



**USF Board of Trustees
Strategic Initiatives Committee**

Tuesday, February 18, 2020
Time: 8:00 AM – 9:30 AM
Marshall Student Center, Room 3707

Trustees: Michael Carrere, Chair; Mike Griffin, Les Muma, Nancy Watkins, Jordan Zimmerman

A G E N D A

- | | | |
|------|--|---|
| I. | Call to Order and Comments | Chair Michael Carrere |
| II. | New Business – Action Items | |
| | a. Approval of November 20, 2019 Meeting Notes | Chair Carrere |
| III. | New Business – Information Items | |
| | a. Update on USF/TGH Partnership | President Currall
Dr. Charles Lockwood |
| | b. Update on USF's Strategic Renewal Process | President Currall |
| | c. Committee Roundtable | Chair Carrere |
| V. | Adjournment | Chair Carrere |

**USF Board of Trustees
Joint Meeting of
Consolidation, Accreditation & Preeminence Committee
& Strategic Initiatives Committee
November 20, 2019
Time: 8:00 AM – 9:30 AM
Alumni Center – Traditions Hall**

I. Call to Order and Comments

Chair Mullis called the meeting to order at 8:00 a.m. He welcomed the committee members and other members of the Board of Trustees.

II. New Business – Action Items

a. Approval of May 14, 2019 Meeting Notes

Meeting notes were approved unanimously.

b. Approval of “One USF” Mission and Goals

President Steven C. Currall and Vice Provost Prithish Mukherjee presented on the updated Mission and Goals for “One USF.” President Currall provided background on consolidation and the history of the current Mission and Goals. He noted there is ongoing process with a broad range of community leaders and university stakeholders including USF’s accreditors, the Board of Governors, USF leadership, faculty and staff as well as input from the Board of Trustees. President Currall mentioned that during the September Board of Trustees meeting it was requested that the updated Mission and Goals should go through the Strategic Initiatives Committee.

Vice Provost Mukherjee informed the Committee that the Mission and Goals process is required for the SACSCOC Substantive Change Prospectus and must be published and approved by the USF Board of Trustees. He noted that the draft Mission and Goals for approval is the result of the work of nearly 100 university stakeholders including students and faculty. Vice Provost Mukherjee provided background on the USF System Strategic Plan and the USF Tampa Strategic Plan process, noting the Mission and Goals were addressed, however neither planning process drafted new language. Along with Senior Associate Vice President Donna Petersen, Vice Provost Mukherjee engaged with the System Faculty Council and the Student Government leaders across all three campuses to refine and finalize the draft Mission and Goals. The draft also encompasses suggestions and feedback that was submitted through the mission@usf.edu email.

Vice Provost Mukherjee noted the Mission needed to reflect USF’s priority of “students first” while drawing attention to research, teaching, and partnerships. Scholarship, research and creative activity are highlighted in order to capture the important values of the University. He explained that a lot of editing and wordsmithing was done so that the Mission statement is as concise as possible. Vice Provost Mukherjee highlighted that goals cover teaching, research and partnership – the backbone of the University’ focus. The changes include adding student success to evaluate the relationship with students and emphasize outcomes including future employment, career advancement and leadership. He noted

the student leaders asked to incorporate safe and inclusive environment language into the goals. He highlighted the cross fertilization between the current USF Tampa, USF St. Petersburg, USF Sarasota-Manatee, and USF System strategic plans. He closed by noting the Mission and Goals will be fully reconsidered as part of the upcoming strategic renewal process.

There were questions from the Trustees regarding desirable elements for the overall strategic plan of the University; how the length of the draft Mission and Goals compares to other institutions; and how the goals align with USF's vision to be an AAU university and reach the top 25 rankings.

President Currall discussed the distinction between the mission and goals and the need to articulate resources for the goals and objectives.

The Trustees opted to change "graduate" to "alumni" in the final version and approved unanimously.

Chair Zimmerman thanks Vice Provost Mukherjee and Senior Associate Vice President Petersen for their tremendous work.

III. New Business – Information Items

a. Update on Consolidation: SACSCOC Substantive Change Prospectus

President Currall began the presentation by providing some historical background. Since Governor Rick Scott signed into law (on March 11, 2018 – more than 20 months ago), *the Florida Excellence in Higher Education Act of 2018*, the USF team has been working diligently to plan for USF's future as "One University Geographically Distributed" and to prepare the request, represented as a *Substantive Change Prospectus*, to the Southern Association of Colleges and Schools, Commission on Colleges.

He noted that this ongoing process has necessitated extensive consultation and work with a broad range of stakeholders, from community leaders, elected officials, regional accreditation leaders, specialized accreditation leaders, the Florida Board of Governors, the USF Board of Trustees and the university's leadership, faculty, staff and students on each of the campuses in Tampa, St. Petersburg and Sarasota-Manatee.

President Currall noted that the development of the *Substantive Change Prospectus* followed the statutorily-required *Consolidation Plan and Timeline* that was approved by the USF BOT earlier in the year and presented to the Board of Governors in March, 2019. Guided along the way by the *USF Accreditation Steering Committee* (comprised of Drs. Holbrook, Mukherjee, Peterson, Tadlock and Wilcox, and supported by Michael Wrona, USF's SACCOC liaison and his team), committee members have contributed, reviewed and edited the document each step of the way.

He noted while the work is continuing, this presentation will provide "a first look" in committee before bring the document to the USF BOT meeting in December and, subsequently, to the Board of Governors in January 2020.

President Currall asked Dr. Ralph Wilcox, Provost and Executive Vice President, to highlight the components of the SACSCOC Substantive Change Prospectus. Provost Wilcox noted the planning period is rapidly coming to a close and USF will be required, prior to March 15, 2020, to submit (a) the SACSCOC Cover Sheet indicating our intent to consolidate and operate as one university, effective July 1, 2020, (b) an Institutional Summary Form, and (c) the *Substantive Change Prospectus*.

Provost Wilcox said that while SACSCOC limits the Prospectus to 25 pages of narrative, there are nearly 3,500 pages of digital links required to document and support USF's responses to SACSCOC questions.

He noted the task has been to shape a plan that balances the requirements of Florida state law and those of the regional accrediting agency, all while paying close attention to the Guiding Principles approved by our Board of Trustees. The Prospectus must also focus on strengthening USF's stature as a Preeminent State Research University, while best serving the needs of the students on all campuses.

Provost Wilcox said that while there is a draft prospectus presented today, the document is currently under review by two independent consultants recommended to USF leadership by SACSCOC. He noted an updated draft of the document will be presented to the full BOT meeting on December 3, 2019.

Provost Wilcox explained that following SACSCOC approval of the request to consolidate, USF will have to provide three sets of what SACSCOC calls "Documentation for the Substantive Change Committee" at least 6 weeks prior to the site visit.

There was discussion from the Trustees regarding alignment between campuses, including curriculum and student success, as well as accountability. Additionally, there were questions around the role of the campus deans, especially in terms of hiring faculty, and the process of promotion and tenure. Trustee Ramil commented that he attended a meeting with SACSCOC in August and took away a list of seven key items that must be seen in the Prospectus – noting he saw six of the seven in the current document, but did not see Promotion and Tenure guidelines. Provost Wilcox clarified where in the draft document Promotion and Tenure was addressed.

There was discussion around how the Board of Trustees can support the faculty, staff and students of the university around consolidation and how to unite into one consistent brand.

The discussion concluded with the Trustees noting how pleased they are with the work that is being done and thanked President Currall for his collaborative approach and leadership. Advocacy with external stakeholders will be crucial as the need for additional resources is critical for a successful consolidation.

Chair Mullis thanked President Currall, Provost Wilcox, and other participants for their hard work.

IV. Adjournment

The meeting was adjourned at 9:46 a.m.



