

FIVE KEY POINTS ABOUT THE MPACT HEALTH CARE INNOVATIVE VISION



Rendering of a future, world-class University medical center on the Twin Cities campus. Credit: Cannon Design.

- 1. World-Class Academic Health System.** The University wants to ensure Minnesotans have access to a first-rate academic health system, bringing them the benefits of integrated research, teaching, and top-level care.
- 2. University Governance and Control.** To provide a world-class academic health system, the University must own, govern, and control University flagship facilities. The flagship facilities are: the University of Minnesota Medical Center - East Bank and West Bank, Masonic Children's Hospital, and the Clinics and Surgery Center.
- 3. Opportunities for Strategic Partnerships.** The University seeks opportunities for partnerships and relationships with health systems that will allow us to maximize our mission-focused impact for the state. These partnerships are essential to our role as a state land-grant University seeking to bring benefits to all Minnesotans, and it also supports our teaching and research missions.
- 4. Future: New State-of-the-Art Hospital.** Our current hospital facilities on the East and West Bank are old. We need a newly designed state-of-the-art hospital complex on the East Bank to move clinical and academic medicine forward for the next 50 to 100 years. We have been prudently acquiring the land for this investment for years. Since planning and construction will take five years or more, we must begin now to secure the necessary public funding, to assess community needs, and to plan the facilities that will support our top-ranked Medical School and the people of Minnesota.
- 5. Now: Investment in Current Facilities.** In the next five to ten years, our faculty and patients need well-functioning facilities. The University will seek State and community investments to upgrade the University flagship assets to "bridge" the present to the future and ensure a successful transition to a new hospital.



EAST BANK HOSPITAL

(included Variety Children's Hospital)

University transferred ownership of building to Fairview in 1997

University retained ownership of land



WEST BANK HOSPITAL

(formerly known as Riverside Medical Center)

Building and land owned by Fairview

As part of the 1997 East Bank Hospital transfer, Fairview agreed to operate both East Bank Hospital and West Bank Hospital as the flagship facilities for the University's academic health mission (research, training and clinical services)



MASONIC CHILDREN'S HOSPITAL

In 2011, the pediatric services then located at the East Bank Hospital were relocated to the new hospital facility constructed adjacent to the West Bank Hospital

Building and land are owned by Fairview

Significant fundraising by the University of Minnesota Foundation supported the new hospital

East Bank Hospital, West Bank Hospital and Masonic Children's Hospital are all operated under a single hospital license.



CLINICS AND SURGERY CENTER (CSC)

Building and land owned by University

Opened in 2016

University leases space in the building to the CSC joint venture owned 50/50 by UMP and Fairview and to Fairview for hospital-based services.

University of Minnesota Flagship Healthcare Facilities

The central question in considering the proposed Fairview/Sanford merger is ensuring the nonprofit charitable assets that make up the University of Minnesota's flagship healthcare facilities are, and will continue to be, devoted to their restricted purpose of serving the public, land grant academic health mission of the University.

That question is not answered in dollars, but in terms of the mission to which Fairview has committed its resources - a mission that connects and restricts those facilities to the University's public, land grant mission.

Fairview Mission Entwined With U Mission

The following reflects the many ways in which the Fairview mission entwines with the healthcare mission of the University of Minnesota:

--- In 1997, Fairview became stewards of the University's facilities via a complex set of interrelated transactions that found Fairview accepting the opportunity to integrate its healthcare duties with the clinical service mission of UMP and the land grant mission of the University. Fairview's acceptance of this responsibility was evidenced through its revised mission statement and revised Bylaws tying its nonprofit mission to the University. That revised mission statement applies both to the East Bank facilities transferred by the University and to the West Bank facilities via contractual promises of Fairview to operate both campuses collectively as a "combined campus" for the University's health-related research, education, and patient care mission.

--- In 2018, Fairview renewed that commitment by forming a "joint" clinical enterprise, embedding University faculty physicians into the service lines throughout the Fairview system and adopting a corresponding brand of M Health Fairview in recognition of its commitment to the University's academic medicine mission.

