

University of Louisville

PURCHASING DEPARTMENT
LOUISVILLE, KENTUCKY

Invitation No: RP-57-12

Date : March 9, 2012

Addendum No: One (1)

**Title: Investing in and Delivering Health Care Services,
Education and Research in Conjunction with University
of Louisville and University Medical Center**

The following shall clarify and/or modify the original bid document(s) as issued by the University of Louisville.

1. Add the attached Questions Submitted and UL/ULH Response.

Bidder must acknowledge receipt of this and any addenda either with bid or by separate letter. Acknowledgement must be received in the Office of Purchasing, Service Complex Building, University of Louisville not later than **March 23, 2012** if by separate letter, the following information must be placed in the lower left hand corner of the envelope:

Invitation No: RP-57-12

Title: Investing in and Delivering.....

Open Date: March 23, 2012

BY: _____
Authorized Purchasing Officer

Receipt Acknowledged: _____
FIRM

BY: _____

Failure to sign and return this document may deem your proposal non-responsive.

Questions

Q1 What are you looking for via the RFP regarding “medical school”? Specific programs? If so, which ones and for what?

Response: **This topic is offered to invite the respondent’s interests and ideas in partnering with UMC and UofL.**

Q2 What are your intentions as it relates to existing relationships with the medical school (i.e. Norton and Jewish)? Do you anticipate those to remain in place? Be terminated?

Response: **There is no intention in the RFP to alter existing relationships.**

Q3 What are the immediate capital needs of the organization – for the hospital? Section 5.3 notes “critical renovation and physical expansion” – please elaborate on needs

Ambulatory services?
Physician clinics?
Outreach efforts?
School of medicine?
Infrastructure?
Equipment?
Services expansion?

Response: **This topic is offered to invite respondent’s interests and ideas in partnering with UMC and U of L and respondent’s sense of UMC/U of L needs. It also recognizes UMC’s significant undercapitalization history over the past several years and a general need for capital investment, again offering the respondent an opportunity to propose levels of capitalization they are willing to undertake.**

Q4 The state auditor has announced intentions to have an audit of the QCCT and indigent care at UMC. How might that impact the hospital or this RFP process? When is that audit expected to be completed and the results shared?

Response: **We are not aware of the APA’s timetable. We are not prepared to speculate on what impact the audit might have on the hospital. We do note, however, that the governor proposed full funding from the Commonwealth for its portion of QCCT and this was recently adopted without modification by the House A&R Committee.**

Q5 Related to Clinical care –What are the immediate needs? Should all services and patient types and ages be included?

Response: **This topic is offered to invite the respondent’s interests and ideas in partnering with UMC and UofL. The University is committed to the support of the full range of academic disciplines so as to maintain accredited residencies and fellowships and to adequately train medical students, resident and fellows.**

Q6 What is the current composition of ULP and the PSC's? How many docs in ULP? You noted that there were > 50 PSC's in 1996 – how many now and how many doc's are in separate PSC's?

Response: There are approximately 100 physicians in ULP, but there will be about 600 by year end. It is anticipated that all extant PSCs will migrate into ULP to form a single, multidisciplinary practice plan by calendar year end 2012.

Q7 What are the terms of QCCT? Do you anticipate that to continue as outlined in the attached Affiliation Agreement? Please provide a copy of the most current agreement

Response: A copy of the QCCT document is attached. We anticipate the QCCT contract to be renewed as it supports safety net care critical to the community.

Q8 What are your goals as it relates to Research and what are the immediate needs?

Response: This topic is offered to invite the respondent's interests and ideas in partnering with UMC and UofL .

Q9 What is the primary focus of what you want for your research program, through this RFP?

Response: This topic is offered to invite the respondent's interests and ideas in partnering with UMC and UofL .

Q10 Can you comment on funding needs for the hospital vs. physician operations vs. workforce and recruiting?

Response: This topic is offered to provide the respondent an opportunity to suggest where they believe needs and opportunities exist and to suggest what funding they are interested in providing.

Q11 It is noted that ULH is providing services to Central and Western Kentucky as well as Southern Indiana. Please comment on those services- what is provided and where. What are the goals and needs across this geographic area?

Response: This statement referred to the fact that many people from Central and Western Kentucky and Southern Indiana receive services at ULH and JGBCC. This is indicative of the unique, high quality care available at our facilities.