USF – TGH Affiliation

NewCo Partnership Overview

January 17, 2020



National Healthcare Perspective: AMCs

Across all missions, Academic Medical Centers are facing new market pressures.



Clinical Mission

- Increased competition from community hospitals with high end capabilities threaten to carve med school practices and AMCs from narrow networks
- Significant pressure from payors to demonstrate value— improved outcomes that justify higher cost
- Challenging payor mix
- Medicaid payments at risk.



Research Mission

- NIH paylines (success rates) chronically low
- Pockets of commercial grant growth, but less lucrative indirect coverage
- Rising costs to support research infrastructure
- Intense competition for NIH funded researchers commanding larger salaries and larger start-up packages



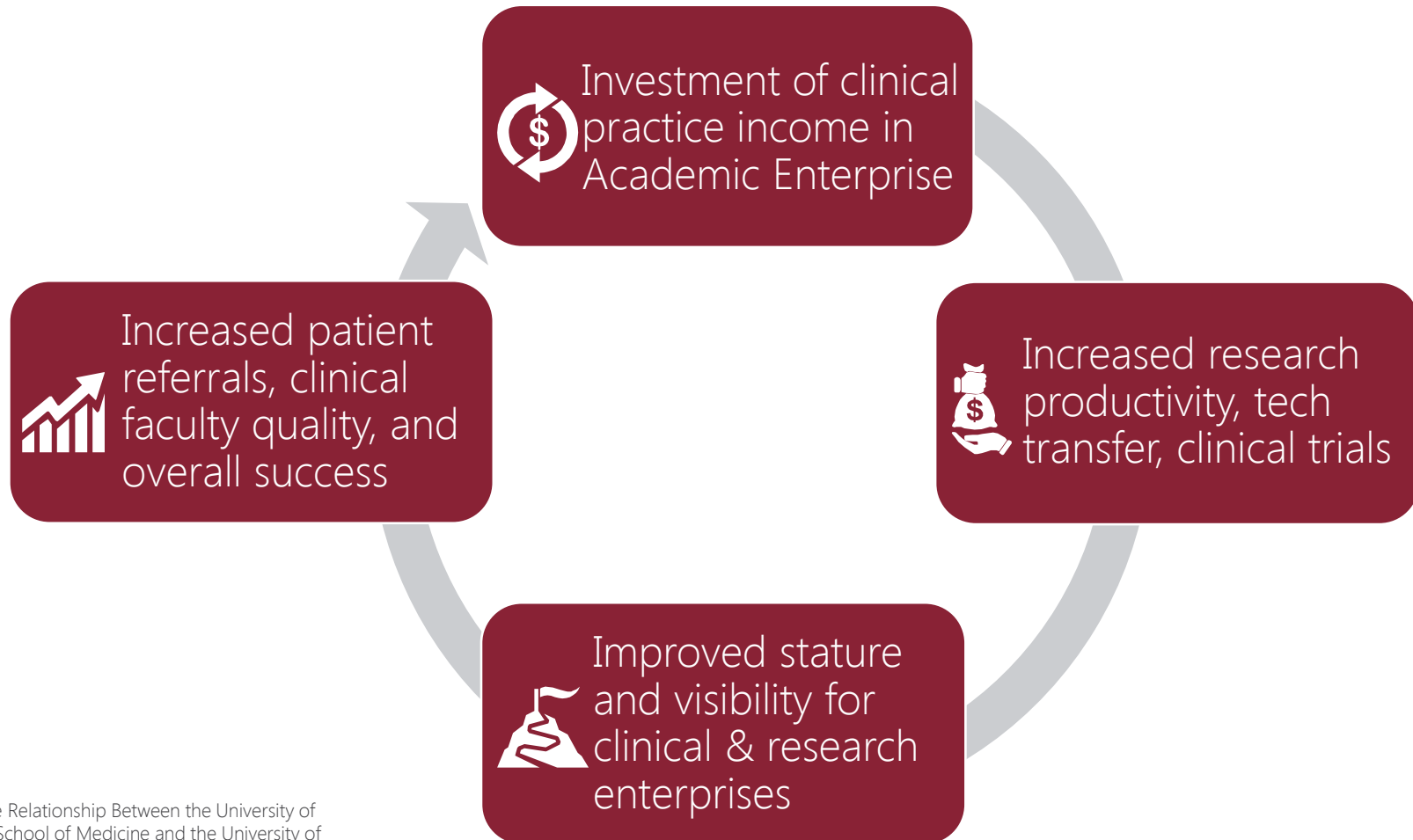
Educational Mission

- Cost of medical student education increasing due to focus on faculty-intensive small group – active learning.
- Increased focus on student debt, constraining tuition increases.
- No new federal GME funding to support more positions but intense need for more slots in Florida.

The Virtuous Cycle for Academic Medical Centers

More than ever, an integrated academic and clinical model is necessary to establish the conditions for AMC's to thrive in the crowded health care landscape.