--- University assets and University philanthropy built the East Bank facility, and since 1997, the University of Minnesota Foundation has received over \$130 million in philanthropic donations to support the flagship facilities, including over \$104 million for Masonic Children's Hospital. While Fairview has also invested in the flagship facilities, that point is irrelevant. The important legal and public policy point is that all resources invested in the flagship facilities - from public funds, from charitable donations, and from Fairview - become beholden to the restricted nature of the flagship facilities which is to support the public, land grant, academic healthcare mission of the University.

--- Fairview has benefitted from UMP physician and other related services since 1997, with that commitment of care generating over 47% of Fairview's revenue and over 70% of Fairview's contribution margin, even though the UMP payments from Fairview account for less than 10% of Fairview's \$6 billion in revenue. In other words, Fairview's finances are inseparable from the ways UMP is involved throughout the Fairview system and the services of academic physicians are necessary for Fairview to remain solvent.

--- The entwined mission is also reflected in the Clinics and Surgery Center, a 50-50 joint venture providing specialty clinical care on the U of M campus which serves as the front door to UMMC.

University Land Grant, Constitutional Mission

A second, equally important governor is the public purpose embedded in the healthcare provided through the University of Minnesota flagship campus facilities. The University was founded in 1851 as a land grant university with a corresponding mission of teaching, service, and research. That mission is not only tied to the grant of land to the University via the Morrill Act of 1862, it is also embedded in the University Charter found in Chapter 3 of Minnesota's 1851 Territorial Laws, which was recognized by the Minnesota Constitution adopted in 1858. By entwining with the University land and mission, Fairview took on corresponding public commitments. Any effort to divorce the campus facilities from that mission or from control by Minnesota and its public university is contrary to their constitutional foundation.

Implications

The consequences of those two sets of public obligations are:

- The transfer of the campus facilities to the University cannot be viewed like a commercial purchase-and-sale transaction. The University is reacquiring public facilities that must be devoted to the land grant mission of the University no matter who "owns" them. The issue is not "fair market value" but constitutional "public value".
- While a general healthcare mission can conceivably be advanced by Sanford becoming the sole member of Fairview Health Services, the University's land grant mission cannot be beholden to a Sioux Falls entity. Exporting control over University healthcare and the campus facilities essential to providing it would be in conflict with the constitutional mission of the University and all of the public policies focused on Minnesota's control over its own public health future, including access and equity in healthcare.
- The University cannot be viewed as simply a healthcare delivery system. The University is part of the State of Minnesota by constitutional design, and by acting in the interest of the public mission of the University, the legislature is also acting on its own responsibilities to entrust the future of Minnesota health care in a Minnesota public institution dedicated by its charter to teaching, research and service.
- Support of teaching and research is not a diversion of revenue or a generous by-product of an economic enterprise. Teaching and research must be primary purposes of how the University's public facilities are employed. That charter mission cannot be handed to an out-of-state entity.
- The Fairview/Sanford merger should not be allowed to proceed "with or without" the University. Any merger must rest on a publicly enforceable commitment to a set of principles that center around academic medicine and an affiliation that advances the land grant obligations of the University to all Minnesotans.
- Public and charitable purpose is not defined or divisible by the dollars invested by Fairview versus those invested by the University. The issue is the mission to which those funds were tied when invested and that mission creates legal charitable restrictions under the Minnesota Nonprofit Corporations Act and Minnesota's charitable trust laws. Those laws must be respected and simply do not permit the proposed merger to move forward without the University.
- The University and its Medical School faculty devote their time and resources to the M Health Fairview mission and cannot let a for-profit mentality determine its priorities; likewise, by joining in the University's healthcare mission, Fairview takes on its public responsibilities and cannot now try to parse its contributions and take back what has been dedicated to its nonprofit charter mission tied to the University.



University of Minnesota Medical School is founded.

1888



Elliot Memorial Hospital is the first building on campus built as a hospital facility. It serves as a modern clinical teaching facility for medical student and provided free health care services for cases across the state.

1911

University of Minnesota Hospital (which included Variety Children's Hospital) is constructed on East Bank of University's land-grant campus ("East Bank hospital").

1986



University of Minnesota (UMN) transfers the East Bank hospital and related facilities to Fairview with the agreement Fairview-owned West and East Bank facilities will be operated as a combined academic medical center campus for the UMN

1997



UMN receives designation as a National Cancer Institute-designated Comprehensive Cancer Center, now the Masonic Cancer Center.