Q12 What are the critical governance issues for which UMC wishes to retain autonomy as noted in section 5.3?

Response: This statement recognizes that in denying the previously proposed merger, Governor Beshear indicated that control of the public asset must be retained. Any relationship proposed must meet this test.

Q13 One goal noted was achievement of system-wide nursing magnet status. Can you clarify if this is beyond the current University Hospital infrastructure?(section 5.4)

Response: UMC is preparing to submit its application for Magnet status. We seek a partner which would be desirous of fostering and expanding this initiative.

Q14 Please provide a copy of the income statements for University Hospital for the last two fiscal years and most recent year-to-date

Response: See attached.

Q15 Please provide a copy of the most recent balance sheet for University Hospital for the last two fiscal years and most recent year-to-date

Response: See attached.

Q16 Please provide a payor summary of charges and collections for the last two fiscal years and most recent year-to-date

Response: This information will be disclosed during the due diligence phase of negotiations.

Q17 Please provide a summary of inpatient and outpatient volumes by service type for the last two fiscal years (i.e. ER visits, OP visits, IP surgeries, OP surgeries, endoscopy, ...)

Response: See attached.

Q18 Please provide a summary of employees and FTE's by job code for the last two fiscal years and most recent year-to-date, including average salary

Response: See attached.

Q19 Please provide a summary of any contractual obligations associated with the hospital operations or the Medical school and the terms of such agreements

Response: See attached and Q58 attachment.

Q20 Please provide a summary of any leased equipment used in the hospital and the terms of such.

Response: See attached.

Q21 Please provide a summary of any leased property used by the hospital, SOM, ambulatory services, physician clinic/office space.

Response: See attached.

Q22 Can we receive copies of the Year End December 31, 2011 Audited Financial Statements and Audit Reports?

Response: The 2011 audited financials are not yet available – they are typically available at the end of April each year.

Q23 When will the submissions be made public and how will any documents submitted as part of the RFP be made public?

Response: These documents will become public after an award has been announced.

Q24 How does the solicitor define the scope and breadth of interdisciplinary health care training?

Response: This term was offered to provide respondent's an opportunity to suggest ways in which they would be interested in participating in interdisciplinary health care training.

Q25 With whom will the successful proposer be contracting – University of Louisville, University Medical Center, the Commonwealth of Kentucky, all three or a combination of the three?

Response: Answer is dependent upon relationships proposed by respondent.

Q26 What changes, if any, does the solicitor foresee with the existing Affiliation Agreement? Will the successful proposer become a party to the existing or a new Affiliation Agreement?

Response: The affiliation agreement is a critical document in defining the relationship between the hospital/clinical entity and the University of Louisville. Answer is dependent upon the relationships proposed by the respondent.

Q27 Sections 1.9 and 1.17 suggest that a successful proposer's proprietary information may become a public record once a contract is entered into.

a. Will the solicitor provide the successful proposer notice of an open records request to allow the proposer an opportunity to assert applicable exemptions to the open records request?

Response: No notification will be given to proposers of open records request. Proposers shall clearly identify as per instructions within the RFP as to the marking of

proprietary information being submitted. Proposers cannot mark their whole proposal as proprietary but should mark those sections that contain confidential business information, etc. A final determination will be made by the University on items marked as proprietary in nature prior to release to any requestor.

- b. In the event the successful proposer's proprietary information becomes the subject of a FOIA request or otherwise is made public, with the solicitor either provide notice to the proposer so that the proposer may assert applicable exemptions to the Act or will the solicitor raise on behalf of the proposer?

Response: The University agrees that if any information is marked as confidential business information, it would assert the open records exemption for material so marked, or timely advise the proposer so that they could make the assertion in an appropriate forum.

- Q28 Despite the first sentence in Section 1.17, will the solicitor agree to return the original and all copies of proprietary information to unsuccessful proposers?

Response: All proposals shall become a part of the Bid File and shall remain in the possession of the University.

- Q29 Does the solicitor anticipate that a separate scope of services agreement will be negotiated by and entered into between the solicitor and successful proposer? (For example, the solicitation indicates that the agreement will include a standard professional services contract, the solicitation and amendments and the proposal documents. Does the solicitor anticipate the solicitor and successful proposer will also negotiate a scope of services agreement that will detail the terms and conditions of the work to be performed by the successful proposer?).

Response: The competitive negotiations will address this issue.

