

The University of Michigan
Regents Communication
Action Request

Subject: West Michigan Cardiovascular Joint Venture with Trinity Health-Michigan

Action

Requested: Approval to Enter into a Joint Operating Agreement with Trinity Health-Michigan with respect to a Joint Venture for Cardiovascular Services in West Michigan

Background:

The University of Michigan, through its academic medical center and clinical enterprise, Michigan Medicine and the University of Michigan Health System, respectively, serves patients from across the state through a network of relationships with health systems, hospitals, and physicians. A strategic priority in expanding this statewide network is a greater presence in communities across the state.

Michigan Medicine and Trinity Health-Michigan (“Trinity Health”) have a history of developing successful collaborations dedicated to advancing the provision of high-quality, accessible, and affordable health care for the populations that they serve based, in part, on the complementary attributes and resources of Michigan Medicine as an academic health system and Trinity Health as a health care system with unique capabilities operating community hospitals. Michigan Medicine and Trinity Health entered into a Master Affiliation Agreement effective July 1, 2018, as a vehicle for the development and implementation of new collaborations throughout Michigan, including service line collaborations in west Michigan.

Effective January 1, 2020, Trinity Health and UM began operating the Cancer Network of West Michigan, an integrated and comprehensive oncology program delivering professional medical and hospital services in west Michigan through the systems’ respective facilities, including (a) the Richard J. Lacks Cancer Center, a comprehensive cancer complex in Grand Rapids, Michigan located on the main hospital campus of Saint Mary’s; (b) the Johnson Family Center for Cancer Care, a cancer complex in Muskegon, Michigan, located on the Mercy Hospital campus of Mercy Health; and (c) The Cancer Center at Metro Health Village.

Michigan Medicine and Trinity Health subsequently began discussions regarding a collaboration and exclusive partnership in the operation of an integrated and comprehensive cardiovascular program (the “Program”), similarly delivering professional medical and hospital services in west Michigan through the systems’ respective facilities. Since then, management of Michigan Medicine and Trinity Health have engaged in due diligence and extensive arms-length

negotiations of a Joint Operating Agreement to memorialize the terms and conditions of the Program.

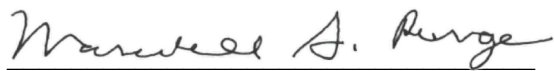
Under the proposed Joint Operating Agreement, the Parties will co-brand the Program consistent with the collaborative operation of the Program by the Parties and subject to applicable law. Each Party will retain ownership of its assets used in connection with the Program but such assets and operations related to the Program will be operated on a consolidated basis. The Joint Operating Agreement will be effective as of July 1, 2021, and continue until June 30, 2031. During the term of the Joint Operating Agreement, (a) the Parties will share Program operating income (net revenue less Program expenses) up to a baseline based on the historic performance and relative sizes of the Parties' cardiovascular programs as of the effective date of the Joint Operating Agreement; (b) the Parties will share Program operating income over the baseline equally; and (c) the Parties will share equally Program operating losses (Program expenses exceeding net revenue). Subject to certain reserved powers of Michigan Medicine and Trinity Health (e.g., approval of budgeted and unbudgeted expenditures over a certain amount, approval of material changes to the operations, services and activities included in the Program) and certain authorities retained the Hospitals pursuant to various sources of law or rules (e.g., existing governance structures, Medicare conditions of participation, Medicare provider-based status rules, state licensure requirements, accreditation requirements), the Parties will delegate governance authority over the Program's operations to a Program Governing Committee comprised of an equal number of appointees by each of Michigan Medicine and Trinity Health. Actions of the Program Governing Committee will require a supermajority vote of the Program Governing Committee, meaning an affirmative vote of four Program Governing Committee Members, provided at least one Program Governing Committee Member appointed by the Regents and one Program Governing Committee Member appointed by Trinity Health approve.

The day-to-day operations of the Program will be overseen by a physician Executive Director employed by Michigan Medicine and an Administrative Director employed by Trinity Health working in a dyad "partnering" relationship. The inpatient and outpatient services of the Program will be primarily carried out by the employees and contractors of the Parties who devote the majority of their time to the Program. Each Party will have the right to bill and collect payment for the services provided through the Program at its Hospitals in accordance with its internal policies and procedures. The Parties will conduct fundraising activities concerning each Party's provision of inpatient, outpatient, and professional medical cardiovascular services at their respective Hospitals jointly and for the support of the Program for purposes determined by the Program Governing Committee. The Parties will agree to mutual non-competition covenants customary for a joint venture of this nature.

Management of the Michigan Medicine believes the Program will strengthen Michigan Medicine's ability to serve its local health care communities and will increase the availability and effectiveness of cardiovascular services provided to the communities served by Michigan Medicine. Accordingly, we request that the Board of Regents approve the framework of the Joint Operating Agreement as described. We request that the Board of Regents authorize the Executive

Vice President for Medical Affairs and Dean of the Medical School and the Executive Vice President and Chief Financial Officer to negotiate any final changes to the Joint Operating Agreement; to execute and deliver, individually or jointly, any other agreements and instruments contemplated in the Joint Operating Agreement; to take any other actions necessary or desirable to consummate the transactions described in this action request and in the Joint Operating Agreement; and to obtain or make, as applicable, all governmental and third-party approvals, consents, notices and authorizations that may be necessary.

Respectfully submitted,



Marschall S. Runge
Executive Vice President for Medical Affairs
and Dean of the Medical School



Brian Smith
Interim Executive Vice President
and Chief Financial Officer

June 2021