

**The University of Toledo
College of Medicine
Academic Affiliation
with ProMedica**

November, 2015



Wall Street Journal, April, 2015



“Smaller, mid-market academic medical centers are among the most distressed types of hospitals nationwide.”

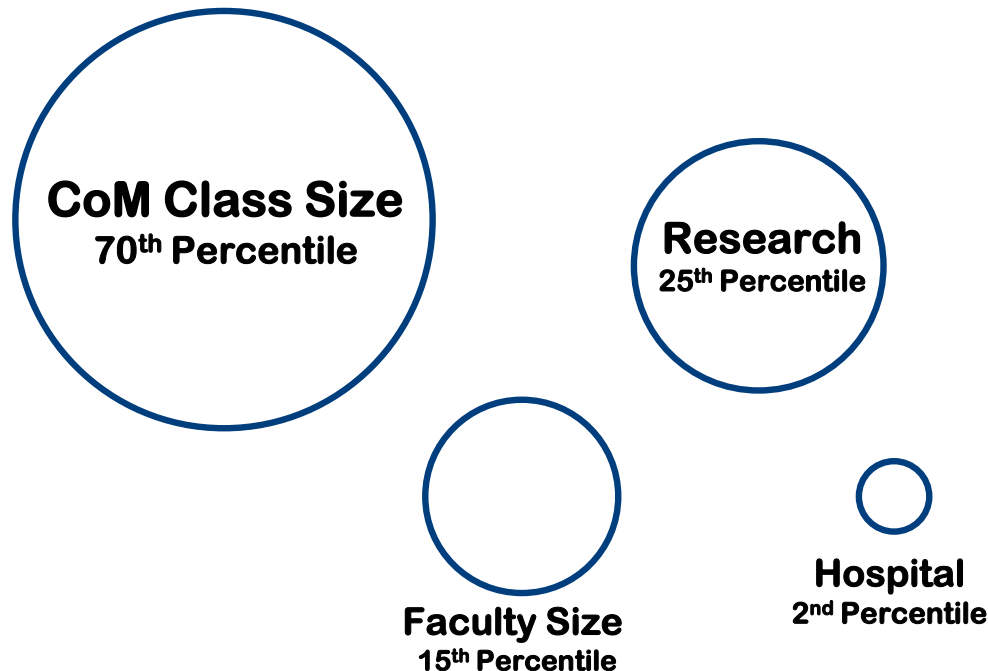
“[T]he marriages between universities and their cash-cow clinical operations are starting to fray as changes stemming from the 2010 health-care law threaten to make university hospitals less profitable.”

“[Moody’s] has mentioned school’s growing reliance on hospital operations, and the potential for shrinking margins in those businesses, as both credit strengths and challenges.”

“The best way to stay healthy is to be preventative.”

-- Geoff Chatas, CFO, SVP of Business and Finance at Ohio State University

Imbalance in the College of Medicine's Academic Missions



The clinical enterprise (UTMC +UTP) provides resources for the College of Medicine's mission.



These clinical operations are grossly undersized relative to the needs for our academic mission.



This is unsustainable and cannot be resolved through organic growth.



UT needs a partner to sustain its long-term academic objectives.

Maintaining the academic mission is of utmost importance.

- **We must remain guided by the academic mission... Our learners' needs are the overarching issue.**
- UTMC cannot finance all of the needs of the College of Medicine. Doing so will accelerate a downward spiral.
- The College of Medicine needs significant capital over the next decade.
- UT sought an affiliation agreement to commit capital to rebuild the College of Medicine as well support our academic mission.
- ***The consequences of not doing this will be an inability to achieve our academic missions.***

Opportunity:

We believe that a strong and durable primary academic affiliation with ProMedica allows us to:

1. Expand training opportunities for healthcare professionals.
2. Increase regional biomedical research.
3. Improve community health.

What we expect to accomplish:

- For our learners access to more patients, and to a larger and more diverse faculty
- More patients for a larger and more diverse faculty
- Increase in funded research
- Additional resources to the College of Medicine to support recruiting additional faculty

Guiding principles of affiliation

- Enhance training of students, residents, and fellows
- Retain trainees in northwest Ohio
- Elevate Toledo, Ohio as an academic medical community
- Sustain and enhance UT's education and research
- High quality care delivery by the Parties
- Transform Toledo Hospital and Toledo Children's Hospital into a premier academic medical center,
 - including a preeminent quaternary center
- Partner on safety, quality, and cost-effective medical care
- Develop areas of clinical and research excellence
- Philanthropic support for the Academic Affiliation