1998

2003



The first University of Minnesota Medical Center opens in 1909 in an old fraternity building.

1909



Mayo Memorial Hospital built on campus and becomes the state's teaching hospital.

1954



The University Faculty Practice Organization becomes the single faculty practice organization for the Medical School, is renamed University of Minnesota Physicians (UMP) and enters a 30 year affiliation agreement with Fairview that defines their mutual roles in clinical care, medical education and research at clinical sites.

UMP assumes management responsibility for the UMMC clinics, including employment of all Fairview staff at the UMMC ambulatory clinics and enters into management agreement under which UMP has all management responsibility for the UMMC clinics.



UMP agrees to provide all specialty care at the newly developed Fairview Maple Grove Clinics and Surgery Center.

2006



UMP constructs and opens a primary care clinic in Minneapolis as a health care access point for the community to highly skilled, academic primary care physicians.

2009



UMP and Fairview form a new joint venture entity, named "M Health," to manage their shared operations on the UMN campus and reaffirm commitment to the academic mission.

UMN Medical School celebrates 50th anniversary of performing the first heart transplant in Minnesota, reflecting decades of cardiology research and innovation.

2013



UMP enters a joint venture with Park Nicollet to build TRIA Orthopedic Center, a world-class clinic and surgery center.

2005



Dyad UMN and Fairview leadership structure is created for the first time for a service line.

2008



Masonic Children's Hospital opens, relocating pediatric services from East Bank hospital to new West Bank location

2011

UMMC establishes the Minnesota Resuscitation Center.



UMN, UMP and Fairview agree to construct a new 342,000-square-foot clinics and ambulatory surgery center facility on the East Bank that will open in 2016. The CSC is owned by UMN, operated by Fairview, and all professional and staff services are managed by UMP.

2016



UMN, UMP and Fairview enter into agreements creating a joint clinical enterprise, branded "M Health Fairview." The agreement includes faculty leadership of 11 specialty service lines and the roles of Chief Academic Officer and Chief Quality Officer.

2018



University of Minnesota launches the Minnesota Mobile Resuscitation Consortium, a first-of-its-kind life support program that uses vehicles equipped with mobile ECMO units to serve multiple healthcare systems in Minnesota.

2020



UMMC receives the highest quality ranking in 10 years, a result reflecting faculty leadership in clinical operations. UMP-managed outpatient clinics are nationally ranked #7 in ambulatory care¹ and #1 in access by Vizient.

2022



UMP enters into an orthopedic surgery service line agreement with CentraCare to provide orthopedic surgery faculty to work at St. Cloud Hospital.

2019

With academic physician leadership in key clinical operational roles, M Health Fairview converts Bethesda Hospital into the state's first dedicated COVID-19 care facility. The University of Minnesota Medical School develops an innovative PCR test independent of supply chain issues that gives Minnesota an early start to testing. The University of Minnesota and Mayo Clinic partner with the state to provide COVID testing for Minnesotans.

2020



An increase in NIH funding raises the UMN Medical School Blue Ridge ranking to #8 among U.S. public medical schools for research.

UMP has over 1770 physicians and APPs in over 90 specialties and subspecialties, seeing more than 1 million patients per year. The U of M Medical School and UMP work to expand access to academic medicine statewide through training, clinical trial networks and clinical partnerships with providers including CentraCare, Park Nicollet, Essentia, Regions, Gillette, Hennepin Healthcare, TRIA Orthopedic Center and the VA Hospital.

