



Special Committee on Academic Health

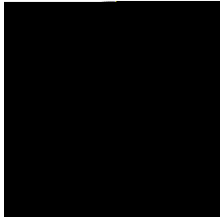
October 2023

October 12, 2023

8:00 a.m.

West Committee Room, McNamara Alumni Center





Academic Affiliation Agreement with CentraCare

plan to begin a \$50 million campaign to support this effort which is aimed at making rural lives healthier.

The Definitive Agreement will bring together the core capabilities of the Medical School and CentraCare to advance:

- a regional campus of the Medical School based at CentraCare (proposed 24 students per year);
- expanded residency programming in rural physician-shortage areas (for example in mental health, pediatrics, and general surgery);
- a new footprint in clinical research focused on rural health; and
- exploration of new collaborations between CentraCare and University of Minnesota Physicians.

Final Draft

MASTER RURAL HEALTH ACADEMIC AFFILIATION AGREEMENT

This Master Rural Health Academic Affiliation Agreement (“Agreement”) is made and entered5made and

ARTICLE 1

UMMS ST. CLOUD REGIONAL MEDICAL CAMPUS; COMMITMENT OF SUPPORT

- 1.1 **University Program Expansion.** The University, through UMMS, in collaboration with CentraCare, and in reliance on the commitments being made by CentraCare in this Agreement and in Related Agreements, is committed to:
 - 1.1.1 Establishing a regional medical school campus in St. Cloud, Minnesota (the “UMMS St. Cloud Regional Medical Campus”) for undergraduate medical education delivered to post-baccalaureate medical students (“UME”);
 - 1.1.2 Upon agreement with CentraCare, expanding the number of graduate medical education residency and fellowship programs sponsored by the University and connected to CentraCare hospitals (current and future medical residencies and fellowships referred to in this Agreement as the “CentraCare Based Residencies and Fellowships”), as well as other health-sciences school training opportunities; and
 - 1.1.3 Advancing medical research with the purpose of bettering the health of rural residents, through a jointly-directed Rural Health Research Institute or otherwise, and expanding patient access to clinical trials throughout CentraCare.
- 1.2 **Facilities.** CentraCare will repurpose existing facilities and/or will construct new facilities on a regional campus in St. Cloud, Minnesota, with the purpose of creating a facility with sufficient space to house, at no cost to UMMS, substantially all applicable planned Affiliation activities. UMMS will have appropriate input (via the Oversight Committee described herein or as otherwise agreed to) into such repurposing and/or construction activities to ensure alignment with UMMS’s needs as tenant. Details of space use for the UMMS St. Cloud Regional Medical Campus by UMMS shall be set out in a separate Space Use Agreement between CentraCare and the University. Without limiting the requirements set forth in such Related Agreement, CentraCare shall ensure that it provides UMMS with the type and quality of space that is consistent with a campus that represents a top-decile medical school, as reasonably determined by the Oversight Committee. A Facilities Subcommittee of the Oversight Committee will be established to provide ongoing oversight over UMMS St. Cloud Regional Medical Campus facilities matters.
- 1.3 **Financial Commitments.** During the term of this Agreement and any Unwind Period described in Section 10.3 of this Agreement, the Parties agree to 1) be fiscally

UMMS will operate the UMMS St. Cloud Regional Medical Campus with commensurate funding and operating expenses as compared to the UMMS Twin Cities and Duluth Campuses as normalized for differences in enrollment where appropriate in the reasonable discretion of UMMS. UMMS agrees to provide monthly financials, quarterly financial projections for the fiscal year, an annual budget, and a five-year financial projection. CentraCare will provide in kind, as reimbursement to the University, or as direct payment, all funding and other resources necessary to cover all deficiencies due to the University.

administration of Residency and Fellowship rotations at CentraCare at an amount consistent with the financial support methodologies of the Metro Minnesota Council on Graduate Medical Education (MMCGME). Details of financial support for graduate medical education from CentraCare to UMMS, including development of an annual budget, will be set forth in a separate GME Support Agreement to be signed by the Parties, which shall be a Related Agreement under this Agreement.