Key Elements of the Agreement Governance

- 50-year affiliation agreement, with few “outs” on either side
- Academic Affiliation Operating Group (AAOG) will oversee the affiliation
 - 6 members (3 from each side)
 - UT President picks our 3 members
 - Bloc voting (each side gets 1 vote)
 - UT CoM Dean is the chair of the AAOG
- UT gets 2 non-voting members on ProMedica, Toledo Hospital, and Toledo Children’s Hospital boards
- ProMedica gets 2 non-voting members on the UT Academic Affairs Committee

Key Elements of the Agreement

Affiliation and Medical Staff Matters

- ProMedica to amend Article of Incorporation and Mission Statement to include academics as a primary component of its mission
- Residency slots aggregated into ProMedica facilities, and UT CoM maintains ownership of the residency programs from an accreditation perspective
- We designate each other as exclusive education partner (subject to certain provisions)
- UTP Faculty get privileges at Toledo Hospital, Children's Hospital and Flower Hospital, with access to patients and resources commensurate with other ProMedica physicians

Key Elements of the Agreement

Affiliation and Medical Staff Matters

- Toledo Hospital and Children’s Hospital medical staff to have faculty appointments at UT CoM.
- Joint recruitment of core faculty members to be based at Toledo Hospital and Children's Hospital, with intent for those physicians to be in UTP.
- Jointly select service chiefs at ProMedica and department chairs at UT, with desire to vest similar roles in a single person, over time.

Key Elements of the Agreement Affiliation and Medical Staff Matters

- UT will join ProMedica's Accountable Care Organization (ACO) for Medicare Share Savings Program only. We will NOT do joint payer contracting.
- We will develop a co-branding strategy.
- Residents will have free access to ProMedica electronic medical record.
- The agreement does NOT include UTMC. UT will continue to independently own and operate UTMC.

Key Elements of the Agreement

Academic Affiliation Payments

- \$40M up-front over first 18 months (\$33M in FY16, and \$7M in FY17)
- Five year ramp-up period, consistent with the Transition Plan
 - \$12.5M in FY17
 - \$20.0M in FY18
 - \$35.0M in FY19
 - \$45.0M in FY20
 - \$50.0M in FY21
- At steady-state, payment will be based on percentages of ProMedica revenue, set at \$50M per year plus increases tied to growth of ProMedica.
- Even with modest growth of ProMedica, this payment arrangement is expected to exceed to increase our funding over time.

Key Elements of the Agreement

Medical School Campus Development

- \$250M total
 - \$100M to be spent by 2027
 - \$150M spent after year 12, requiring approval of AAOG
- The broad categories of capital spend are
 - New building(s) on ProMedica campus
 - Renovation of buildings on UT CoM campus
 - Academic space within new or existing ProMedica clinical buildings
- Lease terms for new UT CoM buildings on ProMedica campus will be determined after ProMedica makes the capital spend. Shared expectations are for minimal rent for UT.
- ProMedica will provide access to clinic space at fair market value rent

Attorney General's Office

UT worked with the Ohio Attorney General's Antitrust Division since before UT signed the letter of intent.

The AG provided advisory attorneys from the Antitrust section to provide input and guidance to ensure transparency and help avoid any potential antitrust concerns with the ProMedica Academic Affiliation Agreement.

After reviewing the final Academic Affiliation Agreement draft, the AG's office informally indicated that there was nothing in the agreement that would cause them to challenge the affiliation on antitrust grounds.