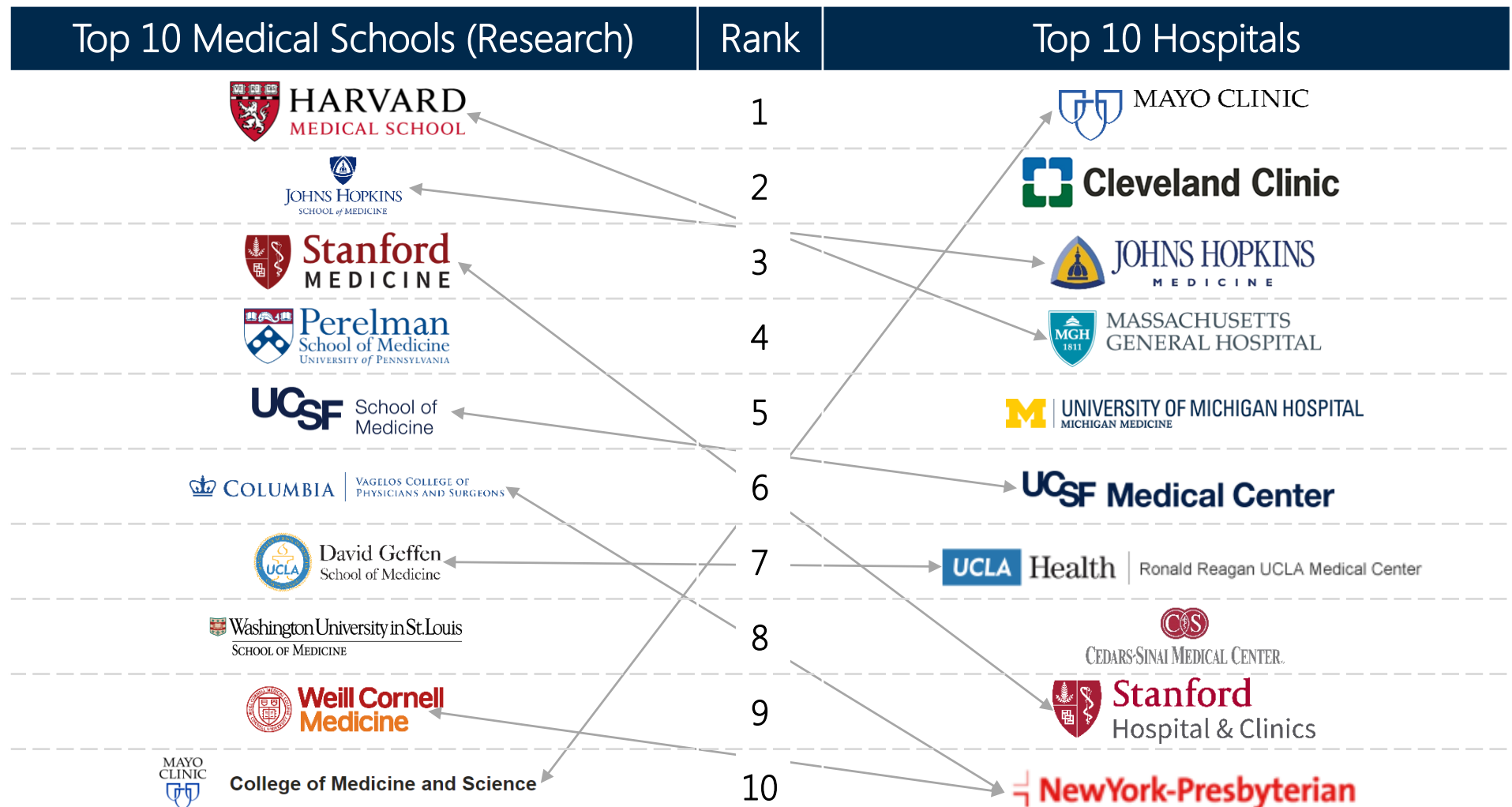
Academic Medicine's Virtuous Cycle



Source: The Relationship Between the University of Pittsburgh School of Medicine and the University of Pittsburgh Medical Center—A Profile in Synergy, *Academic Medicine*, Vol. 83, No.9, September 2008.

Integration Matters Among the Top Schools & Hospitals

Among the top ranked US News & World Report Medical Schools and Hospitals, the majority have pursued an integrated model bolstering academics and clinical care.



Source: USNWR Best Medical Schools for Research, 2020; Best Hospitals, 2018-2019

What We Intend to Accomplish

As a result of an extensive review process that began last year, our consultants affirmed that USFH & TGH are uniquely positioned to take advantage of their position in the Tampa market.



AMC Position

Together, USFH 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



Market Growth

Improved alignment between USFH and TGH will allow us to create marquee subspecialty programs, grow our primary care base and provide enhanced coordination of care to capture market growth opportunities (ACO)



Partnerships

Combined, USFH and TGH creates significant value that will be better positioned to pursue impactful partnerships as they arise

Leveraging a strong and coordinated USFH-TGH affiliation will lead to enhanced academic programs and market growth

Shared Vision and Guiding Principles

At the onset of the planning process, leaders from USFH & TGH collaborated to establish a shared vision and guiding principles for an enhanced partnership.

Shared Vision:

For USFH and TGH to build upon their longstanding affiliation and become a Nationally recognized leading AMC through a sustainable, collaborative and comprehensive partnership that mutually benefits each organization, across all missions including clinical, teaching, research and advocacy.

Guiding Principles:

- | | | |
|--|--------------------------------------|------------------------------------|
| 1. Function as Single AMC | 5. Integrated Physician Organization | 9. Consolidate Infrastructure |
| 2. Joint Affiliation Committee
(<i>shared governance</i>) | 6. Mutual Exclusivity | 10. Performance-Based Arrangements |
| 3. Embrace Best Practices | 7. Physician Leadership | 11. Mission Support |
| 4. Representation on Boards | 8. Co-Investments | |

Advantages to USF – Why We're Doing This

There are specific benefits to the partnership that will provide stability to the University and enhance the operations of USF Health in the future.



Expands on our existing partnership

- 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

- Academic funding will now be linked to the net patient service revenue and growth of entire academic medical center, including all hospital assets, not just the faculty practice
- Provides incremental funding opportunities as the performance of the academic medical center improves



Enhances ability to recruit

- Aligns hospital and physician interests in recruiting, allowing larger scope and scale of hiring and preventing the need to negotiate individual support agreements for new hires

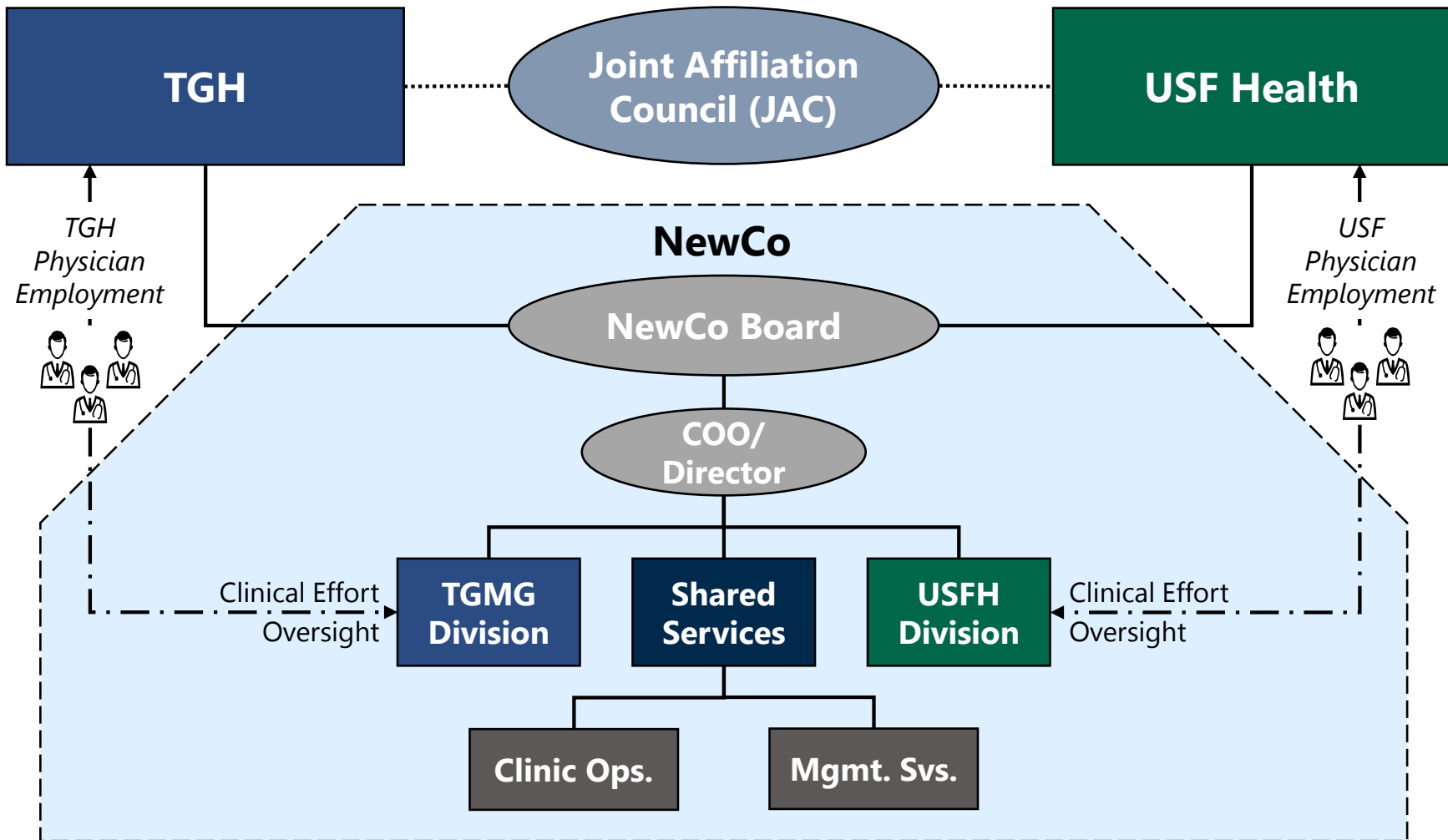


De-risks USF's clinical enterprise

- Reduces potential impact to USF of any future declines in funding for Medicaid and guards USF against managed care headwinds

NewCo Functional Overview

TGH and USF Health are committed to establishing a NewCo, responsible for the governance and management of the unified physician platform that will persist under any chosen economic model.