Notwithstanding anything to the contrary, CentraCare's obligation to provide the level of funding described in this Section 1.3 shall not be reduced or modified by any Related Agreement.

A Finance Subcommittee of the Oversight Committee will be established to provide ongoing oversight and strategy for financial matters related to the Affiliation.

Consistent with the commitments in this Section 1.3, the Parties will develop a financial plan for the Affiliation for approval by each respective Party (the "Financial Plan").

- 1.4 **Student Transition Support.** The Parties will coordinate activities, as permitted and as appropriate, to encourage learners to explore a transition from medical school to CentraCare Based Residencies and Fellowships, and from CentraCare Based Residencies and Fellowships to practicing in rural Minnesota.

- 1.5 **Academi24 Td(1.5Tj/4 Td(TjETj/TTr d4at tn2 (5Tjp2 ps1 (TJ0.002 Tc 5 t6 djp2 6 djp2 dTw 6.78 0D**

Nothing in this Agreement shall modify or alter a Party's authority to make decisions for such Party regarding the subject of this Affiliation, a Party's responsibilities for satisfying accreditation standards, or the application of policies and procedures of any Party.

- 2.2 **Composition.** Unless otherwise agreed in writing by the Parties, the Oversight Committee will consist of eight (8) persons who will provide advice, subject matter expertise, and additional support for the Affiliation. Each Party will appoint four (4) persons to the Oversight Committee. Each member of the Oversight Committee will have the right to a "vote" on matters. The Oversight Committee will use a co-Chairs leadership model, with each of the Parties appointing one (1) co-Chair.
- 2.3 **Advisory Activities.** The Oversight Committee will confer on matters related to the Affiliation and affecting both Parties, with the goal of reaching consensus on matters relating to the Affiliation and making recommendations regarding those matters to the CentraCare CEO and UMMS Dean. To facilitate this consensus approach, a matter being reviewed by the Oversight Committee will be considered to be supported by the Oversight Committee if at least a supermajority (majority + 1) of a quorum votes in favor of the matter. Seven (7) members of the Oversight Committee present at a meeting (which may be in person or held by Zoom or other virtual meeting platform) make a quorum. In the event the Oversight Committee is unable to reach a consensus on a matter, such matter will be escalated to the CentraCare CEO and the UMMS Dean for their mutual consideration and possible resolution.
- 2.4 **Function.** The Parties mutually desire to maximize the use of the Oversight Committee for matters concerning the Affiliation's development, oversight, and operation, understanding that each

- e. Overseeing the funds flow model and CARTS (clinical, administrative, research, teaching, strategic) with an overarching purpose to fund and incentivize aligned missions and goals of the organizations, including the annual budget, for the Affiliation.
- f. Defining areas of focus for philanthropic fundraising and funding targets, and overseeing CentraCare and UMMS joint fundraising initiatives. The Oversight Committee will recommend fundraising priorities to the CentraCare CEO and the UMMS Dean. The Oversight Committee will monitor progress towards these priorities and work with CentraCare Health Foundation and University of Minnesota Foundation to achieve fundraising goals.

2.4.2 Teaching: Medical and non-physician education.

- a. Collaborating with UMMS educational leadership to ensure educational programs fulfill the Affiliation's rural health education vision and with accreditation requirements. Notwithstanding anything to the contrary herein and consistent with all accreditation and regulatory requirements, UMMS retains full control over the educational programs for the UMMS St. Cloud Regional Medical Campus.
- b. Recommending members to serve on the UMMS Admissions Committee.
- c. In consultation with the UMMS Vice Dean for Education, recommending strategic growth plans for the UMMS St. Cloud Regional Medical Campus in alignment with community needs.
- d. Promoting team-based education for non-physicians, such as nursing, medical technicians, and other care providers.

2.4.3 Teaching: Residency and Fellowship program.

- a. Recommending residency and fellowship programs and their sizes as related to the Affiliation, and funding models.
- b. Ensuring training tracks are consistent with the Affiliation's training vision.
- c. Identifying and creating collaborations with UMMS-managed residency and fellowship programs.

