMC under a plan developed with the substantial and ongoing input of UMMS and UMP leadership. Fairview commits to maintaining UMMC facilities consistent with leading AMCs and as such, UMMC will maintain a capital replacement ratio of not less than 100% of depreciation over each five-year period for the existing facilities (Unit J and East Building).</li> </ol>

<p><b>5. Governance and Planning Issues</b></p>	<ol style="list-style-type: none"><li>1. The Fairview CEO and the Dean of the UMMS will co-lead the development of a joint strategic plan for the shared care delivery system and be responsible for jointly presenting that plan to the Board of Regents, or their delegate, and the Fairview Board of Directors. The purpose of the joint strategic plan will be to align UMP, the School of Medicine, and Fairview to the tripartite mission.</li><li>2. Both the Dean and the CEO will agree to and share common performance goals and incentives that reflect performance in the tripartite mission of care delivery, research, and teaching for the entire care delivery system. These common goals and incentives would be built into executive compensation plans for the top executive and other appropriate senior leaders in the UMMS, UMP and Fairview.</li><li>3. The Board of Regents, or their delegate, will have input, but not direct oversight or decision-making for the evaluation of the Fairview CEO, and likewise, the Fairview Board of Directors will have input, but not direct oversight or decision-making in the evaluation of the Dean.</li><li>4. With an aligned goal of growing the shared enterprise, as programmatic and strategic opportunities emerge to either of the Parties, the Parties agree to review the opportunity together prior to the intention to proceed and/or prior to deciding to exercise any available options under the AAA. The purpose of the review will be for the Dean and CEO to determine if the programmatic and strategic opportunity will fall within the M Health Fairview care delivery system with also the recognition that the parties have responsibilities outside the partnership.</li><li>5. UMP will remain as a fully independent organization and will retain the necessary corporate functions for its group practice operations and partnerships that live outside the Fairview relationship. However, the Parties will present themselves to the public (consistent with any regulatory requirements) as a single care delivery entity for all areas where the Parties have aligned management, or any location or activity where the MHealth Fairview brand will be used.</li><li>6. A competency for academic medicine will be included in Fairview's Board competencies.</li><li>7. Fairview will continue its operational improvement and organizational transformation to ensure it can provide an efficient, high quality patient care experience and enhance system-wide standardization.</li><li>8. The Dean of the UMMS will serve as a Vice-Chair (one of three) on the Fairview Board of Directors as well as serve as a member of the Fairview Board Executive Committee.</li></ol>
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	<p>9. A new board research committee, an MHealth Fairview Research Committee with representation from Fairview and the UMMS and chaired by the Dean, would oversee research and education throughout MHealth Fairview.</p>
<p><b>6. Academic, Clinical, and Operational Alignment</b></p>	<ol style="list-style-type: none"> <li>1. The leadership, management, and reporting structures as outlined below are intended to create a coordinated delivery system, inclusive of UMMC, that is holistic and grounded in centralized decision-making and effectively leverages the enterprises' infrastructure and resources to deliver market-leading outcomes. The reporting structures would more closely coordinate Fairview, the University, and UMP through a single reporting structure for the operations of the care delivery system under the direction of the Fairview CEO in partnership with the Dean of the Medical School.</li> <li>2. UMP and Fairview will partner in the care delivery system and move toward a service line orientation, which organizes care delivery across the care delivery system. Specialty service line collaborations would include: Heart &amp; Vascular, Cancer Care, Neurosciences, Solid Organ Transplant, Behavioral Health, Musculoskeletal, Women's and Children's.</li> <li>3. The collaboration will also include single specialty services (Surgical Specialties, and Medical Sub-Specialties) that will be organized across the aligned care delivery system. Recommendations for the optimal organization of surgical and medical specialties across the system will be offered by a working group of UM/UMP and Fairview representatives to the UMP CEO and FHS COO. Final recommendations will be reflected in definitive agreement.</li> <li>4. Primary Care will also operate in a service line, reporting to the Fairview CMO. A community-oriented MD leader within the Fairview system will serve as the Chief of Primary Care and will partner with UMMS primary care and family medicine as part of the service line team.</li> <li>5. The service line leadership model will utilize a dyad model, with a UM faculty-academic "Chief" and a Fairview "Executive" together leading all specialty service line activities and single specialty services across the care delivery system. These leaders will be given genuine and appropriate authority consistent with the goals stated here. Appointment of faculty to leadership roles will occur through UMP leadership and will involve the appropriate Chairs, in collaboration with Fairview leadership. Academic specialty service line "chiefs" will report to the UMP CEO. Primary Care, FPA, Quality &amp; Patient Safety, Ambulatory Operations, Acute Operations, and Acute Operations and Acute Domains will report to the FHS CMO.</li> </ol>