- Q30 Consistent with 1.22, will the solicitor negotiate and permit orderly wind down provisions in the event the agreement is terminated or cancelled?

Response: yes

- Q31 Section 1.24 appears to conflict with Section 1.6. Is Section 1.24 intended by the solicitor to be an exception to the requirements of 1.6?

Response: Site visits may be requested by proposers; however this is not an opportunity of the proposer to gain additional information via conversation but to visit and view the facilities. All other communication shall comply with section 1.6

- Q32 Provide organizational charts for UMC, ULH, and ULP demonstrating the relationship between the University, ULH, UMC, and ULP. Please be specific in the relationships between each of the entities and the James Graham Brown Cancer Center. Describe the contractual relationships between the entities (other than the provided Affiliation Agreement)

Response: UMC does business as ULH and JGBCC. There is no separate UMC organization. JGBCC is not a formal corporate entity and its clinical facility operations are consolidated as a part of ULH financials. Organizational charts for ULH and JGBCC are attached.

There is no formal relationship between ULH and ULP.

Q33 How would ULH, UMC, and HSC/SOM approach the current governance and management structure of the ULH clinical enterprise, within a specified time period (e.g., 12 to 24 months) and how would it plan to utilize independent consultants jointly selected and paid by ULH/UMC/HSC/SOM and Baptist?

Response: Answer is dependent upon respondent's proposal.

Q34 In reference to the "contract period" (section 1.18), what is the contractual structure envisioned?

Response: Contract period is subject to respondent's proposal.

Q35 Who will be (e.g., ULH, The University of Louisville, UMC and ULP) parties to the ultimate transaction agreement? Any other significant parties? Will the collective University-affiliated entities be represented in a collective manner for transaction negotiation purposes or will each entity be separately represented in the process

Response: Each entity is independent and will require representation in negotiations which would impact its organization. ULP is not part of the process, but the successful bidder will necessarily be involved with ULP, which represents the faculty who are the medical staff of the hospital.

Q36 Section 5.3 of the Request for Proposal references a Joint Operating Agreement structure. What additional structures would be acceptable? Please elaborate on the preference for one structure over another.

Response: This issue was suggested to allow respondent to propose one or more approaches to operating structures.

Q37 Please list and describe the specific IT infrastructure projects identified by ULH/UMC/ULP as being necessary over the next five years and what is the expected cost for each?

Response: ULH has determined that it requires a new IT platform to meet EHR Meaningful Use. ULH plans to make this commitment within 60 days. ULP has already committed to an IT approach and is in the process of implementing.

Q38 If the partner is expected to provide information technologies or services, please detail the applications, infrastructure technologies and services that are expected along with any timeframe for implementation.

Response: see above

Q39 What information technology requirements or expectations (if any) would be expected of the partner related to meeting EHR Meaningful Use? Please provide details including any required system replacements and timeframes.

Response: see above #37

Q40 What information technology requirements or expectations (if any) would be expected of the partner related to meeting ICD10? Please provide details including any required system replacements and associated timing.

Response: ULH has made necessary commitments and plans to meet ICD10 requirements.

Q41 Please identify and describe any information technology issues or replacements required due to regulatory mandates, obsolescence or contract terminations or expirations that the partner would be required to mitigate or provide? Please identify any timeframes associated with these issues.

Response: see above #37

Q42 Please describe any contractual commitments with partners, vendors, outsourcing arrangements, etc. that could impact information technology requirements of the partner?

Response: UMC is in negotiation to sever its existing vendor relationship.

Q43 Has a Health Information Exchange (HIE) product been selected or implemented by UMC? If so, please describe the selected product and the process used to come to a decision. If not, what are the plans for HIE or expectations of the partner to provide such and related timing?

Response: UMC is a member of the Kentucky Health Information Exchange (KHIE - <http://khie.ky.gov>) with the UMC CIO serving on the KHIE Coordinating Council representing state universities. UMC received the 2011 Pioneer award from the KHIE for the hospital supplying the most patient data to the health information exchange. The KHIE Community Portal Virtual Health Record (VHR) is entirely Web-based. Subsequently, the comprehensive electronic health record can be made available, regardless of the type of electronic medical record (EMR) or IT system employed at the source. This connectivity is achieved either through Web services, using the Continuity of Care Document (CCD), or through the VHR, using edge server connectivity via a virtual private network (VPN). UMC was chosen as one of six pilot hospitals in 2010 to participate in the statewide effort connecting to a secure, interoperable network administered by the Governor's Office of Electronic Health Information in the Cabinet for Health and Family Services. Supported by the technical team of the Office of Administrative and Technology Services, UMC participates in connecting every hospital and provider in the state to a common framework for the exchange of patient information.