2.4.4 Research.

- a. Developing the Affiliation's rural health specific research mission.
- b. Identifying rural health related areas of focus and working with UMMS Vice Dean for Research to target grant and philanthropic funding.
- c. Collaborating with CentraCare leadership to execute research initiatives within clinical operations.
- d. Oversee any jointly-developed and directed Rural Research Institute that advances the research mission of UMMS, expands research by CentraCare

ARTICLE 3
UNDERGRADUATE MEDICAL EDUCATION

- 3.1 **UMMS Campus; Accreditation.** The UMMS St. Cloud Regional Medical Campus will be a regional medical campus of UMMS and part of the University. While collaborating with CentraCare as described herein, the University will retain authority and

- 3.5.3 CentraCare will be responsible for providing access to its hospitals, facilities and technology for training experiences necessary for medical students at the UMMS St. Cloud Regional Medical Campus or other CentraCare facilities or agree to utilize UMMS's other campuses or affiliates if such access were to be in development, or if temporarily or permanently unavailable. The Parties will be, throughout the term of this Agreement, parties to an agreement of institutional and program affiliation, in the form acceptable to the University. Currently, the Parties are parties to that certain Master Agreement of Institutional and Program Affiliation (the "Master AIPA") dated January 1, 2021. If necessary, the Parties agree to amend the Master AIPA to ensure students at the UMMS St. Cloud Regional Medical Campus are covered under the Master AIPA, with any amendments to the Master AIPA that may be necessary to ensure there is no conflict with this Agreement. In the event of any conflicts between the terms of the Master AIPA and this Agreement, this Agreement shall govern.
- 3.5.4 CentraCare shall use commercially reasonable efforts to increase the number of teaching opportunities to ensure that clerkships and electives are available for UMMS medical students.

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ARTICLE 7 SOURCES OF SUPPORT

- 7.1 **Income/Expenses**. Direct and indirect income and expenses (including capital expenditures) will benefit and will be borne by the Party earning or incurring the same, without allocation or other sharing with the other Party except as mutually agreed to and specified in this Agreement or a Related Agreement. Nothing in this Article changes CentraCare's obligations to fund all deficiencies of the Affiliation as set forth in Section 1.3.
- 7.2 **Outside Funding**. It is anticipated by the Parties that Affiliation activities will result in net negative cash flow (i.e., a deficiency). The Parties will pursue outside funding sources to minimize such losses, including the following. Whether pursued independently or jointly, each Party will keep the Oversight Committee and the other Party informed regarding such activities.
- 7.2.1 The Parties will jointly approach the State of Minnesota to pursue state funding opportunities.
- 7.2.2 The Parties may independently or jointly pursue grant funding opportunities.
- 7.2.3 Each Party will utilize its respective philanthropic fundraising infrastructure to raise funds for Affiliation activities. While philanthropic fundraising activities will primarily be undertaken by each of the Party's independently, the Parties will evaluate the potential to jointly pursue appropriate fundraising initiatives. Any agreements regarding fundraising, including naming rights arising out of a Party's fundraising activities, will be set forth in a separate written agreement between the Parties or their authorized fundraising organizations.
- 7.3 **Debt Financing**. Any debt issued to finance Affiliation activities will be a liability of the Party issuing the debt without obligation of the other Party.

ARTICLE 8 BRANDING

- 8.1 **No Use of Other Party Name or Logo**. Neither Party shall use the name or logo of the other Party, or otherwise hold itself out in a manner that attaches its name to the other Party's operations, without the prior, written consent of the other Party.
- 8.2 **Branding Agreement**. The Parties will enter into a separate Branding Agreement, which shall be a Related Agreement, regarding branding for the Affiliation and Affiliation activities, including the UMMS St. Cloud Regional Medical Campus.

ARTICLE 9
GOVERNING BODIES

- 9.1 **Independent Governing Bodies**. The Parties recognize that they each are, and will continue to be, governed by separate governing bodies (the University by the Board of Regents and CentraCare by the CentraCare Board of Directors), and that nothing in this Agreement modifies the rights and responsibilities of those governing bodies.
- 9.2 **University Authority**.

