

Board of Directors Meeting December 18, 2007

Proposed Affiliation Agreement

Proposed Affiliation Agreement

Overview

- Today represents the culmination of 18 months of negotiations regarding a comprehensive Affiliation Agreement for the KUMC Campus.
- KUMC, KUH and KUPI representatives have completed a final draft of a five year agreement which proposes to:
 - Extend and enhance the Master Affiliation Agreement between KUH and the University
 - Establish a formal affiliation between KUH and KUPI
 - Extend and enhance the Cardiovascular Affiliation Agreement between KUH and KUMC
- All three parties intend to recommend approval of this agreement to their respective Boards this week.
- Finalization and execution would take place shortly thereafter.

Proposed Affiliation Agreement

Key Affiliation Components

- Relationship of the Parties
- KUPI Governance and Responsibilities
- Medical Staff Issues
- Restrictive Covenants
- Funds Flow and Medical Office Building (MOB)
- Cancer Program Model
- GME
- St. Luke's Agreement
- Overall Benefit

Proposed Affiliation Agreement

Role of the Parties

- KUH will continue to be the “Primary Academic Clinical, Teaching and Research Hospital” of KUMC.
- KUH and KUPI will be the primary providers of all inpatient and outpatient clinical services for which KUMC-employed physicians provide clinical services.
- The Kansas City Campus will remain the primary site for the KUMC research enterprise, and all clinical faculty will be eligible to participate in all aspects of KUMC-sponsored research.
- All Clinical Department Chairs and Clinical Division Directors in the KC area will be located at the Kansas City Campus (KUMC, KUH and KUPI locations excluding other hospitals).
- KUMC will only recruit clinical physicians for the Kansas City area to be members of KUPI, the medical staff of KUH, or approved affiliated institutions.
- All parties will consult with the others before developing new clinical programs or recruiting new clinical physicians.

Proposed Affiliation Agreement

Joint Planning

➤ KUPI, KUMC and KUH will:

- Perform joint program, clinical and strategic business planning.
- Establish reporting process to the Dean, KUH CEO and KUPI President.
- Create a Medical Staff Development Plan by July 1, 2008.
- Proportionately fund a physician recruitment office.
- Identify and recruit critical physician needs through a collaborative process.

Proposed Affiliation Agreement

KUPI Governance Revisions

- Enhanced KUPI autonomy by revision of bylaws.
- KUPI President elected by KUPI board, and eliminate dual position held in SOM.
- KUMC and KUH will have equal representation and equal influence respective to each other, on the KUPI Board of Directors.
- Reserve powers and approve/veto rights of KUMC and KUH relative to:
 - Liquidation, sale, reorganization or merger;
 - Amendment of KUPI's articles or bylaws; and,
 - Elimination or major reduction of a clinical program.
- KUPI President will be included on future KUH Board nomination slates. (will serve as KUH Board guest, including Executive sessions, until appointed as Board member.)
- KUPI Senior Executives will not have joint positions in SOM.

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KUPI Responsibilities

- Continue to provide all MSO functions to KUPI physicians.
- Implement EPIC EMR with a target date of September 2009.
- Develop ambulatory care practice standards within one year and facilitate performance improvement efforts to meet standards.
- Require implementation of Compensation/Incentive Plan Guidelines by all departments within one year.
- Manage KUH contractual arrangements.
- Manage Strategic Investment Funds.
- Allocate KUH Performance Bonus Pool.

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Medical Staff Issues

- Parameters for requesting admitting privileges at other hospitals:
 - Hospital CEO maintains review and approval authority for faculty seeking staff privileges at an outside hospital.
 - Requests must come from KUPI or KUMC, not individual physicians or groups.
 - KUH CEO evaluation process will consider specific identified factors.
 - If a request is not approved by the KUH CEO, the case can be appealed.

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Restrictive Covenants

➤ KUMC

- Will not engage in clinical activity for the term of the medical office building lease (CDC, Hoglund Center and Renal Dialysis Center grandfathered.)

➤ KUPI

- Imaging - KUPI and physicians may not own, operate, manage or provide clinical radiology services for the facility component of diagnostic imaging services within a 25 mile radius. Pre-existing in-clinic ancillaries are grandfathered.
 - KUH will give consideration to certain KUPI requests for waiver of restrictions for a KUPI clinic located more than three miles from 39th and Rainbow.
- Cancer – KUPI and its physicians may not provide outpatient cancer services with the exception of services normally provided in KUPI clinics as long as a Cancer PSA remains in effect.
- Cardiology – KUPI is prohibited from providing outpatient cardiology services, with the exception of services normally provided in KUPI clinics as long as the CV Affiliation Agreement in effect.
- Inpatient – KUPI is prohibited from providing inpatient hospital services.