6. There will be three key physician roles within the combined care delivery system, the Chief Medical Officer (“CMO”), the CEO of UMP, and the Chief Academic Officer (“CAO”). The CMO and CEO of UMP roles will closely partner and will encompass operational accountability, as a dyad partner to the Fairview COO for: quality & safety, service line leadership, medical direction, and Fairview Physician Associates (“FPA”). The Chief Quality Officer will be an academic physician. The system will also support a Chief Academic Officer (“CAO”), with responsibility for GME and research oversight, programming and support, reporting to the Dean of the Medical School.
7. The CEO of UMP will collaborate with the Fairview CMO to integrate faculty leadership of the service lines with physician activity across the system. The UMP CEO will report to the UMP Board (of which the Fairview CEO is a member).
8. Shared clinical services, ancillary services, and administrative services in the care delivery system will have a leadership structure that expedites decision making and enhances accountability, especially relating to growth and service production. The integration of physician leadership over services such as laboratory, pathology, radiology and others as appropriate will occur under mutually agreed plans.
9. Each specialty care service line will have designated resources to support performance. Additionally, each service line will be required to develop an annual plan that encompasses both care delivery across the care delivery system and the integration of research and teaching. These plans would require the approval of the care delivery system leadership and the Dean of the Medical School.
10. The University will be the sponsoring institution for GME (physician residency and fellowship) programs across the care delivery system. Through a joint planning construct, the University and the care delivery system will approve all University rotations for physician clinical experiences across the care delivery system.
11. Within the scope of its authority and consistent with any applicable accreditation guidelines and its status as the land grant university of the State of Minnesota, the University will collaborate with the health system to enhance the relationship between all health professional schools in the AHC and the Fairview care delivery system
12. UMMS will establish a pathway for professional advancement for those physicians who are professionally oriented primarily toward the delivery of care as their activity (e.g., a “**Master Clinician**” track).

	<p>13. In the context of the agreement to create a coordinated, shared care delivery system, which involves UMP leadership as part of the senior leadership team of the shared care delivery system, and with academic Chiefs leading service lines in a dyad structure, and with academic physicians as the site leader in a dyadic leadership structure for the CSC and Maple Grove, and with the intent to create a top 10 academic health system, we:</p> <p>(1) Commit to a single leadership structure for the shared care delivery system, including operations of CSC and Maple Grove, with the intent to have MG and CSC transition operations on 1/1/19 to the shared care delivery system.</p> <p>(2) The date of transfer of management services to the shared care delivery system is subject to the mutual agreement of the Dean/UMP Board Chair and CEO.</p>
<p><b>7. Academic Support</b></p>	<p>1. The Parties are committed to the shared plans and goals for the shared components of the enterprise. To accomplish these goals, the Parties agree that substantial new investment from multiple sources will be required over the next decade. Necessary capital to support all of the investments will come from a variety of sources including higher levels of revenue and profits from the growth of the care delivery system, philanthropy, State support, and improved operating efficiencies. The payment model for the Academic Support by Fairview (described below) will be based on principles of promoting growth, transparency, simplicity, eliminating redundancy, supporting operational efficiency, supporting all mission elements, and financial sustainability. The overall level of Fairview Academic Support to UMMS will be increased as outlined below in an amount necessary to achieve mutual aspirations to further the alignment of the research, education, and care delivery missions. The planning for the use of these funds should be included as part of the annual UMMS strategic plan developed by the Dean (who shall consult the CEO during this process). It is envisioned that such support will be used (a) for recruiting incremental tenure and tenure track faculty to meet agreed-upon goals, (b) for fostering and expanding research activities, and (c) other customary medical school uses as well. Annually, the Dean and CEO will provide a report to the Fairview Board summarizing such uses. Fairview will annually pay Academic Support to the Dean of the School of Medicine in two components, and for purposes of this agreement, “annual” will mean the twelve-month period from January 1 through December 31, beginning with January 1.</p> <p>a. A Fixed Annual Support Payment of \$35 million in 2018 prorated to the signing of the definitive agreement, \$40 million in 2019, \$45 million in 2020, and \$50 million in 2021 and in 2022. This is inclusive of the current commitment of</p>