10.2.2 Upon at least thirty six (36) months' prior written notice from one Party to the other Party that the Party is electing not to renew the Agreement following the end of the then current Initial Term or Renewal Term, as applicable.

10.2.3 By the non-breaching Party in the event of a Major Breach by a Party which remains uncured and is not resolved via the dispute resolution process described in Article 11. Major Breach shall mean a failure or deficiency of performance or

Agreement, (c) an asserted claim that there has been a material, long-term failure to implement an important provision of this Agreement or a Related Agreement, or (d) a good faith claim that any material term of this Agreement or a Related Agreement has become materially unlawful.

11.3 **Progression of Disputes.** The process for addressing/resolving those Disputes is as follows:

11.3.1 **Informal Resolution.** The Parties desire to avoid Disputes or if a Dispute arises to resolve such Dispute in a collegial manner. The Parties will first attempt to resolve a matter that may become or has become a Dispute between the CentraCare CEO and the UMMS Dean. If the matter cannot be resolved at the CentraCare CEO/UMMS Dean level, the Parties will submit the matter to the CentraCare Board Chair and the University President for possible resolution.

11.3.2 **Special Master For Payment Disputes.**

a.

- 11.3.4 **Resort to Court Action**. Any Party may commence an action in a court of competent jurisdiction to appeal or modify the Special Master decision or if the Parties are unsuccessful in mediation, but the Parties agree that with respect to a Special Master decision, neither of them will do so unless a Party in good faith concludes that the decision was materially in error and would impose material costs, risks, loss of functionality or harm to reputation to such Party contrary to the terms of this Agreement or a Related Agreement. It is the Parties' intent and agreement that in any court action that is an appeal related to a Special Master decision: (a) the court shall give substantial deference to the Special Master's expertise and findings and conclusions as to factual matters; and (b) the court shall reverse, supplant, modify or supplement the terms of the Special Master decision only if the court concludes that it was (i) manifestly in error as to material facts, (ii) unlawful, or (iii) manifestly unjust, given the intent and terms of this Agreement or the Related Agreements.
- 11.3.5 **Equitable Remedies Preserved**. Any Party may for good cause seek injunctive or other equitable relief in a court of competent jurisdiction, in accordance with principles of law and equity, to prevent or cure imminent harm, and any such relief as may be granted shall be subject to appeal on through courts having jurisdiction thereof.

ARTICLE 12 LEGAL PROVISIONS

- 12.1 **Authority and No Conflict**. Each Party hereto represents and warrants to the others that (a) it has all due corporate authority to enter into and perform this Agreement (including the Related Agreements) and such has been approved by all necessary corporate action; (b) the entering into and due performance by it of this Agreement (including the Related Agreements) does not violate its Articles or Bylaws, or any law or regulation to which it is subject, or any contract or legally binding agreement or obligation of such Party; (c) the entering into and due performance of this Agreement (including the Related Agreements) does not require the approval of any governmental entity or third party, which has not been obtained; and (d) the person who executes this Agreement on its behalf is duly authorized to do so.
- 12.2 **Independent Contractors**. The Parties hereto are at all times acting as independent contractors to one another. Nothing herein (or in any Related Agreement) shall be construed to make or render a Party or any of its officers, directors, employees or agents, the employee or agent or joint venture of any other Party, for any purpose whatsoever, including without limitation rights to compensation or employee benefits of such other Party. In addition, unless this Agreement (or the applicable Related Agreement) specifically so provides, nothing herein shall be deemed to grant a Party (or its officers, directors, employees or agents) the right to incur contractual obligations, or to act on behalf of, or to incur any legal obligation for another Party.
- 12.3 **Access to Books and Records**. In accordance with 42 U.S.C. Section 1395X(v)(1)(I) and 42 C.F.R. Sections 420.300-420.304, each Party agrees that it shall retain, and for four (4)

