

The University of Michigan
Regents
Communication
Action Request

Subject: Pediatric Specialty Joint Operating Agreement with Trinity Health-Oakland

Action

Requested: Approval to Enter into a Joint Operating Agreement (“JOA”) with Trinity Health-Oakland for Pediatric Specialty Services at Trinity Health-Oakland

This JOA will allow Michigan Medicine to bring its world-class pediatric subspecialty care closer to home for patients living in the Tri-County metro area. Trinity Health-Oakland and Michigan Medicine will partner to expand access to pediatric subspecialties such as cardiology, urology, orthopedics and oncology while expanding Trinity Health-Oakland’s NICU capabilities.

Background:

The University of Michigan, through its academic medical center and clinical enterprise, Michigan Medicine and the University of Michigan Health (collectively “UM”), 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.

UM 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 UM as an academic health system and Trinity Health as a health care system with unique capabilities operating community hospitals. UM 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.

In west Michigan, Trinity Health and UM have been collaborating pursuant to Joint Operating Agreements since they began operating the Cancer Network of West Michigan in 2020. The Cancer Network is an integrated and comprehensive oncology program delivering professional medical and hospital services in west Michigan through the systems’ respective facilities. In 2021, the parties expanded their collaboration by developing an exclusive partnership for the operation of an integrated and comprehensive cardiovascular program, similarly delivering professional medical and hospital services in west Michigan through the systems’ respective facilities.

Building off of these successful partnerships, in 2021, the parties started exploring ways to bring pediatric specialty care closer to home for patients who live in the Tri-County metro area of Detroit (i.e., Oakland, Wayne and Macomb counties). The parties intend to create a comprehensive pediatric specialty program delivering professional medical and hospital services at and around Trinity Health-Oakland Hospital in Pontiac, Michigan (the “Program”). Since then, management of UM and Trinity Health have engaged in due diligence and extensive arms-length negotiation 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 on or about November 1, 2022, and continue for an initial term of ten years. During the term of the Joint Operating Agreement, the Parties will share Program operating income and losses above and below a baseline set based on the historic performance of pediatric specialty services at Trinity-Health Oakland as well as anticipated growth based on historical investments as of the effective date of the Joint Operating Agreement. Subject to certain reserved powers of UM 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 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 UM 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 UM 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 and an administrative director working in a dyad “partnering” relationship. Trinity will bill and collect for the services provided through the Program in accordance with its internal policies and procedures. The Parties will conduct fundraising activities jointly 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.

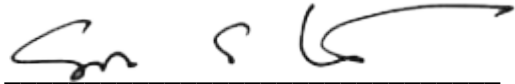
Management of UM believes the Program will strengthen UM’s ability to serve its local health care communities and will increase access to high quality pediatric specialty services provided to the communities of the Tri-County metro area. Accordingly, we request that the

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



Geoffrey S. Chatas
Executive Vice President
and Chief Financial Officer

October 2022