

UConn- Hartford Healthcare Principal Partnership

Origin

The proposed Principal Partnership of the University of Connecticut (UConn) and Hartford Healthcare (HHC) can trace its origin to a special act of the Connecticut General Assembly. The State Legislature commissioned the Connecticut Academy of Science and Engineering (CASE) to conduct a bed need analysis of the John Dempsey Hospital (JDH). The independent study concluded that “Continuation of the status quo, i.e., no change in existing relationships with existing clinical care partners and no new or renovated UCHC facilities, jeopardizes the General Assembly’s goal of achieving excellence in medical education and is not in the best interests of the state.” The analysis deemed that the condition and size of JDH impeded the goals of the University of Connecticut School of Medicine (SOM) to grow its student body and aspire to top tier status for its research initiatives.

The process leading to the Principal Partnership of UConn and Hartford Healthcare was guided by CASE which in turn, regularly reported to the General Assembly. UConn issued a Solicitation of Interest (SOI) in April 2008 seeking a formal partnership to advance the academic mission and solve the economic crisis facing the University of Connecticut Health Center (UCHC). The chronic economic issues of UCHC stem from the size of the JDH, the volume of patient services and above market benefits costs for its staff. HHC along with other hospitals in the Greater Capitol region submitted responses to the UConn. HHC submitted the only comprehensive proposal addressing the educational, research and clinical needs of JDH and the Schools of Medicine and Dental Medicine (SODM). HHC’s comprehensive proposal committed substantial financial support for the Principal Partnership. UConn and HHC have participated in

extensive negotiations continuously since August 2008. UConn selected HHC as its Principal Partner in October 2008. UConn has conducted an open and transparent process for over a year which has required extraordinary time of its leadership and its board. The process has demanded the time and focus of the HHC leadership, board as well as substantial financial resources.

Key Benefits of the Principal Partnership:

The Partnership between UConn (including its SOM and SODM), and HHC will produce, at least, these key benefits:

- The Partnership solves the bed size problem of JDH by creating a “University Hospital” on two campuses with 1,100 beds, including 250 bed, replacement hospital with significant tertiary care programs to be built on Farmington campus.
- Preserves union/ State jobs of employees on the Farmington Campus.
- Hartford Healthcare will amend the bylaws of its Boards to deepen its academic medicine mission throughout its healthcare system.
- The Partnership agreement transfers financial risks of operating JDH from the State of Connecticut to University Hospital. With the exception of the limited State support discussed later, HHC will assume the risk for future operating performance of UH as well as the newly created clinical faculty’s practice plan, University Physicians, (UP).
- By adding the clinical faculty of Hartford Hospital, the Partnership expands the clinical faculty of UConn by 50% (240 clinical faculty to 360 clinical faculty) enabling the new UH to better meet its academic mission and its patient care responsibilities.

- Establishes a source of funding for the Schools of Medicine (SOM) and Dental Medicine (SODM) to assist its aspirations to Top Tier status and aids its plan to grow the number of medical students.
- The Partnership provides economic support to the Top Tier School of Dental Medicine and enables it to expand the number of dental students and expand clinical service.
- Immediately increases the national ranking of the SOM and UConn in research funding.
- Preserves existing involvement of St Francis Hospital, Bristol Hospital, The Hospital of Central Connecticut, and Connecticut Children’s Medical Center in a collaborative arrangement for clinical education and clinical research.
- Create a \$100M fund to promote technology transfer and new business development in the Greater Capitol region. Hartford Healthcare has set aside \$25M to start this fund which will create new Connecticut businesses and a substantial number of well paying jobs.
- Hartford Healthcare, utilizing a third party developer, anticipates building and operating a multipurpose facility on the Farmington campus, primarily intended to replace outdated outpatient practice facilities for Farmington based clinical faculty of University Physicians.
- The Partnership preserves the commitment of JDH and HHC to the continued treatment of uninsured and underinsured. The new University Hospital will be the largest provider of uncompensated care in Connecticut.
- Places the clinical academic programs of the UConn SOM within a growing, healthcare system.