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years after services are furnished, allow the Comptroller General of the United States, the U.S. Department of Health and Human Services and their duly authorized representatives to have access to such books, documents and records of the Party as are necessary to verify the cost of services provided to the other Party pursuant to this Agreement and the Parties agree that if any of the work provided under this Agreement and related contracts for any twelve (12) month period is performed by a subcontractor at a cost or with a value of Ten Thousand Dollars (\$10,000) or more, the subcontracting party shall require that any such subcontractor sign a statement or agreement similar to this reconciliation c (e)4 [Tc 0.00C-2 (t)-2 nndfp

any applicable federal, state or local statute or regulations related to this Agreement. The Parties will exchange such information within a reasonable period after a request for such information is made.

- 12.10 **Survival**. The covenants and provisions contained in Section 10.4, Article 11, and this Article 12 shall survive the termination of this Agreement.
- 12.11 **Waiver of Breach**. No waiver by a Party of any provision of this Agreement (including any representation, warranty, covenant or agreement), or of any default or breach, whether such waiver is intentional or not, shall be valid unless the same shall be in writing and signed by an authorized representative of the party making such waiver. The failure of a Party promptly to enforce this Agreement or any Related Agreement in the event of breach by another Party, or the waiver by any Party of a breach or violation, shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or any other provision thereof.

advises the Parties that a feature or provision of this Agreement violates a law over which such government entity has jurisdiction, then each such provision, feature or requirement shall be fully severable and: (1) this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; (2) the remaining provisions hereof that reasonably can be given effect apart from the invalidated provision shall remain in full force and effect and shall not be affected by the severable provision; and (3) the Parties shall in good faith negotiate and substitute a provision as similar to such severable provision as may be possible and still be legal, valid and enforceable.

12.14 **Divisions and Headings.** The divisions of this Agreement into sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions thereof.

12.15 **Entire Agreement/Amendment.** This Agreement and any Related Agreements constitute the entire agreement among the Parties regarding the matters addressed therein. As amhng 1

- 12.19 **Responsibility for Payment of Taxes.** The Parties will not treat the other Party’s officers, agents or employees as an employee for any reason, including but not limited to the Federal Unemployment Tax Act, the Social Security Act, the Workers Compensation Act, and any federal or state income tax laws or regulations mandating the withholding of income taxes at the source of compensation payment. Each Party will be solely responsible for payment of all applicable federal and state income taxes with respect to their officers, agents and employees.
- 12.20 **Fees and Expenses.** Each Party is and will be solely responsible for all of its own fees, costs and other expenses in connection with the negotiation and preparation of this Agreement and Related Agreements.

SO AGREED:

Regents of the University of Minnesota

By: _____
Title: Interim President
Date: _____

By: _____
Title: Dean, Medical School and
Vice President of Clinical Affairs
Date: _____

By: _____
Title: Executive Vice President and Provost
Date: _____

CentraCare Health

By: _____
Title: President and Chief Executive Officer
Date: _____

Rural Health Academic Affiliation Financial Pro-Forma

Medical School:

(000's)	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Enrollment	1,000	1,010	1,020	1,030	1,040	1,050	1,060
	\$ 1,000	\$ 1,010	\$ 1,020	\$ 1,030	\$ 1,040	\$ 1,050	\$ 1,060

Philanthropy:

Legislative Funding -

Residency Program:

Rural Health Institute:

Facilities:



October 12, 2023

Strong collaborative commitment by both entities
to make this work

Important for CentraCare to realize its strategic goals

CentraCare is a very financially sound health system

The financial projections are conservative

There is a joint Philanthropic Plan to acquire donations
to cover all budgeted deficits

UM Medical School has operationalized this model in
two other locations: Twin Cities and Duluth



Engaged with Kaufman Hall

Conservative Projections

- Only tuition income

- No philanthropy

- No reallocation of the \$10M legislative funding

\$1.5M loss annually once fully operational

Centracare has committed to covering all budgeted deficits

Positive net operating income in FY22 and FY23 when its peers have seen substantial negative results

Net income grew by approximately \$110M YOY

\$1.6BN in net assets

Long-term debt is \$537M

Days cash on hand is 238 days

The CentraCare Foundation and the University of Minnesota Foundation are working on a joint campaign with a fundraising goal of \$50M.