— Ownership/ Authority - - - Lease Participation

Partnership Governance Highlights

Governance of the combined physician enterprise will be conducted through two distinct bodies: the Joint Affiliation Council and the NewCo Board.

	Joint Affiliation Council	NewCo Board
Composition	<ul style="list-style-type: none"> • 5 TGH members (executive) • 5 USF members (executive) 	<ul style="list-style-type: none"> • 4 TGH members (clinical/operational) • 4 USF members (clinical/operational)
Purpose	<ul style="list-style-type: none"> • Facilitate aligned strategic planning and coordinated oversight for all aspects of the Parties' academic medical center, including, without limitation, patient care 	<ul style="list-style-type: none"> • Provide oversight to expand the availability of professional medical services, and to promote public health, consistent with the charitable, educational, scientific, and medical purposes of the Parties
Key Authorities	<ul style="list-style-type: none"> • Aligned strategic planning • Planning of joint research activities • Determine common budget priorities • Pursue joint philanthropic endeavors • Assist NewCo with physician recruitment • Identify preferred new clinical practice locations 	<ul style="list-style-type: none"> • Control clinical, financial, and business affairs of collective physician enterprise • Execute physician recruitment plans • Facilitate clinical integration of all parties • Implement aggregate compensation methodologies • Enforce clinical quality and access policies
Key USF/TGH Reserved Powers	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Amend bylaws/major transactions • Appoint the NewCo COO/Director • Adopt master clinical compensation plan • Acquire independent physician practices • Enter into other academic affiliation (USF only) • Adopt NewCo budget (TGH only)

Protecting USF in the Path Forward

The expanded partnership with TGH will allow USF to have a voice in a larger integrated clinical enterprise, while protecting USF Health's independence and ensure key protections for the University.



Key USF Protections Considered in Partnership

1) Faculty remain employed by the University

- Academics continue to be employed by USF, protecting the teaching and research mission of the University

2) Sovereign immunity remains

- Proposed structure will protect sovereign immunity of USF physicians in their clinical practice

3) State assets not impaired

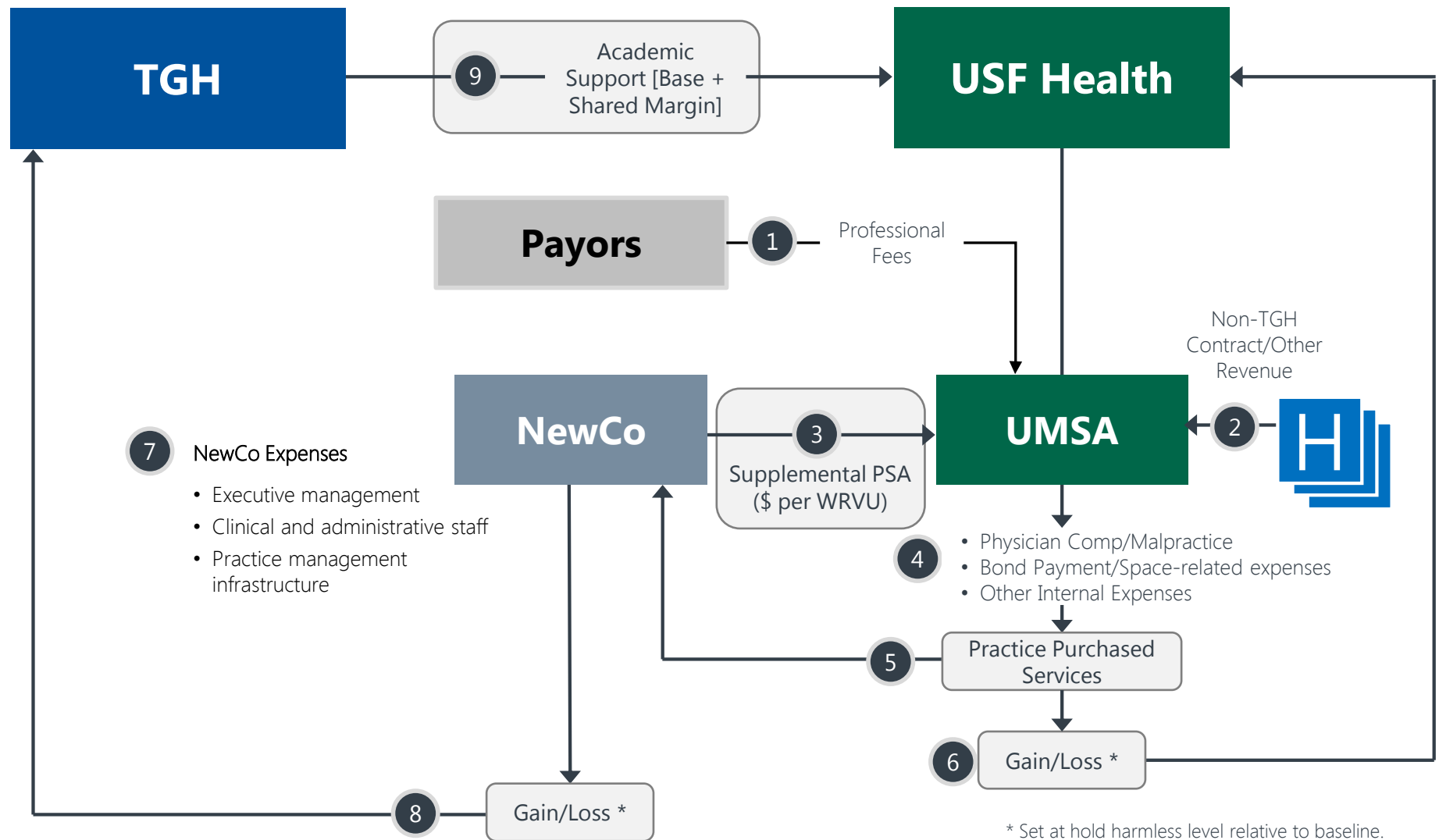
- Assets will continue to be owned by the University with the management overseen by the partnership

4) Bond payments secured and constitutional pledge of credit concerns averted

- UMSA's revenue will pay off physician salaries and bond obligations before payment to NewCo for practice management services

