University of Minnesota Health
Letter of Intent

Eric W. Kaler, President
Brooks Jackson, Dean of the Medical School/VP for Health Services
Richard Pfutzenreuter, CFO and Treasurer
Bobbi Daniels, Vice Dean of the Medical School, CEO of UMP
To be a world class medical school, we need to be a world class health system

A new relationship must advance our academic mission

- Support the Medical School financially, and not drain resources from elsewhere in the institution
- Have a strong academic culture, focus and incentives
- Embrace physician leadership

A new agreement must protect the brand
Current state
The “Triangle” of Agreements
among the University, UMP and Fairview Health Services

Series of Agreements

- Merger
- Affiliation
- Land Lease
- Facilities Lease
- Utilities Agreement
- Other
Value-Based Exchange Transactions

U / AHC

UMP

FHS

Rent and Parking, Common Paymaster, Purchased Services
Contracted Services for Research Agreements

Lab Services, Oncology Drugs, Medications, Transcription, IDX, and Purchased Services
Medical Direction, Physician Services, Management Service Agreements
IT Services, Purchased Services

Medical Residents, Rent and Parking, Utilities, Purchased Services
Contracted Services for Research Agreements

Lab Services, Oncology Drugs, Medications, Transcription, IDX, and Purchased Services
Medical Direction, Physician Services, Management Service Agreements
IT Services, Purchased Services
MHealth Governance, Management, and Operational Model

University of Minnesota Board of Regents

President

Medical School

UM Physicians Board of Directors

Fairview Health Services Board of Directors

UMN Health Board of Directors Limited Liability Company

UMMC President/UMP CEO

UMMC
FHS/UMP Joint Services
UMP Clinics
Clinics and Surgery Center
Current affiliation is challenging

- Both the U and Fairview recognize the status quo is not acceptable
- M Health encompasses: UMMC (inpatient and outpatient), University of Minnesota Masonic Children’s Hospital, University branded service lines, UMP’s activity within Fairview sites, Maple Grove ACC specialty activities, and M Health Clinics and Surgery Center (opening February 2016)
- University of Minnesota Health has demonstrated success in improving integration and achieving quality and growth outcomes. However, as currently structured, M Health is difficult for the market to understand and it splinters Fairview while achieving integration with UMP
- The current affiliation includes thousands of contracts, wasted effort and resources, and considerable room for disagreement and tension
- The University does not receive funding for its academic mission, or capital investment, at levels comparable to our peers (UHC data)
Market Dynamics
Market Dynamics

- The health care industry is consolidating; between systems and between hospitals and physician/provider groups
- The Twin Cities market is rapidly moving and progressive; delays or inaction may leave us behind the market
- The market demands a focus on innovation and growth; reduction of duplication and inefficiency; commitment to population health
- UMP has double digit increases in new patient volume in specialty services with a growing backlog of patients; UMP is sought after by payers for complex referrals and alone cannot grow as fast as the market demands
- But, UMP does not have a large and integrated primary care base
- FV has a large network of primary care physicians which is complementary to UMP’s specialty care. However, the most complex and quaternary services (e.g., lung transplantation) require a population that is regional and national
- While we have made gains, consumer awareness of M Health as a care provider is low
The New University of Minnesota Health
Our Vision: Minnesota’s Academic Health System

Full integration with Fairview Health Services to:

- Advance the University’s mission
- Provide exceptional patient care
- Fortify a robust pipeline of health care professionals for the state, contribute to the state’s economic vitality through medical discoveries and innovation
- Meet Minnesota’s health needs, from community-based public health through highly specialized care and treatment
Our Mission

University of Minnesota Health is driven to heal, to discover and educate for longer, healthier lives.
Benefits of the Vision

• Greater ability to compete in today’s health care marketplace
• Ability to reinvest in the University’s academic mission by improving clinical care, market share and achieving significant economies of scale across U of M, UMP, and Fairview
• Achieving outstanding patient and population-based outcomes by leveraging all aspects of delivery, education, and research
• Enhance and standardize access, affordability, and coordination of care across the system
• Return the Medical School to national prominence
• Strengthen all health sciences programs by retaining and attracting world class faculty and residents
• Create more hands on learning opportunities for our health science students
• Expand clinical research
• Greater practice opportunities for faculty
• Enhanced financial support for the health sciences
Integration Will Help Us Reach Our Goals

Every hospital ranked in the top 10 exhibits more integration between the medical school and health system

• Each is characterized by tight alignment between the health system, physicians and the academic mission.
• Each highlights research and the impact of breakthroughs on providing leading edge care