Proposed Affiliation Agreement

Current Affiliation Agreements

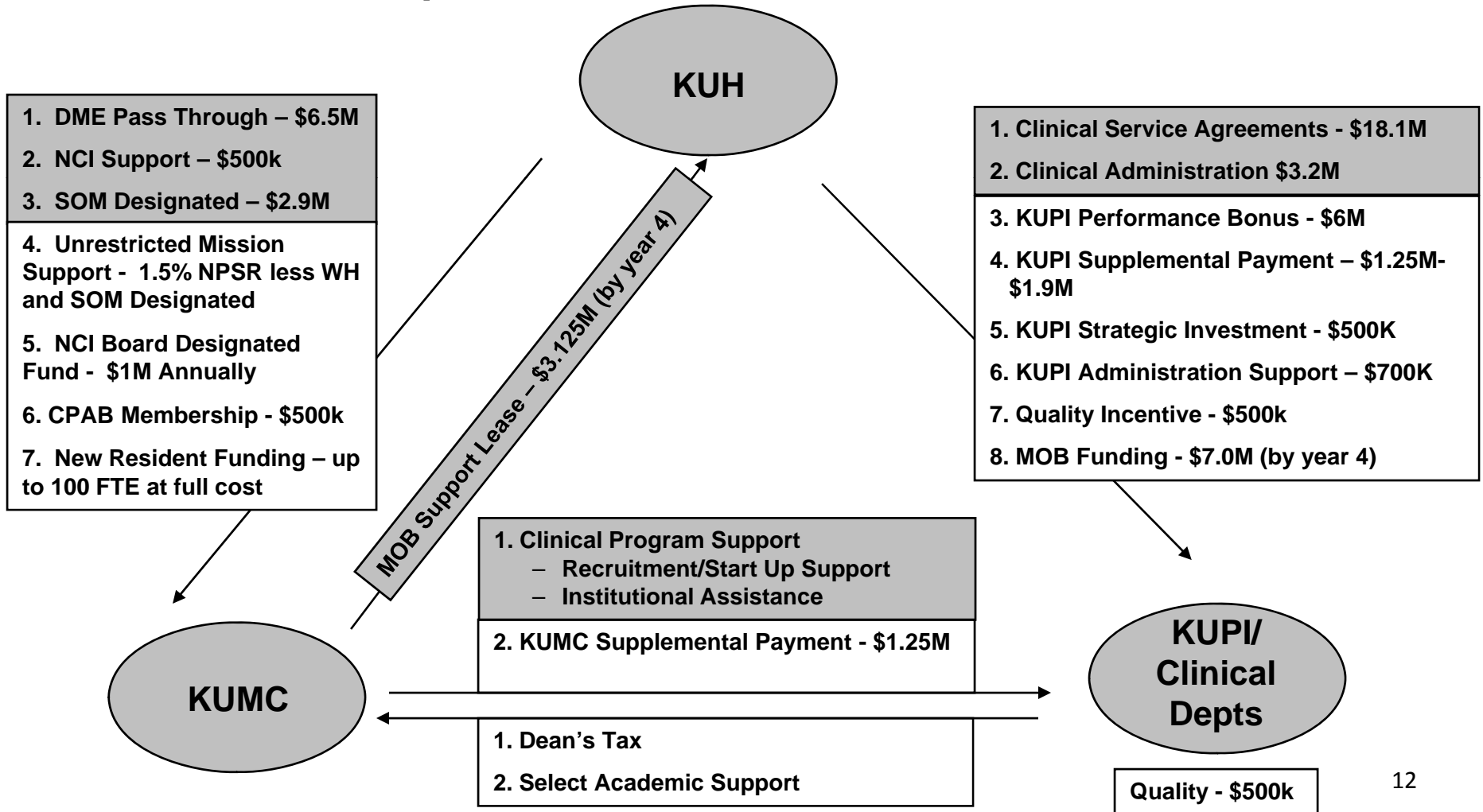
- Current Master Affiliation and Cardiology Affiliation Agreements will be extended and co-terminous with this Affiliation Agreement. All provisions will be extended except:
 - Dispute resolution process in current Master Affiliation Agreement will be replaced with a new dispute resolution process.
 - Provisions regarding Public Relations, Marketing, Government Relations and Fundraising will be renegotiated within nine months.
- Cardiovascular Affiliation Extension:
 - Foundation Cardiologists who provide clinical services pursuant to the PSA will be fully integrated with the practice of KUH-employed (MAC) cardiologists.
 - A planning committee will annually determine the number of IM Foundation cardiologists.
 - Cardiology Division Director at KUMC in connection with the Chair of Cardiovascular Services at KUH and MAC will develop a comprehensive cardiovascular research program at KUH. KUMC will fund the cardiovascular research program with \$800,000 which will be paid by KUH and deducted from the Unrestricted support.