Essential Elements of the Partnership

UConn and Hartford Healthcare will create a “University Hospital” on two campuses, Farmington and Hartford. This destination academic medical center will provide patients and

physicians with access to 1,100 inpatient beds; complex, high quality outpatient services and community based medical care. The clinical faculty of UConn School of Medicine and employed Hartford Hospital faculty will be integrated to form a 360+ physician practice plan, “University Physicians.” University Physicians and the more than 900 existing, community based voluntary physicians will work together on one medical staff to promote the advancement of the missions of University Hospital and the UConn School of Medicine.

Hartford Healthcare has committed significant, ongoing financial resources to UConn SOM and UConn SODM for the purposes of academic support. The SOM and SODM will realize ongoing flow of funds through an academic support agreement with HHC. \$60M of guaranteed support will be provided over the next 10 years:

Academic Support	
<u>Years 1-5</u>	
\$7M/year	\$35M
<u>Years 6-10</u>	
\$3M/year Direct support	\$15M
\$2M/year Medical Directorships	\$10M
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Total	\$60M

In addition to the guaranteed support, the Schools of Medicine and Dental Medicine will also receive a percent of combined profit of University Hospital and University Physicians. In years 6-10, the yearly total potential from profit sharing could be as much as \$10 M or a five year total of \$50M.

HHC will additionally provide the essential level of working capital to University Hospital and University Physicians estimated at \$25M to \$40M. HHC will transfer \$10M in existing, annual

research funding to UConn. HHC will provide a \$25M seed funding for technology transfer and new business development in conjunction with UConn. HHC anticipates spending s \$300M on a patient tower at the Hartford Campus of University Hospital which will be planned to directly complement the replacement facility build on the Farmington campus.

In total over ten years, HHC anticipates providing over of \$500M to the Principal Partnership

HHC commitment- over 10 years	
Academic Support	\$60M
% of UH/UP Profit over \$3M	50M
Working Capital	40M
Tech Transfer	25M
Patient Tower	300M
Research	100M
Total	\$565M

University Hospital will be governed in the manner that best promotes the advancement of its academic, clinical and charitable missions. A new governing Board for UH will be established.

The UConn President and UConn Dean of the SOM will serve as Hartford Healthcare Corporation board members. Hartford Healthcare is not seeking any board positions on the University of Connecticut Board of Trustees. The UConn President and Dean of the SOM will serve as HH and UH board members.

UP will be a dual member entity, with UH and the SOM as its two members. Its Board will be composed of two UH members and two SOM members.

Governance Membership

System/University	HHC	UConn
Representation	<ul style="list-style-type: none"> ■ UConn President ■ One Designee/Dean (3 years) 	<ul style="list-style-type: none"> ■ HH not requesting a board position
Hospital	University Hospital	UCHC
Representation	<ul style="list-style-type: none"> ■ UConn President ■ UConn Dean of SOM 	<ul style="list-style-type: none"> ■ HHC President and CEO ■ One Designee
Physician Practice	University Physicians	
Representation	<ul style="list-style-type: none"> ■ HHC President ■ One Designee * Operating Committee 	<ul style="list-style-type: none"> ■ UConn Dean of SOM ■ One Designee
Management Overlap	University Hospital- Hartford	University Hospital- Farmington
Representation	<ul style="list-style-type: none"> ■ UConn Dean of SOM ■ UP CEO ■ Physician Leaders 	<ul style="list-style-type: none"> ■ UH CEO ■ UP CEO ■ Physician Leaders

State Support

The following State support is essential to the Principal Partnership for it to succeed:

- Capital funds of \$475M are requested for the planning, design and construction of the 250 bed replacement facility on Farmington campus of UConn.
- Annual funding of the differential between State employee fringe benefits and prevailing healthcare facility fringe benefits in the region; to include all State employees involved University Hospital-Farmington Campus.
- The current differential is approximately \$13M for John Dempsey Hospital. The benefits for employees of University Medical Group which will become part of University Physicians are paid by current funding of the School of Medicine. The existing funding mechanism of for those employees will remain in tact.
- Continuation of the existing State funding for academic programs and support services at UCHC. Currently \$146M is provided for the SOM, SODM, and other support activities for

the UCHC campus. It is essential that State funding be preserved and grow to account for inflationary impact.

- Enactment of legislation to accomplish all of the integration transactions set forth in the definitive Integration Agreement.