UCF Public-Private Hospital Project
Presented to Board of Governors, March 29-30, 2017
Today’s Discussion

• Approval of a public-private partnership
• Partnership will develop and operate UCF Lake Nona Medical Center
Proposed Hospital
Key Points on HCA Partnership

- UCFAH receives 20 percent equity in partnership
- UCFAH equally shares hospital governance (4 of 8 voting board members)
- HCA brings $175 million in cash to build and operate hospital
- UCFAH contributes brand and land
- No debt for either partner
Q1: Why is lease perpetual? Why must UCF pay Fair Market Value when lease is over?

- We expect partnership to be ongoing to build successful academic center
- Lease is not perpetual – specific term of 50 years with 49-year option
- At end of 99 years, we can enter new lease with Joint Venture, purchase HCA’s interest and find a new partner, or require HCA to purchase our interest and continue to lease land from UCF
- Payment must be FMV to abide by federal and state anti-kickback laws, incentivize continued investment
Q2: Do deed restrictions permit UCF to build a community hospital on 25 acres?

- Yes
- Deed restricts property to educational, research or patient care uses that are in line with College of Medicine’s mission
- Lease agreement meets all deed restrictions
- UCF is not required to own the hospital
Q3: When will UCF have to return for further approvals?

- BOG approval would allow construction of up to a 500-bed hospital, inpatient and outpatient facilities, a physician practice building and a parking structure
- UCFAH must seek BOG approval for construction of facilities beyond those listed above
- UCFAH must seek BOG approval if it or UCF seek to incur debt
- UCFAH will provide annual updates to BOG
Q4: Pro forma looks like a community hospital. What is HCA’s commitment to build a teaching hospital?

Residencies

• At this hospital, HCA will be investing $4 million in unreimbursed expenses to build over 100 UCF residencies by the time hospital reaches 300 beds.

• In addition, HCA’s investment will help increase its UCF-based residencies at other HCA hospitals from 100 to 600 slots in Florida.
Q4: Is this really a teaching hospital?

UCF Academic Health – HCA Lake Nona Hospital
Number of Residents where cap-building begins at 200 beds

We expect the hospital will grow to have over 100 residents in 7 disciplines
Q4: Is this really a teaching hospital?

Hospital will:
- Open with 36 clerkship rotations for third-year students, 110 for fourth-years
- Advance medical school goal to double research in five years
- Open with 44 physicians including 11 UCF clinical faculty
Q5: Will HCA provide clerkships for all UCF students at no cost if needed?

- HCA agreed to amend operating agreement with commitment to provide clerkship rotation placements for students displaced from Florida Hospital or Orlando Health

- HCA has agreed to pay costs of student housing for distant location clerkships -- up to $160,000 per year for five years

- HCA already has four hospitals within a 45-minute drive from the medical school
Q6: Healthcare is changing, with incentives to keep people out of hospital. Will that be a barrier to growth?

• It is hard to predict the future but starting with 100 beds enables us to avoid excess capacity

• With a mix of inpatient and outpatient services, we can leverage HCA’s data base and pilot programs to successfully navigate future healthcare changes

• Beginning as a small hospital allows us to be structured as a lab for healthcare reform
Q7: Will HCA disadvantage this hospital by moving higher paying patients and services into its other facilities?

- Decisions on services offered at the new hospital will be made by Joint Venture, not HCA alone.
- HCA has shown their commitment to UCF by investing $175 million in this hospital and will get 80% return on that investment.
- Patients generally are directed to the hospital by their physician and patients prefer care in their own community.
Q8: Does hospital pro forma include funds to support physician recruitment?

• Yes – Pro forma includes $2.1 million for physician recruiting and increases 3% each year for first five years
Q9: GME Agreement lacks exclusivity. Should HCA limit residencies in its local hospitals to UCF?

• HCA sought an exclusive agreement

• UCF requested non-exclusivity so we had flexibility to develop additional residencies with other hospital partners

• HCA would agree to mutual exclusivity
Q10: What services are included in HCA’s 1% management fee? What are rates for other services?

Management fee includes:

- Corporate and division leadership, services
- Financial services – accounting, treasury, internal audit, tax, reporting, planning and reimbursement
- Capital management, real estate development
- Ethics, compliance, training and quality management
- HR, physician recruiting, compensation and benefits
- Legal, insurance and risk management
- Communications, PR, government and investor relations
- Payor Contracting

To our benefit, additional services are provided at same cost as to 100% HCA-owned hospitals
Q11: Does “academic hospital” mislead the public about range of services available?

• UCF and HCA have selected a name that is consistent with all of HCA’s community hospitals

• UCF Lake Nona Medical Center
Q12, 13: Is issuing an equity distribution a Major Decision? What about consolidation of financial statements?

- Operating agreement with HCA was amended to include two new Major Decisions governing equity distributions
- The operating agreement has been changed to clarify that any changes needed to address consolidation of financials would be limited to changes in accounting rules
Q14: What amount has been assigned in the valuation to UCF’s name?

- Health Capital Consultants, an independent national healthcare valuation company, has valued UCF’s brand at $16.2 million
- Presently the net value of 50-year lease is $25.3 million
Q15: What national payor contracts will the hospital be covered under as of Day 1?

**Commercial**
- Aetna
- AvMed
- Cigna
- Florida Blue
- Humana
- United

**Managed Medicare**
- Freedom Health/Optimum
- Humana
- Molina
- United
- Wellcare

**Managed Medicaid**
- Amerigroup
- Freedom Health/Optimum
- Humana
- Molina
- Prestige
- United
- Wellcare
Further questions?
Thank you