

BACKGROUND

WHEREAS, the state of Louisiana, through its public and private educational institutions and health providers, has long endeavored to create and maintain a system of medical education and training of the highest quality while also providing the highest quality of health care services to all its citizens, and

WHEREAS, the American Association of Medical Colleges now predicts the United States will experience, by the year 2020, a significant physician shortage and recommends a 30% increase in medical school enrollment by 2015, and

WHEREAS, 97% of the parishes in the State of Louisiana are currently designated as Health Professional Shortage Areas, and more than 22% of Louisiana's citizens do not have health insurance, and

WHEREAS, for nearly 70 years, the Charity Hospital in New Orleans was a center of training for thousands of today's practicing physicians and allied health professionals, who practice in regions all over the United States and abroad and who are furthering the cause of improving the human condition, and

WHEREAS, the collective goal of the stakeholders in the Louisiana health care system is to continue enhancing the competitiveness of the state's academic and training programs so Louisiana is positioned to attract the most talented faculty, students, residents and other medical professionals, and

WHEREAS, a highly competitive academic and training environment furthers the additional goal of the stakeholders to leverage the research capabilities of Louisiana's public and private educational institutions and health providers, and

WHEREAS, due to the catastrophic event that occurred August 29, 2005 - Hurricane Katrina - the operations of Charity Hospital were ceased, and

WHEREAS, tens of thousands of patient-physician relationships were disrupted or severed by the Hurricane, thousands of medical professionals were temporarily or permanently displaced, and almost half the inpatient capacity in Region I was lost, and

WHEREAS, the region's remaining hospitals and thousands of dedicated health professionals have continued to battle financial, physical and mental hardship to provide services to the population, and

WHEREAS, the opportunity exists to develop a new Academic Medical Center to replace Charity Hospital as part of a system of health care in Southeast Louisiana which respects the traditions and partnerships of the past while simultaneously creating a model training and service institution based upon the promise of tomorrow's technology and scientific advancement as well as needed operational efficiencies for the future, and

WHEREAS, this Academic Medical Center will play a central role in providing services to the uninsured, and will provide the state of Louisiana with tertiary services difficult to sustain in the typical community hospital setting while also providing a vehicle for partnerships with private organizations seeking to invest and partner in research and training, and

WHEREAS, this Academic Medical Center must have the ability to function in a highly competitive, technology driven and evolving health care market locally and nationally, and

WHEREAS, it is the desire of the State of Louisiana to build this Academic Medical Center without impeding the state's constitutional debt ceiling, thus optimizing the availability of private capital market financing while minimizing financial exposure to Louisiana taxpayers, and

WHEREAS, consistent with the responsibility incumbent upon this Academic Medical Center to comply with debt service provisions likely to be imposed by the lending institutions, the governance and management of the institution must be comparable with the best practices in the industry, be independent, be accountable, and be compliant with state law governing the statutory rights and obligations of LSU to affiliate with an independent non-profit supporting health care institution, and

WHEREAS, the affiliation of a non-profit enterprise in support of LSU for the purpose of furthering its educational mission is not without precedent, is contemplated by law, and it is of critical importance that LSU have an affiliated Academic Medical Center in which to train its medical and allied health students, medical residents and to conduct research in alignment with its academic, educational and research mission, and

WHEREAS, Tulane University has a long and rich tradition of providing medical training for the State of Louisiana, with its origins in medical training dating to 1834, and it is of critical importance that Tulane continue to have access to the new Academic Medical Center to train its medical and allied health students, medical residents and to conduct research in alignment with its academic, educational and research mission, and

WHEREAS, Tulane and LSU will rely greatly upon the Academic Medical Center for training of students and residents, and it is in the interest of both universities that each have considerable input into the oversight and governance of GME programs at the Academic Medical Center, and

WHEREAS, LSU, through its public mission and management of the public hospital system has established the goal of creating an integrated system of health care and medical training throughout the state, and

WHEREAS, a successful relationship between LSU, Tulane, Xavier, Dillard, Delgado and Southern Universities, as well as other universities and training institutions is desired

to optimize the training resources available to the state while also building the health care economic enterprise in Louisiana, and

