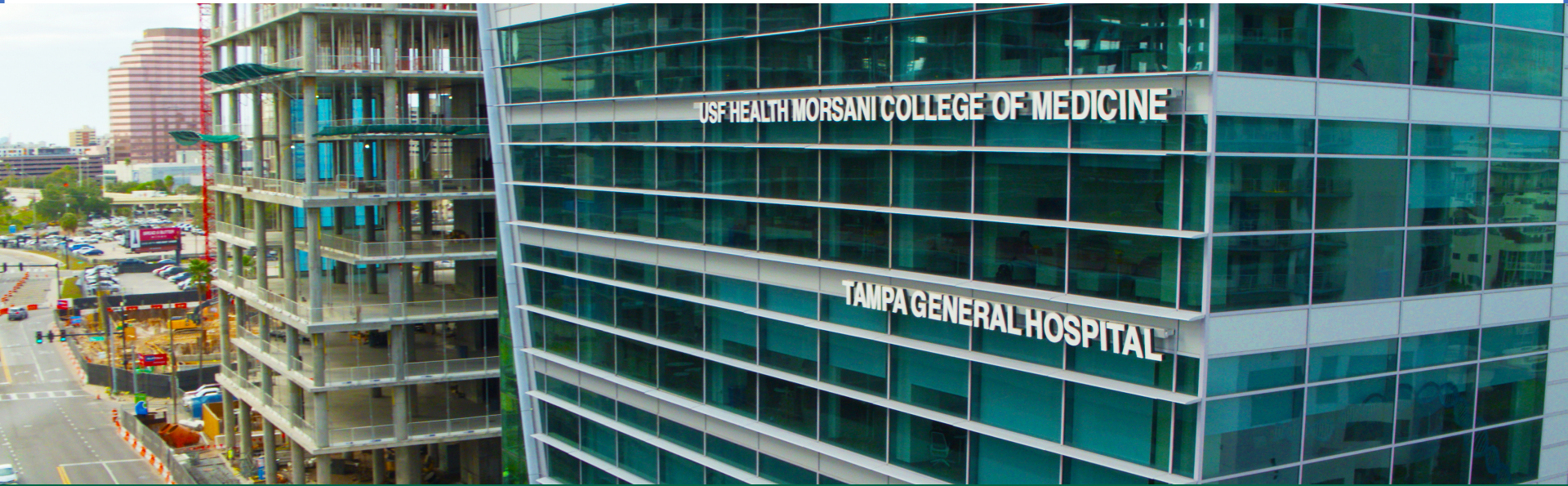


USF – TGH

ENHANCED AFFILIATION OVERVIEW

BOARD OF GOVERNORS MEETING – JULY 21, 2020



What we intend to accomplish



Academic Medical Center Position

Together, USF and TGH can capitalize on being the only AMC in the region (FL Gulf Coast) to develop premier, nationally ranked, academically productive sub-specialty programs to enhance GME and UME as well as increase academic support funding for research



Community Benefits

Improved alignment between USF and TGH will allow us to create marquee subspecialty programs, improve access to our primary care base and provide enhanced coordination of care for patients



Affiliations

Combined, USF and TGH creates significant value that will be better positioned to pursue impactful opportunities and affiliations as they arise

USF Path Forward

The enhanced affiliation with TGH will allow USF Health to have a voice in a larger integrated clinical enterprise, while maintaining USF Health's independence and strengthening key protections for the University.

1. **Teaching and research are strengthened**
2. **Faculty remain University employees**
3. **Sovereign Immunity protected**
4. **State assets are not obligated**
5. **Bond commitments are secured**
6. **Compliance structures and processes are integrated into transition and operational planning**

Advantages to USF and TGH – Why we are doing this



Expands on our Existing Affiliation

~~This is not an asset purchase or merger~~, but rather the logical extension of our existing clinical & academic relationship that provides a platform for further growth & expansion



Supports Greater Investment in Academics

Provide significant revenue opportunities for USF to recruit additional world-class faculty and researchers and develop innovative and cutting-edge clinical, research, and academic programs



Enhances Ability to Recruit and Strengthen GME Pipeline

Aligns hospital & physician interests in recruiting and strengthens residency and fellowship programs to retain top medical students in Tampa Bay, advancing our region's health care quality



Minimizes Risk for USF's Clinical & Academic Enterprises

- Reduces potential impact to USF of any future declines in funding for Medicaid.
- Allows for less dependency on exclusively state/taxpayer/tuition funding to grow the overall national stature and programs of the USF Morsani College of Medicine

Sources of academic funding

The new economic model replaces the historically transactional relationship with mechanisms meant to align incentives and provide material upside for academic funding.