Integration will reduce duplication, increase market position, and simplify the system for consumers
How We Achieve the Vision

• A joint venture—not a takeover of UMP by Fairview or a takeover of Fairview by the U
• A new board with 50/50 membership from Fairview and the University (BOR appointed)—competency-based and including the Dean/VP and CEO
• Academic leadership at all levels
• Leverage the strengths of both organizations with the academic mission integral to our success
Letter of Intent

• To be co-signed by the University of Minnesota, UM Physicians and Fairview Health Services
• Non-binding; sets forth the proposed basic terms of a single, integrated academic health system to include the Fairview system and the entirety of UMP
• Outlines mutual goals and identified characteristics of a world class integrated health system
• Negotiations will be based on a set of principles agreed to by all parties
Key Principles

Governance/Organizational Structure

• One integrated health system
• 50/50 competency-based Board membership, appointed by the Board of Regents and Fairview
• UMN appointed member and FV appointed member co-chair in initial term
• Single CEO accountable to the Board
• Academic mission is integral to the system
• The new structure retains the best capabilities of UM Physicians and Fairview. It is not a takeover of Fairview or of UMP
Key Principles

Clinical Practice and Physician Leadership

• Strong provider voice in operations of the integrated academic health system (IAHS)
• Clinical leaders with a demonstrated successful track record of advancing their field
• The lead physician of the IAHS group practice will be a faculty member
• Faculty will be managed by department heads and the lead physician
• Clinical research will be supported and expanded
Key Principles

Management and Operations

• Use of the University of Minnesota Health brand
• It is strongly preferred that the CEO have a successful track record of leadership in a comparable system; strongly preferred that the CEO be an academic physician
• Significant UMN involvement in hiring of senior executives
• Senior management compensation will be at risk for achievement of IAHS goals, including advancement of the Academic Health System
Key Principles

Financial

• IAHS will provide continued funding to the Medical School through baseline academic support and variable academic support
• The definitive agreements will establish benchmarks, peer comparisons, and a plan to increase academic support to benchmark levels
• Immediately following integration, IAHS management will prepare a financial plan to include plans to convert from semi-private to private inpatient rooms at UMMC and Southdale Hospital and to modernize UMMC operating rooms to state of the art
• Total compensation for faculty is determined by the UMN VP for Health Sciences
Next Steps

• Continued internal consultation with Medical School leaders and faculty and outreach with community stakeholders
• Begin due diligence with appropriate external support
• Complete definitive agreements and approvals in March 2016
• UMP approval will require a majority vote of faculty members
• Implementation July 1, 2016
Resolution Related to University of Minnesota Health Letter of Intent

NOW, THEREFORE, BE IT RESOLVED, that the president and the vice president for health sciences are hereby authorized to sign a non-binding letter of intent and to enter into development of definitive agreements reflecting the Parties’ obligations and commitments related to the development and operation of an integrated academic health system

BE IT FURTHER RESOLVED, that those definitive agreements are subject to approval of the Board of Regents as well as the University of Minnesota Physicians board and the Fairview Health Services board.
Supplemental information
New UMN Health Board
Appointed 50% by BoR & 50% by Fairview

Executive Committee
UMN and FV will alternate as chair and vice chair with equal representation

Finance Committee
UMN and Fairview will alternate as chair and vice chair with equal representation

Chief Executive Officer (CEO)
Selected by supermajority of the board

Chief Financial Officer (CFO)
job description and incentives aligned to success of the academic mission

Clinical Integration Council
Co-chaired by Med School Dean/AHC VP and UMN Health CEO

Chief Operation Officer (COO)
job description and incentives aligned to success of the academic mission

Physician Leader
job description and incentives aligned to success of the academic mission

Site Leadership (UMMC)
job description and incentives aligned to success of the academic mission

UMN Board of Regents (BoR)
President
Dean/VP
MED School

UMN Health Org Chart
Revised August 2015
UMP / Fairview Transfers (millions) to Medical School - Accrual Basis

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FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15
Draft Integration Principle – Finance Funds Flow

- Current Fairview MHealth $ Deans Tax
- Academic Transfers
- Clinical Reimbursements

Define and Sort to Appropriate categories

IAHS
- Baseline Academic Support “guaranteed above line budgeted”
- Academic Transfers
- Clinical Reimbursements
- IAHS Annual Operating Budget
  - Variable Academic Support “below line performance based”
  - Capital Investments in UMMC
  - UHC Benchmark Academic Support Define, Set Targets & Timetable

U of M Medical School Costs to Support Clinical Act.

September 22, 2015