KUH Restrictive Covenants

- Approved KUH employed physicians (e.g. Primary Care Physicians, Cardiology, Cardiothoracic Surgery, and Emergency Room) will be eligible for the same modified and unmodified faculty appointments received by other KUMC faculty. Faculty appointments will remain voluntary.
- Hiring of Physicians
 - KUH employment of Cardiologists and CT Surgeons still permissible subject to CV Affiliation Agreement. KUPI or University may object and appeal a proposed employment of a non-cardiac vascular specialist.
 - KUH limited to current complement of primary care physicians, within a five-mile radius of 39th and Rainbow and the Westwood Campus and certain zip codes between Westwood Campus and KU MedWest. Replacements are permitted.

Proposed Affiliation Agreement

Proposed Funds Flow Model



Proposed Affiliation Agreement

Financial Support Formula

Advantages

- Aligns incentives of Hospital, KUPI and University.
- Allows for funding of all three missions:
 - Clinical
 - Medical Education
 - Research (Unrestricted)
- Provides KUMC predictability for Unrestricted Mission Support.
- Supports the KUPI infrastructure and efforts to enhance ambulatory patient care.

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Medical Office Building

- KUH will develop and construct an MOB based on Cannon schematic design.
- KUH will facilitate financing of the MOB and be responsible for operating costs of the building.
- Equipment and furnishings will be the responsibility of KUPI or KUMC.
- Annual rent paid by the University will be \$3.125 million indexed by CPI.
- The parties will enter into a non-compete for the term of the lease (similar to the restrictive covenants already discussed).
- KUPI will maintain a minimum number of physicians at the MOB based on the sizing plan.
- KUMC agrees to construct a 600 car parking structure.

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Cancer Program

- KUCC Operating Model:
 - KUH will continue to operate and bill for the clinical operations.
 - Cancer Center Director (or designee) will be included in the KUH management structure as Medical Director of the Oncology Service Line.
 - A Cancer Center Service Line Committee will be developed to provide the vision for clinical oncology, recommend capital investments and ensure coordination of clinical care and research components.
 - KUH and KUMC will jointly use the brand “KU Cancer Center.”

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Cancer Program

- Community Partnerships:
 - Cancer Center Partners Advisory Board (CPAB)
 - CPAB will consist of major hospital and research centers across Kansas and the region that will advise KUMC on NCI efforts.
 - KUH will be a founding member.
 - For the initial term of the agreement, there will be at least as many Kansas hospitals participating in relation to hospitals from other states.
 - Primary roles would be to advise KUCC regarding:
 - Pursuit of strategies to achieve NCI designation.
 - Leverage research programs within the region.
 - Assist in philanthropic efforts.
 - Evaluate potential investments of a scale that demand collaboration.

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Graduate Medical Education

- KUMC and KUH will develop a KUH Resident and Sizing plan by program.
- KUH agrees to financially support up to 100 new resident positions.
- KUH will be the primary clinical site for all resident programs unless educational resources are not available.
- Program directors will generally reside on the KUMC Kansas City Campus unless a qualified candidate is not available.
- Program directors will be appointed by the KUMC on-campus chairs, will match the resident rotations among the hospital affiliates.
- KUH will be provided notice and a period to cure if the GMEC proposes changes that “significantly affect” KUH.
- An Advisory Committee, with representatives of the major hospital affiliates, will advise the GMEC concerning resources available.

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St. Luke's/KUMC Affiliation

- St. Luke's Board approved affiliation on 9-21-2007
- 10-15 new residents during the next few years
- 75-100 new residents over the 10 year term
- St. Luke's to pay full resident costs
- Collaboration in research
- St. Luke's to pay for KUMC research resources used
- St. Luke's to pay unrestricted mission support
- St. Luke's as a "Major teaching and research hospital"
- KUMC agrees to monitor and defend KUH branding rights

Proposed Affiliation Agreement

Overall Benefits of the Agreement

- This agreement allows the Hospital, University and the physicians on our campus to grow together.
- This agreement spells out how all entities on this campus can benefit from a focus on the highest quality patient care and:
 - Provides greater flexibility to respond to patient needs.
 - Provides KUPI with more independence and a new MOB.
 - Solidifies the relationship between KUH, KUPI and KUMC.
 - Provides appropriate compensation for retention and recruitment.
 - Puts the campus in the best position to achieve NCI designation.
 - Creates new strength in Cardiovascular education and research.
 - Aligns incentives on campus.
- The goal is to position all entities on campus to move forward and thrive together. We will have a strong document in place, but our ultimate success will depend on leadership and our willingness to embrace change.