Base Academic Support tied to TGH Net Patient Service Revenue



Shared Margin tied to TGH Operating Margin



Professional Services Agreement tied to productivity and growth of the faculty practice



UMSA Margin generated from clinical activities of faculty to cross-subsidize academics and research

Mitigation strategies for the economic risks

While the Enhanced Affiliation provides an opportunity for USF to share in the economic success of the AMC, there are new financial risks that USF will be exposed to under the proposed model

Risks	Mitigation Strategy
Funds Flow Tied to TGH's Operating Performance	<ul style="list-style-type: none">• 80% of payments tied to TGH's Net Patient Service Revenue – a stable form of funding.• Increased USF Health specialty practice representing larger portion of TGH's inpatient and outpatient operations
Long-Term Agreement	<ul style="list-style-type: none">• Retain patient service revenue to protect internal obligations and establish trust in short term.• TGH's failure to make payments beyond a 6-month period will trigger breach of agreement.
Ancillary Assets	<ul style="list-style-type: none">• Consistent with state law, ancillary assets must be disposed of or a mutually agreeable solution executed prior to operations launch

Mitigation strategies to legal risks

To understand all legal risks deriving from the affiliation and to protect the University's interests, we have engaged in extensive legal review, including consultation with external experts.

Risks	Mitigation Strategy
Sovereign Immunity	<ul style="list-style-type: none">• Employment of faculty remains with the University and appropriate oversight of the faculty's clinical effort remains with the USF Health Department Chairs
Anti-Kickback Statute and Stark Law	<ul style="list-style-type: none">• Ensure aggregate financial relationships between USF and TGH comply with fair market value and commercial reasonableness for services rendered• Continue to ensure USF represents the required portion of the TGH medical staff to qualify under the Stark Law's Academic Medical Center exception
Antitrust Compliance	<ul style="list-style-type: none">• During the transition period, USF and TGH will pursue clinical integration as defined by the FTC to allow NewCo to more effectively function as a single medical group

Wind down considerations

Wind Down Component	Elements Contained Within Wind Down Provision
NewCo Staff and Physician Recruitment	<ul style="list-style-type: none">• Staff employed by NewCo would be able to apply for positions at TGH or USF at their discretion• TGH & USF would be able to hire physicians from the organization beginning one year after dissolution
Professional Services Arrangements	<ul style="list-style-type: none">• USF receives payment under the current terms of the financial arrangement until expiration of the affiliation• TGH & USF may return to a transactional relationship, similar to that in place today, provided that services are reimbursed at a fair market value amount
Research	<ul style="list-style-type: none">• All active clinical trials would continue through the end of their defined time period
Graduate Medical Education	<ul style="list-style-type: none">• All physicians in (or accepted into) a TGH-sponsored graduate medical education program would be able to complete their residency training• USF instructors would continue to provide services and accept payment as outlined in GME agreement through the end of the applicable residency program term



Affiliation Agreement Status

- ❖ USF and TGH have reached agreement on terms of the Affiliation Agreement.
- ❖ USF has reviewed and approved the Agreement for form and legal sufficiency.
- ❖ USF Board of Trustees approved on March 10, 2020 with additional approval regarding duration on June 2, 2020. **USF BOT approvals are contingent upon BOG consultation.**
- ❖ TGH Board approved on June 30, 2020.
- ❖ **Pending: BOG Consultation**



Next Steps Before Start Date

- ❖ Transition team appointed with expertise in compliance, project management, analytics and business planning
- ❖ Consulting team of ECG mutually engaged
- ❖ Develop comprehensive AMC compliance plan and processes
- ❖ Develop 15 month transition and integration plans with corresponding work groups