2023

- 1888** The University of Minnesota Medical School is founded.
- 1909** The first University of Minnesota Medical Center opens in an old fraternity building.
- 1911** Elliot Memorial Hospital is the first building on campus built as a hospital facility. It serves as a modern clinical teaching facility for medical student and provides free health care services for cases across the state.
- 1954** Mayo Memorial Hospital is built on campus and becomes the state's teaching hospital.
- 1986** University of Minnesota Hospital (which included Variety Children's Hospital) is constructed on East Bank of University's land-grant campus ("East Bank hospital").
- University of Minnesota transfers the East Bank hospital (inclusive of the children's hospital), patient parking ramp and related facilities to Fairview. University retains ownership of land. Land is leased to Fairview under a ground lease. Fairview and University enter into 30-year academic affiliation agreement.
- Fairview commits to operating the East Bank hospital campus and Fairview Riverside Medical Center campus (i.e., West Bank) as a single consolidated campus, creating an encumbrance to use those facilities as the University's flagship campus for its health-related research, education and patient care.
- 1997** Fairview amends its mission statement to support health-related research and education.
- Fairview amends its Bylaws to, among other things:
- - Provide seats on the Fairview Board for University representatives
 - - Establish a Research and Education Committee
 - - Recognize that Fairview benefits in the fulfillment of the health-related education and research components of its purpose and in its support of the University in having University representatives on the Board
 - - Provides that advocacy on behalf of the University is consistent with a University representative's fiduciary duties owed to Fairview.
- 1997** University Faculty Practice Organization, renamed University of Minnesota Physicians in 1998 and becoming the single faculty practice organization for the University's Medical School ("UMP"), and Fairview enter into an Affiliation Agreement that defines their mutual roles in the advancement of medical education and research and the clinical context for those activities, including their shared commitments as it relates to the operation of UMMC.
- 1998** University of Minnesota Medical School cancer center becomes a National Cancer Institute-designated comprehensive cancer center- one of only 71 institutions in the United States. The Masonic Cancer Center is part of the Big Ten Cancer Research Consortium.
- 2003** UMP assumes employment of all Fairview staff of the UMMC ambulatory clinics and enters into management agreement under which UMP has all management responsibility for the UMMC clinics.
- 2005** University of Minnesota Medical School, through UMP, enters into a joint venture with Park Nicollet to build Tria Orthopedic Center as a world-class orthopedic clinic and ambulatory surgery center.
- 2006** University of Minnesota Medical School and Fairview agree that UMP will provide all specialty care at the newly developed Maple Grove Clinics and Surgery Center
- 2008** University of Minnesota Medical School and Fairview create the first service line within Fairview, under which a dyad co-management structure is created.

- 2009** UMP constructs and opens a primary care clinic, Mill City Clinic, located in the Mill City district of Minneapolis as a health care access point for the community to highly skilled, academic primary care physicians.
- Masonic Children's Hospital opens, relocating pediatric services from East Bank hospital to new West Bank location
- 2011** University of Minnesota Medical Center establishes the Minnesota Resuscitation Center.
- UMP and Fairview form a new joint venture entity, Integrated Structure LLC, to serve as a joint operating company with delegated management authority over UMP and Fairview operations on the University campus, labeled "M Health" and inclusive of a Fairview commitment towards the academic mission to fuel advancements in patient care across the system.
- 2013** University of Minnesota, UMP and Fairview agree on terms to construct a new 342,000-square-foot clinics and ambulatory surgery center facility on the East Bank of the University campus which opens February 2016. The \$165 million facility is owned by the University and funded by University-issued bonds. A joint venture between UMP and Fairview owns and operates the outpatient clinics and surgery center in the CSC building. Through UMP, the University of Minnesota Medical School provides all professional services at the CSC, employs the staff and manages the facility.
- University of Minnesota Medical School celebrates 50 years since performing the first heart transplant in Minnesota. Building on decades of research and discovery, it is not only one of the largest, but one of the most innovative and influential cardiac programs in the country.
- 2016**
- University of Minnesota, UMP and Fairview enter into new definitive agreements creating a joint clinical enterprise over the clinical activities that Fairview and UMP engage in together, branded M Health Fairview. The agreement includes academic physician leadership of eleven specialty service lines as well as Chief Academic Officer and Chief Quality Officer positions (in place of the 2013 agreement).
- 2018**
- UMP enters into an orthopedic surgery service line agreement with CentraCare under which UMP recruits and employs orthopedic surgery faculty to work at St. Cloud Hospital and jointly manages the orthopedic service line within CentraCare Health under a dyad leadership structure.
- 2019**
- University of Minnesota launches a first-of-its-kind mobile life support program through M Health Fairview, the Minnesota Mobile Resuscitation Consortium (MMRC) which through mobile ECMO vehicles, delivers 24/7 cardiac arrest care as quickly as possible, serving multiple healthcare systems in Minnesota.
- 2020**
- With academic physician leadership in key clinical operational roles, M Health Fairview converts Bethesda Hospital into the state's first dedicated COVID-19 care facility. The University of Minnesota Medical School develops an innovative PCR test that does not depend on beleaguered supply chains for its materials, giving Minnesota an early start to critical testing. The University of Minnesota and Mayo Clinic partner with the state to provide COVID testing for Minnesotans.
- 2022** UMMC receives the highest quality ranking in the last 10 years, a result credited to the University Medical School faculty leadership in the clinical operations model. UMP-managed outpatient clinics are ranked #7 in the nation and #1 in the Vizient ambulatory ranking for access.
- Blue Ridge ranks University of Minnesota Medical School #8 nationally among public medical schools for research, recognizing its success in securing the NIH funding that fuels the science that advances patient care for Minnesotans and beyond.
- 2023** The University of Minnesota Medical School is the only public medical school in the state, educating 70% of Minnesota's physicians.
- As the clinical arm of the Medical School, UMP has over 1770 physicians and APPs in over 90 specialties and subspecialties, seeing more than 1 million patients per year. The U of M Medical School and UMP work to expand access to academic medicine statewide through training, clinical trial networks and clinical partnerships with providers including CentraCare, Park Nicollet, Essentia, Regions, Gillette, Hennepin Healthcare, TRIA Orthopedic Center and the VA Hospital.