	<p>up to \$10 million in academic support. Thereafter, the Fixed Academic Support Payment shall annually be increased by the most current consumer price index. Fairview will pay these amounts quarterly.</p> <p>b. A Variable Annual Support Payment that is based on the following two components:</p> <ul style="list-style-type: none"><li>i. 0.15% of Fairview’s Net Patient Service Revenue (“NPSR”) inclusive of all facilities, clinics, supplies and services (such as pharmacy).</li><li>ii. A percentage of Fairview’s Net Operating Income (“NOI”) that is based on the following: (1) if the NOI as a percentage of Total Operating Revenue (“NOI Margin”) is between 3.0% and 5.0%, then the percentage rate for determining the Variable Annual Support Payment will be 4.0% of the NOI dollars in that year, but (2) if the NOI Margin is greater than 5.0%, then the percentage rate for determining the Variable Annual Support Payment will be 8.0% of the NOI dollars in that year.</li><li>iii. Material changes in the size and scope of Fairview due to acquisitions and/or divestitures that would lead to material changes in the NPSR or NOI of Fairview would lead to the Parties negotiating in good faith to revise the percentages that drive the Variable Annual Support Payment.</li></ul> <p>2. In addition to the Fairview Academic Support outlined above, Fairview will also include academic support that is currently being paid annually by UMP to the Medical School of \$25 million.</p> <p>3. The Parties will also commit to the following initiatives:</p> <ul style="list-style-type: none"><li>a. The establishment of a single methodology for professional services contracts to replace the current myriad of agreements. The new methodology will include fair market payment for clinical activity through wRVU production measures of clinical quality and patient satisfaction, as well as payment for essential services and medical direction, and other identified and agreed services;</li><li>b. The establishment of a joint business planning process for the recruitment of new faculty involved in the care delivery</li></ul>
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	<p>system that includes Fairview funding mechanisms for the ramp up to full clinical activity;</p> <p>c. Establishment of a high performing Master Clinician faculty clinical track for recruiting clinically oriented physicians into UMP;</p> <p>4. The University agrees that, in addition to funding from the care delivery system, existing University and UMP resources and incremental funding will be directed to maximize achievement of the goals of the academic health system (NIH ranking, US News and World Report ranking, and Vizient ranking as outlined above) and will be invested taking into account both UMMS academic/research priorities and also care delivery system academic and clinical priorities.</p> <p>5. The care delivery system will fund the University’s Medical School’s central Graduate Medical School Education (“GME”) administrative costs for the proportion of residency and fellowship slots/rotations located in Fairview facilities. The health system will work with the Medical School and other AHC schools and colleges to expand training sites and programs based upon patient population and strategic growth, as mutually agreed upon.</p> <p>6. All funds flows between the University, UMP, and Fairview will be made transparent and information will be shared collegially as needed for compliance, operations, or other purposes.</p>
<p><b>8. Funds Flow for Clinical Services</b></p>	<p>UMP and Fairview will have a new Master Professional Services Agreement (“MPSA”) that would replace the existing agreements, under which Fairview will pay UMP for clinical and clinically-related services (see details in the numbered paragraphs below). In developing such MPSA, the Parties will agree on a business methodology to address in real time the need for changes in services and coverages being provided with commensurate changes in the budget and services provided. UMP business relationships outside UMP’s relationship with Fairview is not governed by the above language.</p> <p>1. Payments for clinical services will be fair market value and commercially reasonable, market and productivity based using agreed-upon and relevant benchmarks and at such levels as necessary to recruit and retain faculty, and achieve the joint goals of the Parties set forth in Section 2.2. The new methodology will include payment for clinical activity through wRVU production measures of clinical quality and patient satisfaction, as well as payment for essential services and medical direction, and other identified and agreed services.</p>

	<ol style="list-style-type: none"><li>2. A joint funds flow committee will be created with equal membership from FHS and UMP to support the ongoing administration of the funds flow model. The committee will serve to protect the integrity of the program and consider any potential changes or special requests that fall outside the agreed upon model.</li><li>3. A performance incentive will be added for achieving agreed upon performance dimensions such as enhanced patient satisfaction, quality and safety, access, efficient use of resources, and/or contribution to the betterment of the organization.</li><li>4. The care delivery system will make payments for agreed upon medical directorships which are deemed necessary by the care delivery system. All medical directorships will have a clear written set of expectations and objectives determined by the care delivery system in consultation with UMP.</li><li>5. The care delivery system will pay for certain agreed upon clinical services deemed essential for the operation of the care delivery system (such as hospitalists, infectious disease MDs, etc.) and whose contributions are not adequately recognized through the production of wRVU's. For most of these, actual clinical hours would be the proxy for productivity.</li><li>6. The care delivery system will provide salary support for new clinical recruits to "backstop" their ability to ramp up a new clinical practice. The duration of the support will be determined by the mutually approved business plan.</li><li>7. All the clinical service payments outlined above would flow from the care delivery system to UMP. UMP will be responsible for the mechanism to distribute the dollars to the departments based on a UMP compensation plan for clinical activity. UMP's compensation committee, will have:<ol style="list-style-type: none"><li>a. General oversight of the salary plans and programs of the individual clinical departments;</li><li>b. UMP will work with department chairs to assure market competitive compensation. A broad review of compensation will occur with the joint clinical enterprise;</li><li>c. Ensure reasonable and equitable clinical compensation across departments;</li><li>d. Ensure reasonable consistency and standardization in the structure of clinical compensation components</li></ol></li></ol>
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	<p>between base salary and incentives across the departments and faculty;</p> <p>e. Ensure that all clinical incentive plans for faculty are written, clear, understandable, and metric driven.</p> <p>8 Additionally, Fairview will provide clinical infrastructure across the care delivery system, including a simplified and standardized process for clinical research, with a service pricing mechanism that for clinical services provided to patients to allow University grants to be fiscally competitive and compliant with research-related requirements.</p>
<p><b>9. Term</b></p>	<p>1. The initial term of the new Agreement between the Parties shall be the same as the Academic Affiliation Agreement (term ending December 31, 2026). The Parties may mutually agree to a ten-year extension option in 2023, in accordance with the Academic Affiliation Agreement.</p>
<p><b>10. Timeline</b></p>	<p>1. The Parties agree to work in earnest to reach a mutually agreeable Letter of Intent by June 30, 2018 and a resulting mutually agreeable Definitive Agreement (and other agreements as required) no later than September 1, 2018.</p>