Q44 What are the expectations of the partner in terms of providing the technology or participating in sharing or aggregating clinical, quality, patient data, etc. for research or other purposes?

Response: Answer is dependent upon respondent's proposal.

Q45 How will ULH, UMC and ULP approach formal residency rotations, shared residencies, or other CMS-authorized mechanisms to utilize Baptist hospital facilities throughout the state as formal training sites for residents and, to the extent permissible, ensure fair compensation to Baptist for such GME activities?

Response: Decisions about all academic programs are at the sole discretion of the University. Specifics on future decisions about teaching sites will be subject to competitive negotiations.

Q46 What are the ULP significant ancillary services (e.g., aside from stat lab, plain film radiology, and the like)?

Response: Currently ULP does not provide significant ancillary services.

Q47 Are ULP physicians permitted to have employment agreements, PSAs, or other medical director type agreements with other entities (Norton, CHI, etc.)? If so, please describe the principle terms of the agreements.

Response: Employment agreements are not permitted. PSAs and medical director agreements are permitted with departments rather than individual physicians and are managed via contracts.

Q48 For ULP physicians in the aggregate, what is the current percentage of time devoted to clinical care, education, and research?

Response: Not available.

Q49 How would Baptist participate substantively and financially in sponsored clinical research of ULH, HSC, and/or SOM?

Response: Answer is dependent on respondent's proposal. The UofL and UMC seek a partner that values the clinical and translational research mission and is willing to support it financially and through fostering entry into clinical trials across a state-wide network.

Q50 In what specific ways would ULH propose to extend University-related clinical services, facilitates, programs, faculty, and staff to both campus and non-campus-based locations of Baptist?

Response: Answer is dependent on respondent's proposal.

Q51 What specific physical plant expansion and renovation projects have ULH/UMC/ULP identified as being necessary over the next five years and what is the expected cost and timing for each?

Response: Necessity of expansion or renovation projects is dependent upon relationships and plans which respondent may propose.

Q52 Please define and describe any anticipated grants, loans or other outside sources of funding for the above capital projects? If so, what are the maximum and minimum amounts expected as well as the associated timing?

Response: Grants, loans, or other outside sources of funding which the respondent may propose will be considered in any relationship negotiation.

Q53 Does ULH/UMC/ULP have any outstanding compliance issues (e.g. Medicare and Medicaid billing)? Have reserves been established for these issues? If so, please list the estimated reserve for each issue.

Response: Should negotiation with respondent proceed to a due diligence phase, this information would be disclosed.

Q54 Please provide detail concerning the debt structure between the University entities and UMC including amounts outstanding and principle terms.

Response: There is no existing debt arrangement between UofL and UMC

Q55 Please provide detail of any off balance sheet obligations by the entities that may be required to be assumed by a prospective partner.

Response: Should negotiation with respondent proceed to due diligence stage, this information would be disclosed.

Q56 What is the budgeted excess/deficit of revenues over expenses (including any budgeted capital expenditures) for ULP for 2012, 2013, and 2014?

Response: By policy ULP does not budget deficits and intends to operate in a positive financial status.

Q57 Will ULH subsidize ULP if needed? Would Baptist be required to?

Response: The hospital would not be expected to subsidize ULP. ULP will negotiate appropriate contracts for patient care services, administrative functions provided by faculty, or joint ventures.

Q58 What is the current level of financial support from ULH to HSC, SOM, and/or the faculty, and what is the precise mechanism for such support (e.g., unrestricted grant, clinical services support agreement, academic support agreement, and the like); response should include but not be limited to:

- a. support to Clinics

- b. recruitment and retention payments (including the form of any such "retention" payments)
- c. GME (including both direct and IME)
- d. annual cash contribution to HSC
- e. Dean's Tax or any similar unrestricted funding to extent not already captured above?

Response: See attached. UMC is not subject to the Dean's tax.

Q59 What is the expecting funding from the QCCT for 2012 and any projected amounts beyond 2012?

Response: The contractual obligation of the parties to the QCCT for 2011-12 is \$34.362 million. The contract specifies the method of determining future obligations.