PHILANTHROPIC CASH RECEIPTS IN SUPPORT OF HOSPITALS & CLINICS
 JANUARY 1, 1997 TO FEBRUARY 2023

	Children's Hospital	MHFV Hospitals & Clinics	Vice President- AHC	Miscellaneous	Total
Capital Improvements/Facilities	\$67,714,712	\$45	\$10,138,528	\$0	\$77,853,285
Hospital/Clinical Programming	12,739,538	98,012	12,999,920	3,392	\$25,840,862
Patient Care	2,988,760	1,551,281	115,847	-	\$4,655,887
Professional Development/Staff Support	609,134	79,368	-	-	\$688,502
Program Support	5,890,169	10,000	582,296	-	\$6,482,465
Strategic Initiatives	-	241,594	-	-	\$241,594
Research	300	-	235,350	158,778	\$394,428
	\$89,942,613	\$1,980,299	\$24,071,941	\$162,170	\$116,157,023

OUTSTANDING PLEDGES:

Capital Improvements	2,241,687	Masonic Children's Hospital	14, 741,687
Programming/Patient Care	12,540,000	M Health Fairview Systemwide support	\$40,000
TOTAL outstanding pledges	\$14,781,687	Total by system location	\$14,781,687

*** ALLOCATION AMONG SYSTEM LOCATION:**

DEAL TERMS AND UMN PAYMENTS TO FAIRVIEW	THROUGH 12.31.2010
Transition @ 6.5M / Yr for 3 Years ("Working Capital")	\$ 19,500,000
Research and Education Transitional Agreement (32 Months)	\$ 32,000,000
Bucket (Education & Research) for years after through 12.31.2010	\$ 82,573,000
Appropriation Offset & Settlement Issues	\$ 33,400,000
Revenue Allocation (UMP)	\$ 24,300,000
TOTAL 14 YEAR DEAL PAYMENTS	\$ 191,773,000
1997-2010 (14 Years)	14
Annualized UMN Subsidy to Fairview 1997-2010	\$ 13,698,071
Plus: Took Over \$13M per Year Costs (Appropriation Offset)	
Plus: Absorbed \$10M per Year Hospital Support for Medical School (Bucket Sunset)	

DEAL TERMS AND UMN PAYMENTS TO FAIRVIEW

Transitional Payments: \$1,000,000 per month for 32 months

Appropriation Offset: U retained \$13M O&M hospital appropriation and agreed to remove \$13 M of U controlled costs from hospital operation

Bucket: Fairview and U would split unfunded costs of education and research 50/50

Revenue Allocation Agreement: Intended to allocated to FV revenue received by UMP for facilities and services provided by Fairview.