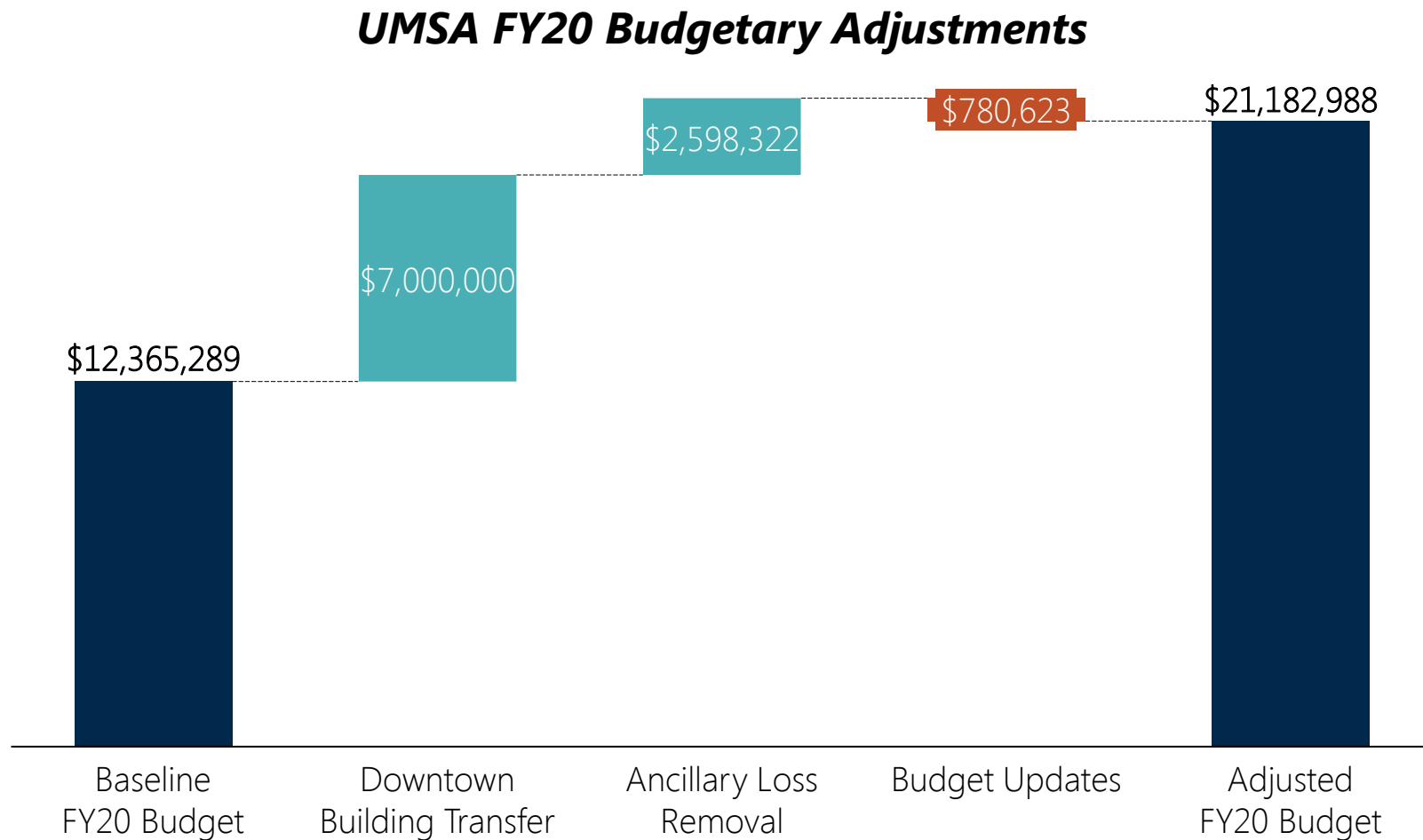
Contract-Based ("Virtual") Model Overview – Chapter 1

At the onset of the partnership, the contract-based model will replace TGH Clinical Contract Revenue with Academic Support and a PSA, intended to be revenue neutral relative to baseline.



Adjustments to UMSA's FY20 Budgeted Financials

To more closely represent UMSA's expected future operating performance, we made select adjustments to the baseline FY20 budget that result in an adjusted UMSA margin of \$21M.

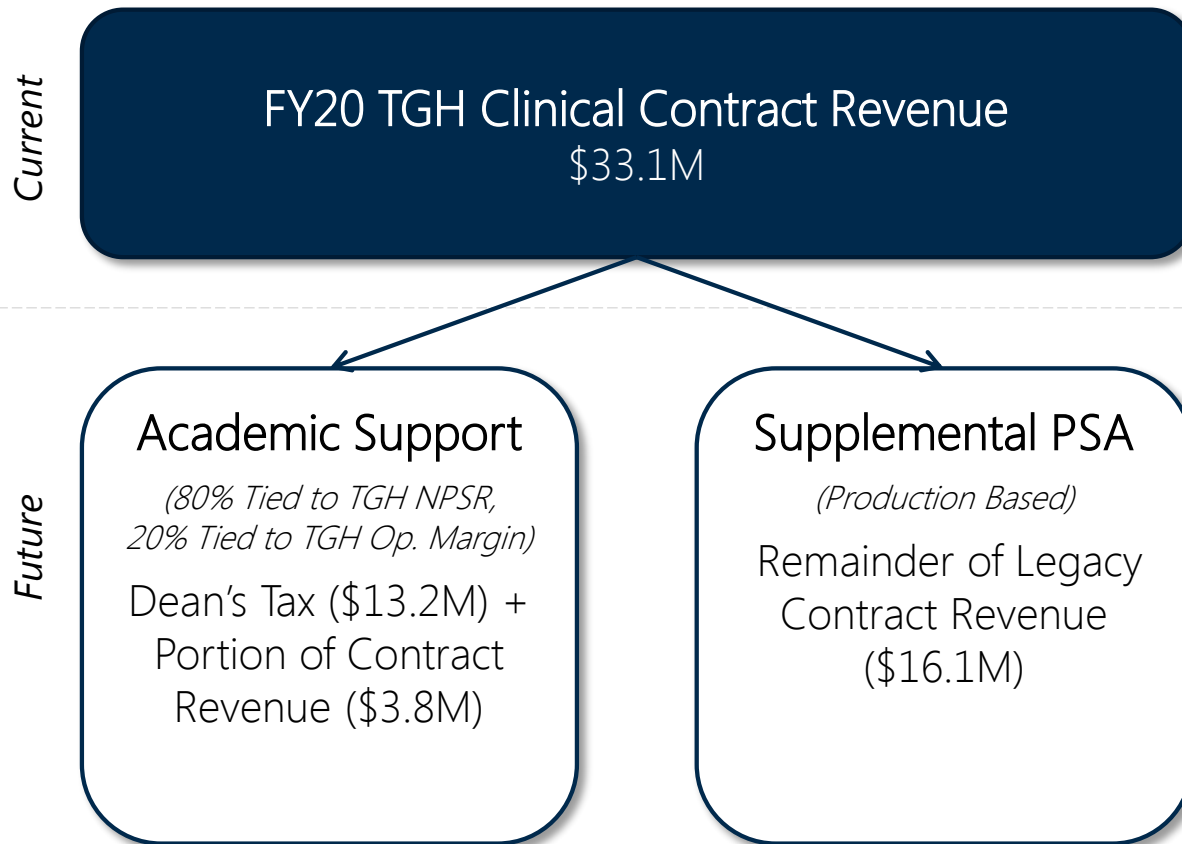


Note: UMSA FY20 Budget Updates include removal of Epic Amortization Expense, adjustment to Cardiology Contract Revenue, and removal of Transfers In without a matching Transfer Out expense.

Future Funds Flow Streams

The existing TGH Clinical Contract Revenue will be replaced by two new funds flow streams, meant to align incentives between TGH & USFH and support the goal of an integrated clinical enterprise.

Future TGH/NewCo to UMSA Funds Flow Streams



Key Considerations

- ① **Academic Support:** What amount of the UMSA Clinical Margin are we comfortable going "at risk" along with the Dean's Tax? What are the associated percentages of the TGH NPSR and Operating Margin that will establish the Academic Support baselines?
- ② **Supplemental PSA:** What is the remaining gap after determination of Academic Support that USF will be paid based on production?

Note: Estimates based upon UMSA FY20 Budget

Funds Flow Support Distribution Options

There are a range of options we considered for the funds flow split between Academic Support and the Supplemental PSA arriving at a balance between fixed, variable, and production-based dollars.

<div> <div>Lower Risk / Lower Reward</div> <div>Funds Flow Support Options</div> <div>Higher Risk / Higher Reward</div> </div>			
Support Options:	Dean's Tax Only	Dean's Tax + Portion of UMSA Clinical Margin	Dean's Tax + Full UMSA Clinical Margin
Academic Support Baseline	\$ 13,242,161	\$ 17,000,000	\$ 28,659,494
80% Fixed Academic Support Baseline \$	10,593,729	13,600,000	22,927,595
20% Variable Academic Support Baseline \$	2,648,423	3,400,000	5,731,899
Fixed Academic Support % of TGH NPSR	0.81%	1.05%	1.76%
Variable Academic Support % of TGH Adj. Op. Margin	11.69%	14.53%	22.28%
Supplemental PSA Baseline	19,878,857	16,121,018	4,461,524
Total Funds Flow Baseline	33,121,018	33,121,018	33,121,018

Note: All USP figures are based on UMSA estimated FY20 Budget. TGH figures based on TGH estimated FY20 NPSR of \$1.5B and Op. Margin of \$20M, adjusted for removal of clinical contracts and addition of fixed elements of funds flow. All figures subject to change during reconciliation process.