Q60 If a Joint Operating Agreement or a lease/management agreement was proposed to operate ULH and UMC, how would ULH and UMC propose to fund capital projects needed over the next 5 years? If Baptist funded ULH and UMC capital needs, how would you propose that Baptist be protected on its investment or how would its investment be refunded if the ULH and UMC exercised an unwind provision?

Response: The answer to this question is dependent upon the specifics of the relationship proposed by the respondent.

Q61 How will the Dixon Hughes Goodman report/review committee findings be incorporated into the RFP process?

Response: The DHG engagement by the *ad hoc* Operations Review committee is an independent process from the RFP process

Q62 Which entities are Joint Commission Accredited? For each entity that is accredited, please provide a copy of the last survey. Also, when will each of the entities be resurveyed?

Response: The hospital, cancer center, and hospital-provided services in the HCOC are accredited by the Joint Commission under the hospital entity. A re-accreditation survey is due 4/2013. UH also has a JC accredited primary stroke center, which will be re-surveyed 9/2012. Copies of accreditation survey reports will be made available to respondent during the due diligence phase of negotiations.

Q63 Will the RFP be amended based on the Dixon Hughes Goodman report/review committee findings?

Response: No amendment is currently anticipated.

Q64 What commitments/ obligations does ULH or UL AMC have in regards to the real estate involved with the “offsite” clinics staffed by ULP and the residents and fellows (i.e. UCHS, C and Y, Park DuValle, Newburg, Central Ave., etc.).

Response: ULH has no commitments in regard to the offsite clinics. C&Y space is owned by the University. Central Avenue space is leased from the ULF. UCHS space is owned by NHC. Newburg space is leased from a private entity, and the obligations are in accordance with that lease. Park DuValle is not associated with the University.

Q65 What governing bodies amongst the University and its affiliates will review the respective responses to the Request for Proposal?

Response: see Question #35. In addition, it is anticipated that management/leadership from the UofL and UMC will jointly review all responses to the RFP, conduct the competitive negotiations and make (a) final recommendation(s) to and seek approval by the UofL Board of Trustees, and the UMC Board of Directors, respectively.

Q66 Are any remaining agreements, including those with respect to confidentiality and information, still in effect with the Kentucky One partners? If so, at what point will these agreements expire or has UMC, ULH or the associated entities sought a waiver from the NDA terms.

Response: As reported in the news media, Governor Beshear has declined to approve the proposed transaction with KentuckyOne Health (KOH), and as a result, UMC has neither an obligation nor right to join the KOH hospital network in the future. The issuance of the RFP and the disclosure of information in connection therewith will not violate any agreement to which UMC is a party.

Q67 How will the joint venture be branded, in the Louisville metro area, regionally, and nationally?

Response: Answer dependent upon respondent’s proposal.

Q68 What are the respective corporate and financial relationships between ULH and/or HSC and (i) Kosair, (ii) Norton, (iii) Jewish, and (iv) VA hospitals?

Response: ULH has no arrangements with these entities. The UofL has affiliation agreements with each of them.

Q69 What are the principal terms of the Lease Agreement between UMC and the University?

Response: The Lease covers three parcels of real estate, which collectively make up the property generally known as the Hospital, the Ambulatory Care Building, the Parking Garage and Institutional Services Building, and the Lampton Building. The lease extends for 15 years from February 6, 1996, with three automatic 5 year renewals. We are currently in the first on those renewal terms. The rental during this first renewal term is \$541,666.67 per month. It is a net/net/net lease, and its continuation is dependent upon the continued existence of the Affiliation Agreement with the University of Louisville School of Medicine. The lease also

contains the usual covenants contained in a lease of real property, including such items as insurance, maintenance, improvements and signage.

Q70 What are the clinical services of focus for each of the University entities involved and UMC? What is the vision for the future for each entity? Are there any clinical services that must be maintained for a specified period of time?

Response: The University is required to maintain a full spectrum of medical and surgical specialties for adults and children, and the University engages in relationships to maintain those services with their hospital partners while maintaining and supporting the growth of currently available clinical services.

Q71 Will there be any change to the agreement obtained through this RFP process if current litigation matters outstanding are settled in the future? (e.g. public or private decisions) If yes, how will these changes be addressed through this process?

Response: Any answer to this question would involve undue speculation.