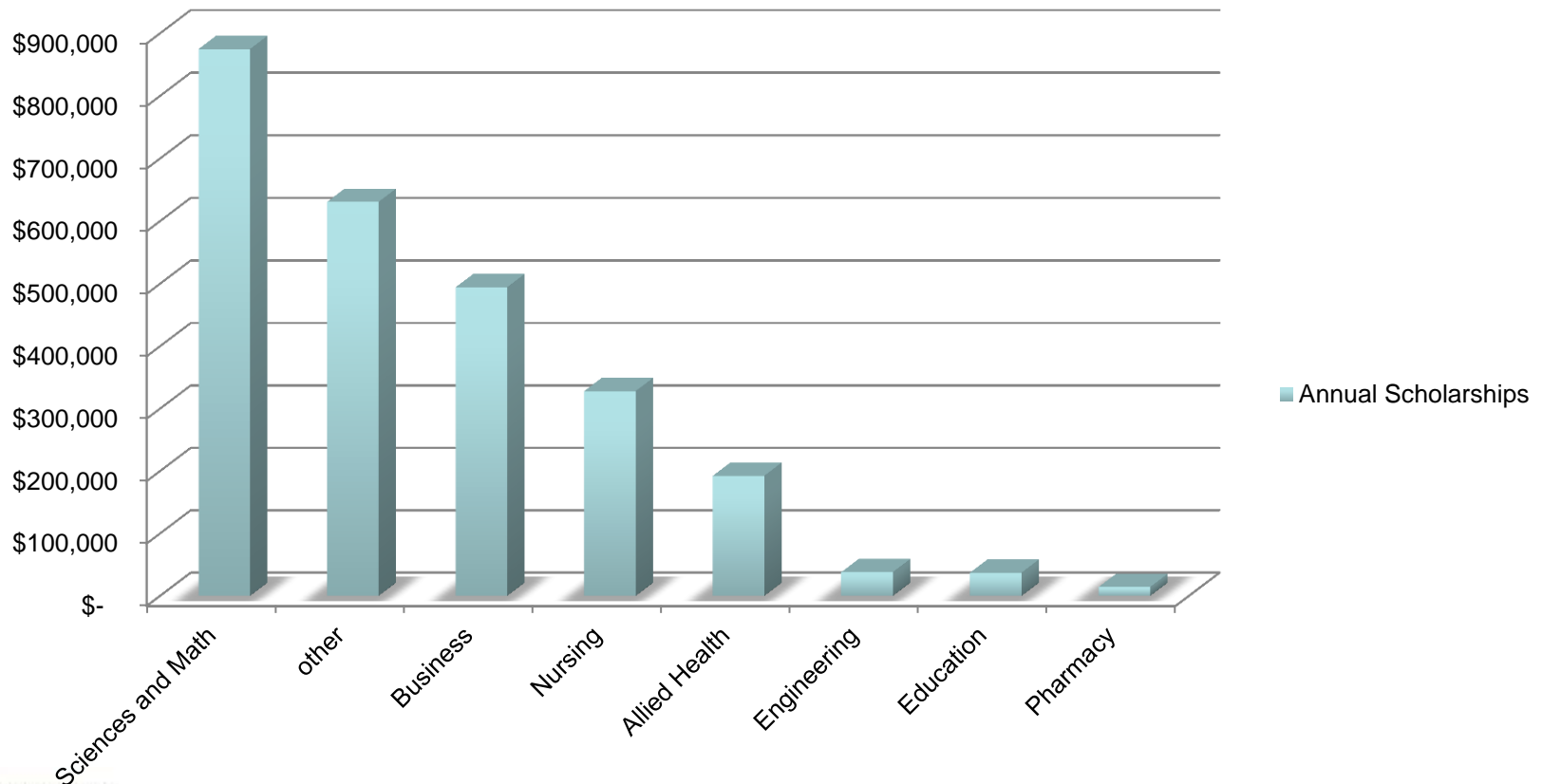
Other HSC Colleges

- Affiliation agreement states that ProMedica will accommodate substantially all of UT's learners.
- HSC college deans have met as a group with ProMedica leadership several times.
- Each college's needs for their learners is unique and match to ProMedica in a unique way.
- The AAOG is beginning conversations regarding ProMedica's workforce needs.
 - Nursing, medical technologists, etc.

Impact on Other Colleges

- The affiliation now funds 2.6 million annually in scholarships to a variety of University colleges

Annual Scholarships



Timeline

Date	Event
January 2014	Analysis Initiated
August 2014	RFP work begins
November 2014	RFP completed
May 2015	Letter of Intent signed
August 2015	Agreement signed
November 2015	<i>NOW</i>
July 2015	First learners move
July 2022	Major elements in place

There is a lot of enthusiasm to expand or move programs into ProMedica sites, despite nearly two years of effort we are still working out details. To be done right, the process takes a while!!!

UT Is At An Inflection Point

Why we did this affiliation:

- Raise the profile and prominence of the University of Toledo and ProMedica in the area of bio-medicine.
- Create resources to recruit faculty, and to stabilize then advance the missions of research, education, and patient care.
- Mitigate the financial risk to the University of being in the patient care business.

Conclusion: It's About the Mission

- This partnership is guided by our shared interests:
 - Train the next generation of Healthcare Professionals
 - Create knowledge through biomedical research
 - High quality patient centered care
- The partnership with ProMedica creates a stronger academic and clinical community.
- This partnership creates opportunity for the next generation of patients, healthcare professionals and scientists.