\$10M of goal will be earmarked for scholarships and/or student support.

It might offset some of the start-up costs in the early years and new initiatives in later years.

Any of the efforts in fundraising will help lessen the funding shortage supplied by CentraCare.

Mike Blair, CFO CentraCare:

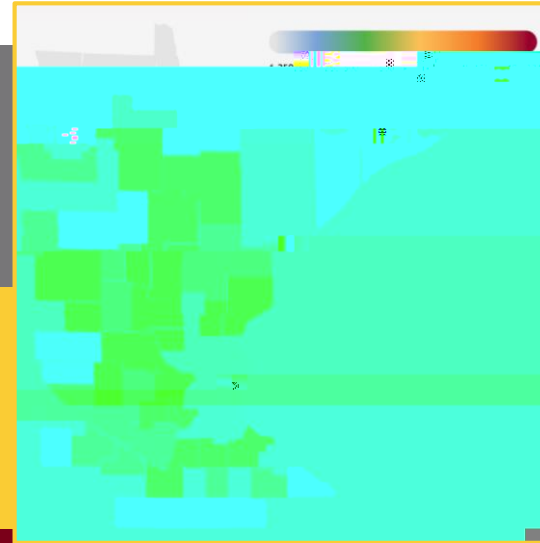
“ In the event we did not receive sufficient philanthropic funding, which is unlikely, we are committed to the vision and will meet our obligation. Just as we are confident that UMMS will meet its obligations to operate the campus in a financially prudent and transparent manner. This mutual commitment is how we both ensure the financial viability of the affiliation. ”



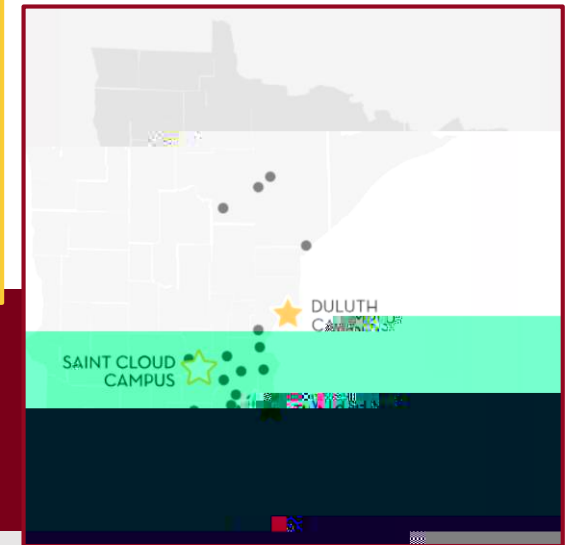
Our Care in the Community

1.2M Patient Visits in 2022

Where Our Patients Live



Where We See Our Patients (40+ Locations)



7/10 Service Lines Grew in # of Patients Served





M Physicians



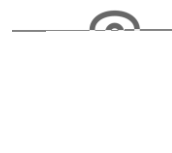
M HEALTH FAIRVIEW SERVICE LINES



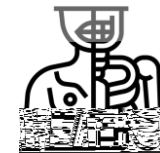
**Primary
Care**



**Womens
&
Childrens**



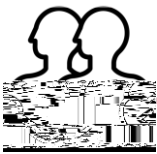
**Cancer
Care**



**Musculo-
skeletal**



**Neuro-
science**



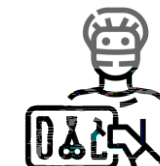
**Solid Organ
Transplant**



**Heart &
Vascular**



**Mental
Health &
Addiction**



**Surgical
Specialties**



**Medical
Specialities**

M Health Fairview Partnership Results

Clinical Trials and Enrollees:

Patients enrolled in 2018 = 21,920

Patients enrolled in 2022 = 40,531

Impact of Academic Support

Investment in faculty recruitments,
new centers, research infrastructure







M Health Fairview Next Steps