Current & Future State UMSA Accounting Statements

In the future state model, TGH Clinical Contract Revenue will be split into Academic Support & a production-based PSA, and Clinical Operations & Shared Services will be purchased from NewCo.

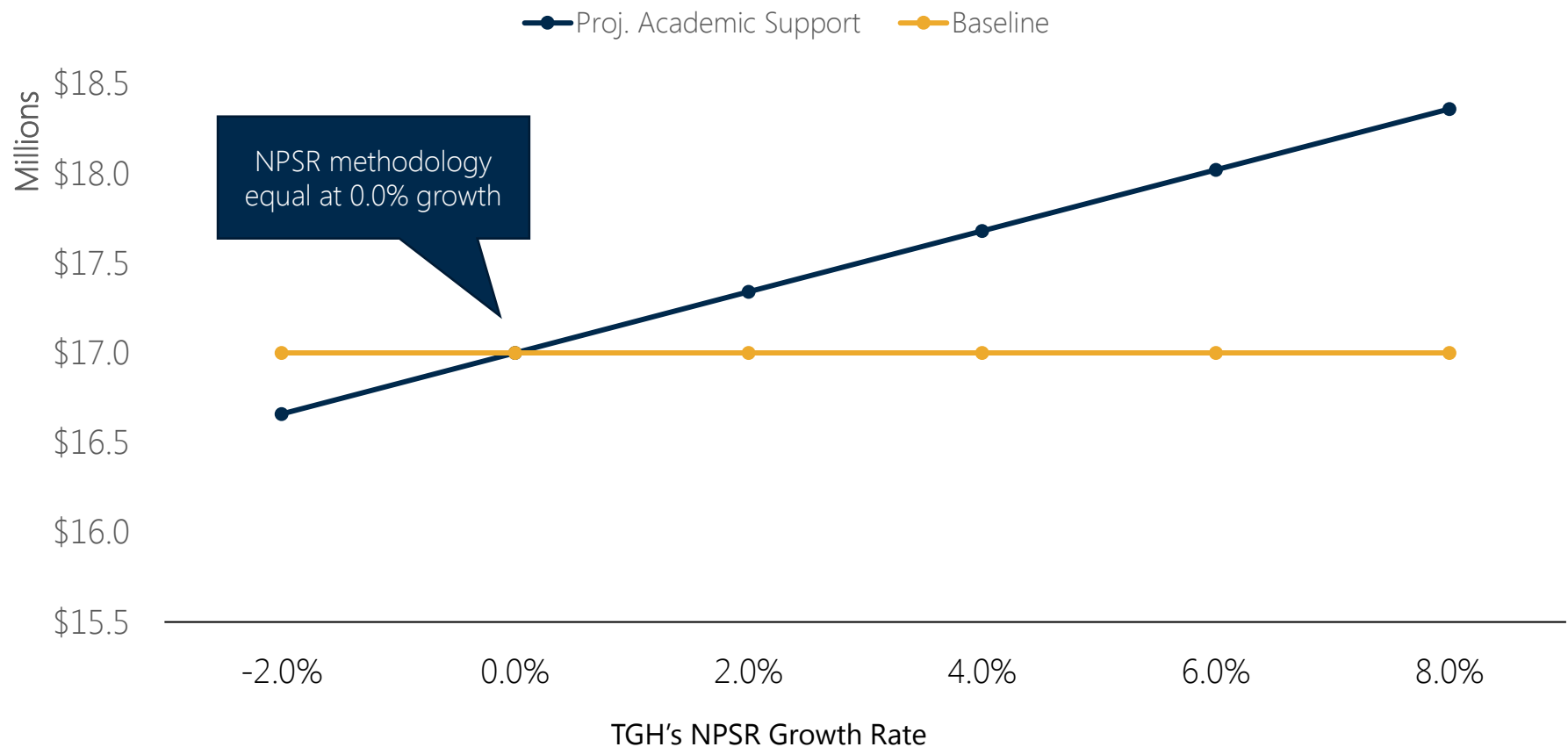
	Current Adj. UMSA	UMSA Contract Model
Revenue (\$M)		
NPSR	\$184.4	\$184.4
UPL/LIP	\$35.8	\$35.8
TGH Clinical Contract Revenue	\$33.1	-
Academic Support	-	\$17.0
Supplemental PSA	-	\$16.1
Other Revenues	\$81.7	\$81.7
Total Revenue	\$335.1	\$335.1
Expenses (\$M)		
Faculty Salaries & Benefits	\$152.1	\$152.1
Staff Salaries & Benefits	\$97.9	\$37.2
Other Expenses	\$63.9	\$37.7
Purchased Services (Clinical Ops)	-	\$56.7
Purchased Services (Shared Services)	-	\$30.2
Total Expenses	\$313.9	\$313.9
Total Margin	\$21.2	\$21.2

Note: Other Expenses transferring to NewCo includes Drugs, Supplies, Technology; Largest remaining expenses in category are Rent, GME, and Malpractice Insurance

Academic Support Sensitivity Analysis – NPSR Growth

As TGH grows its revenue, USF's Academic Support distribution will increase proportionally to the NPSR growth, providing a stable source of future academic funding through clinical expansion.