PAYMENTS BY THE UNIVERSITY TO FAIRVIEW (ASSOCIATED WITH AAA)

	Transitional (Working Capital)	Transitional (Research & Education)	Historical Bucket and Appropriation Offset Issues 1997-2002 Negotiation	Appropriation Offset (\$13M) - Prospective Buyout Nego- tiation	Buyout of Clinic Education Costs - Negotiation	Bucket ***	Revenue Allocation Agreement (UMP)	Totals
1997	\$6,500,000	\$12,000,000					\$2,400,000	\$20,900,000
1998	\$6,500,000	\$12,000,000					\$2,100,000	\$20,600,000
1999	\$6,500,000	\$8,000,000					\$1,800,000	\$16,300,000
2000							\$1,800,000	\$1,800,000
2001							\$1,800,000	\$1,800,000
2002			\$5,100,000	\$1,040,000	\$940,000	\$8,196,000	\$1,800,000	\$17,076,000
2003			\$4,600,000	\$1,040,000	\$940,000	\$7,775,000	\$1,800,000	\$16,155,000
2004			\$4,600,000	\$1,040,000	\$940,000	\$8,917,000	\$1,800,000	\$17,297,000
2005			\$4,600,000	\$1,040,000	\$940,000	\$7,670,000	\$1,800,000	\$16,050,000
2006			\$4,600,000	\$1,040,000	\$940,000	\$9,215,000	\$1,800,000	\$17,595,000
2007						\$10,200,000	\$1,800,000	\$12,000,000
2008						\$10,200,000	\$1,800,000	\$12,000,000
2009						\$10,200,000	\$1,200,000	\$11,400,000
2010						\$10,200,000	\$600,000	\$10,800,000
2011								\$-
2012								\$-
2013								\$-
2014								\$-
2015								\$-
2016								\$-
2017								\$-
	\$19,500,000	\$32,000,000	\$23,500,000	\$5,200,000	\$4,700,000	\$82,573,000	\$24,300,000	\$191,773,000

PAYMENTS BY FAIRVIEW TO UNIVERSITY (EXCLUDES EXCHANGE TRANSACTIONS)

	Direct AHC Support Payment (3.5% or \$1M)	\$1M Offset to Rent Payments Due University	Dean's Grant	Additional FV Funded Programs Prior to Bucket Swap	Bucket Swap Resources Available to Med School ***	Totals
1997	\$1,000,000	\$(1,000,000)				\$-
1998	\$1,000,000	\$(1,000,000)				\$-
1999	\$1,000,000	\$(1,000,000)				\$-
2000	\$1,000,000	\$(1,000,000)				\$-
2001	\$1,000,000	\$(1,000,000)	\$1,000,000			\$1,000,000
2002	\$1,000,000	\$(1,000,000)	\$1,000,000			\$1,000,000
2003	\$1,000,000	\$(1,000,000)	\$1,000,000			\$1,000,000
2004	\$1,000,000	\$(1,000,000)	\$1,500,000			\$1,500,000
2005	\$1,000,000	\$(1,000,000)	\$2,000,000	\$300,000		\$2,300,000
2006	\$1,000,000	\$(1,000,000)	\$2,050,000	\$700,000		\$2,750,000
2007	\$1,000,000	\$(1,000,000)	\$2,050,000	\$800,000		\$2,850,000
2008	\$1,000,000	\$(1,000,000)	\$2,050,000	\$1,570,000		\$3,620,000
2009	\$1,000,000	\$(1,000,000)	\$2,050,000	\$3,200,000		\$5,250,000
2010	\$1,000,000	\$(1,000,000)	\$2,050,000	\$4,462,000		\$6,512,000
2011			\$4,500,000			\$4,500,000
2012			\$4,500,000			\$4,500,000
2013			\$7,000,000			\$7,000,000
2014			\$7,000,000			\$7,000,000
2015			\$6,000,000			\$6,000,000
2016			\$6,000,000			\$6,000,000
2017			\$7,500,000			\$7,500,000
	\$14,000,000		\$59,250,000	\$11,032,000	\$-	\$70,282,000

*** Bucket Swap - Fairview ended its annual funding of ~ \$10M of Medical School / AHC academic initiatives; AHC was alleviated of future Bucket payments; O&M previously used to make Bucket payments was permanently reallocated to AHC (\$1M in lieu of "Dividend") and Medical School (\$9M) to continue funding of the FV academic initiatives.