USF's Total Academic Support Distribution by TGH's NPSR Growth

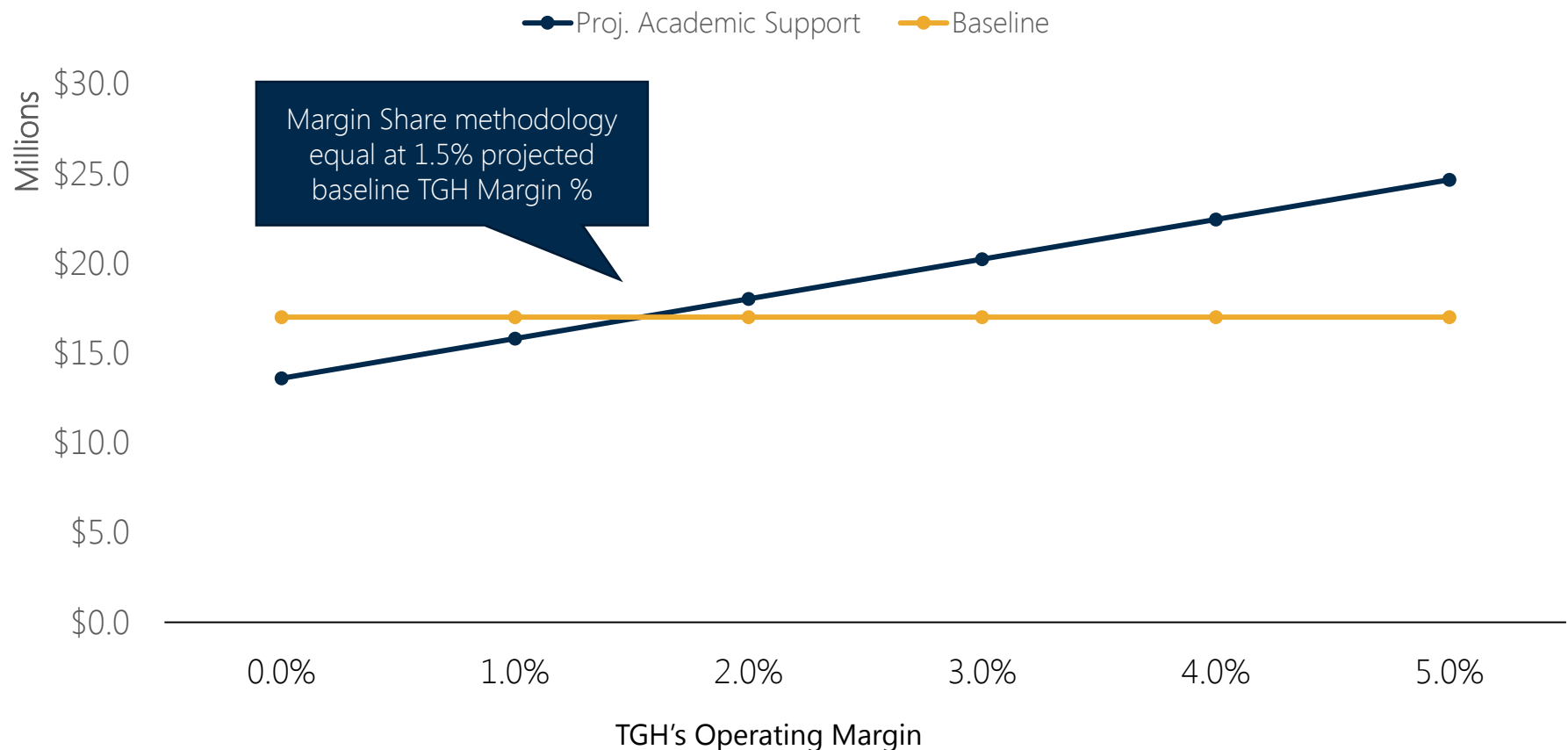


Note: Calculations based on TGH estimated FY20 NPSR of \$1.3B and Op. Margin of \$20M. Assumes no change in TGH Op. Margin. TGH's NPSR growth in past 3 years has averaged 4.5%.

Academic Support Sensitivity Analysis – Operating Margin

Additionally, as TGH's Op. Margin improves above the 1.5% baseline, USF will be entitled to a locked-in percentage of that margin growth, incentivizing the parties to improve operations.

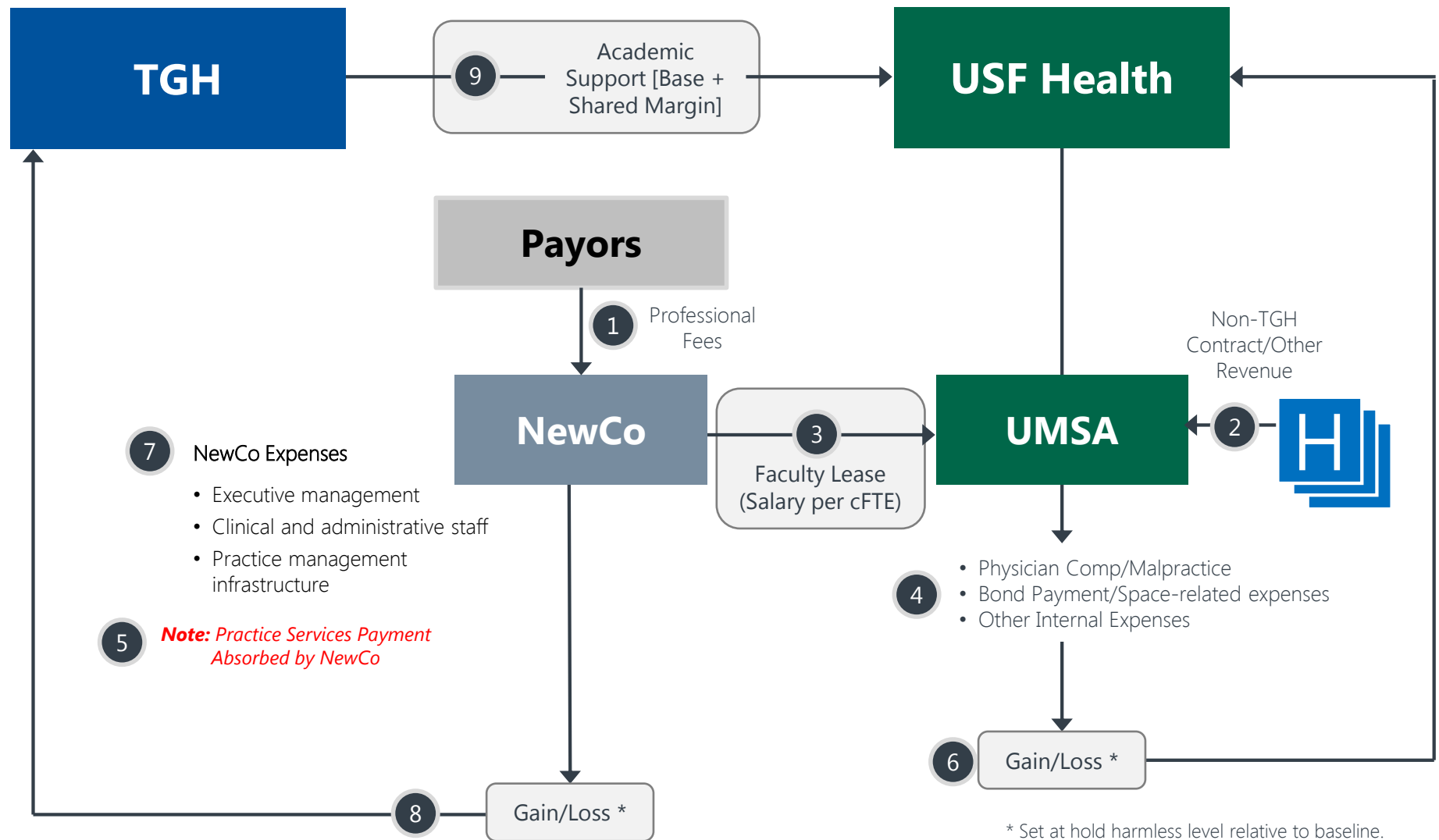
USF's Total Academic Support Distribution by TGH's Operating Margin



Note: Calculations based on TGH estimated FY20 NPSR of \$1.3B and Op. Margin of 20M. Assumes no change in TGH NPSR. TGH's Op. Margin over past 3 years has averaged 1.5%.

Lease Model Overview – “Chapter 2”

As we move toward a lease model, NewCo will lease the faculty cFTE from UMSA, initiate payor contracting, and become responsible for its funding practice management through internal revenues.



Lease Model UMSA Accounting Statements




Under the lease model, TGH will lease physician clinical effort at a rate that hold's USF's margin neutral relative to the baseline while absorbing the entire practice management expense itself.

	UMSA Contract Model	UMSA Lease Model
Revenue (\$M)		
NPSR	\$184.4	-
UPL/LIP	\$35.8	\$35.8
Academic Support	\$17.0	\$17.0
Supplemental PSA	\$16.1	-
Faculty cFTE Lease	-	\$113.7
Other Revenues	\$81.7	\$81.7
Total Revenue	\$335.1	\$248.2
Expenses (\$M)		
Faculty Salaries & Benefits	\$152.1	\$152.1
Staff Salaries & Benefits	\$37.2	\$37.2
Other Expenses	\$37.7	\$37.7
Purchased Services (Clinical Ops)	\$56.7	-
Purchased Services (Shared Services)	\$30.2	-
Total Expenses	\$313.9	\$227.0
Total Margin	\$21.2	\$21.2

Note: Other Expenses includes Rent and Malpractice which TGH would be required to hold USF harmless against; Faculty Salaries & Benefits includes non-clinical FTE.

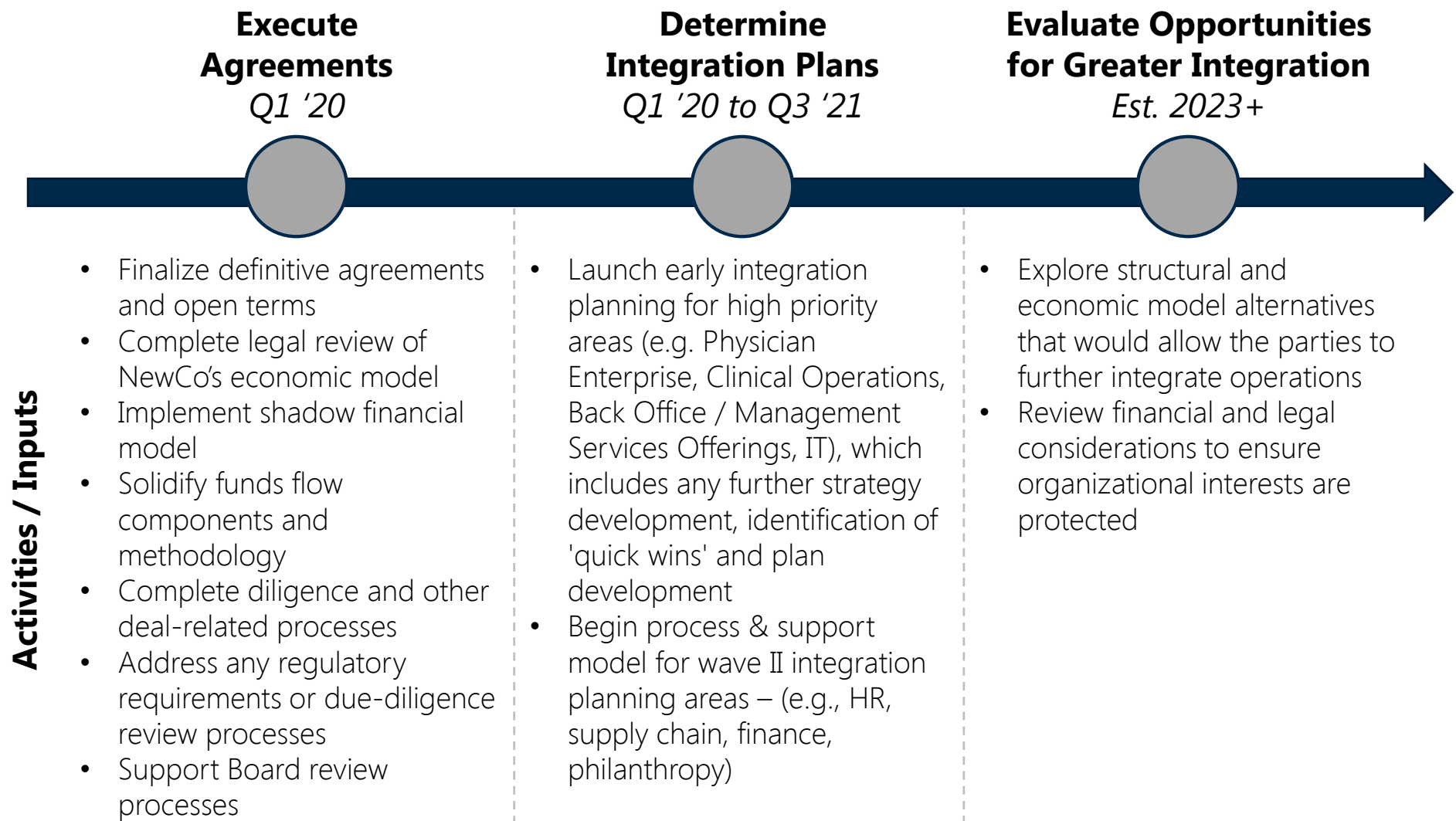
Lease Model Considerations

Our review throughout the process has identified certain complexities that made a lease model appear less optimal in the short term due to financial considerations that are worth revisiting. Under the lease model, TGH would have to cover any costs associated with the below.

Consideration	Details
<p>Sovereign Immunity</p> 	<ul style="list-style-type: none"> USF Health receives approximately \$15M in malpractice premium reductions due to \$200k/\$300k cap on damages as well as non-financial benefits enjoyed by faculty through their status as state employees protected by Sovereign Immunity. While USF Health has a small number of physicians practicing under lease arrangements with other entities and has maintained sovereign immunity for them, a wholesale lease of all clinical faculty effort may require a legislative solution to extend the benefits of Sovereign Immunity to all faculty.
<p>Revenue Considerations</p> 	<ul style="list-style-type: none"> USF Health is entitled to enhanced reimbursement rates through Medicaid supplemental and Low-Income Pool (LIP) payments and has negotiated comprehensive commercial contracts for its specialists that NewCo may not be entitled to if it were to bill for USF Health faculty services, valued at \$55M-\$60M. Should these revenue sources be reduced, TGH would cover the shortfall caused by this transition.
<p>Bond Payments</p> 	<ul style="list-style-type: none"> USF Health has a total of \$52,760,000 in outstanding debt with bond covenants requiring the availability of all net patient service revenue to cover the debt interest and principal payments. Under a lease model NewCo/USF would run into private use limitations, and USF would need to refinance existing tax-exempt bonds for the Morsani Center, South Tampa Center, and Faculty Office Building facilities at a cost estimated to be >\$2M. TGH would again have to cover the cost of refinancing if this was necessary.

Timeline of Activities

After execution of the Definitive Agreements, we will enter into a period of accelerated planning to stand up NewCo and explore opportunities for deeper integration of TGH & USF.



Partnership Risks and Mitigation Strategies

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

<i>Risk</i>	<i>Description</i>	<i>Mitigation Strategy</i>
Funds Flow Tied to TGH's Operating Performance	<ul style="list-style-type: none"> A portion of the funds flow that USF previously received through the faculty support agreement (~\$3.4M) will be tied to the operating margin of TGH where operating margin performance (1.0% in FY19) has lagged similarly Moody's A3 rated institutions in recent years while leadership has invested heavily in the outpatient platform. 	<ul style="list-style-type: none"> 80% of Academic Support payments will be tied to TGH's Net Patient Service Revenue which is a more stable form of funding. As TGH will retain an open medical staff, USF's ability to effect operational performance improvement will depend on the growth of the specialty practice platform so that USF physicians represent a greater portion of TGH's inpatient and outpatient operations.
Long-Term Agreement	<ul style="list-style-type: none"> The partnership seeks to build on USF and TGH's existing clinical and academic relationship with a new 15-year affiliation agreement with the opportunity to extend for successive 10-year terms or exit the agreement with a 2-year notice provision. 	<ul style="list-style-type: none"> In the short-term, USF will retain its patient service revenue to protect internal obligations while the parties implement Chapter 1 of the partnership and establish trust for further integration opportunities. TGH's failure to make Academic Support payments beyond a 6-month remedy period will trigger a breach of the agreement, allowing USF to terminate the broader partnership if desired.
Ancillary Assets	<ul style="list-style-type: none"> NewCo will control the clinical operations of the physician enterprise and therefore the referral patterns that have historically provided volumes to USF's ancillary assets. 	<ul style="list-style-type: none"> USF has written into the agreement that Ancillary assets must be disposed or a mutually agreeable solution executed before NewCo can launch operations.

Forging a Blueprint for Strategic Renewal at USF



President Steven C. Currall | 18 February 2020

The Deliberative Process for Strategic Renewal



- What are the key stakeholder groups?
- What analytics will be required?
- What is the time frame for completion of a new strategic plan for USF?
- What type of staff support will we require?
- What is the role of external consultants?

Components of a Strategic Plan

A University Strategic Plan has Three Main Components

1

**Statement
of Core
Values**

2

**Articulation of
Sources of
“Parity” Versus
Sources of
“Competitive
Advantage”**

3

**Resource
Model**