WHEREAS, in accordance with the Stafford Act, 42 U.S.C. § 5121 *et seq.*, funding by the Federal Emergency Management Agency relating to a replacement facility for Charity Hospital is an obligation under law, and the funding amount must be known in advance in order for the project to commence, and

WHEREAS, a collaborative relationship with a Veterans Administration hospital facility located as closely as possible to the new Academic Medical Center will create the optimal staffing and medical/allied health training enterprise with the goal of providing the most dignified and high quality service available to our veterans, and

WHEREAS, the parties recognize that any cooperative endeavor agreement pursuant to the MOU shall be subject to approval of the Joint Legislative Committee on the Budget in accordance with the law, and

WHEREAS the state of Louisiana, the Board of Supervisors of Louisiana State University Agricultural and Mechanical College (“LSU”), the Administrators of the Tulane Educational Fund (“Tulane”), the Louisiana Department of Health and Hospitals (“LaDHH”), and the Louisiana Division of Administration (“DOA”), collectively referred to as “the parties”, desire to memorialize these objectives,

NOW THEREFORE, the parties, each of whom has authority to sign on behalf of their respective agencies or organizations, **AGREE AS FOLLOWS**:

MEMORANDUM OF UNDERSTANDING

Receipt of FEMA Funds and Conditions of Use

The State of Louisiana, Division of Administration, will receive any settlement from FEMA related to the claim made for damages to Charity Hospital. These funds, combined with the state contribution, will be made available to a non-profit corporation (“Corporation”) authorized under Title 17, Section 3390 of the *Louisiana Revised Statutes* in accordance with the terms of this Memorandum of Understanding, at the discretion of the Commissioner of Administration after a cooperative endeavor agreement (hereinafter referred to as the “**Agreement**”) or other agreements have been executed by the Commissioner of Administration and the Corporation. The Commissioner of Administration shall not execute the Agreement until such time as the Commissioner is satisfied that all conditions of this Memorandum of Understanding have been met. The Commissioner shall consult the parties to this Memorandum of Understanding prior to execution of the Agreement. The Agreement shall also be subject to approval of the Joint Legislative Committee on the Budget in accordance with the law.

New Academic Medical Center for the New Orleans Region

Pursuant to Article 8, Section 7 of the Louisiana *Constitution*, the Board of Supervisors of Louisiana State University A&M College is specifically authorized to supervise and manage the programs of its system, including medical education and related research activities. Title 17, Section 3390 of the *Louisiana Revised Statutes* authorizes non-profit corporations to support public institutions of higher education, including through support of facilities and research and educational programs. It is therefore contemplated that the Corporation (which shall be a corporation affiliated with LSU as defined in Title 17, Section 3390 of the *Louisiana Revised Statutes*), will support the financing, construction and operation of the new Academic Medical Center ("AMC"). It is further contemplated that the state will support the construction of the new Academic Medical Center ("AMC") through the Corporation only if there are appropriate safeguards to protect the public interests and assure the efficient operations of the facility, as more fully set forth herein. The Board of Supervisors of LSU shall own the fixed assets of the AMC, including all plant and property, and shall enter into an agreement to make these assets reasonably available to the Corporation.

It is the intent of the parties that the AMC be constructed on the property acquired by the State and LSU and pursuant to the procedures required by federal and state law. LSU will enter into a long-term agreement with the Corporation to govern the Corporation's use of said property in connection with the operation of the AMC. The agreement will be of sufficient duration to support the long-term financing of the Corporation/AMC.

As a condition of state funds, including those received from FEMA, being used in support of the AMC, the Agreement shall ensure the Corporation (which shall be a corporation authorized to affiliate with LSU pursuant to Title 17, Section 3390 of the *Louisiana Revised Statutes*) meets the following criteria:

Governance

The parties recognize the financial and clinical success of the AMC will rely upon accountable and effective governance. The board of directors of the Corporation (hereinafter, "Corporation Board") shall consist of eleven (11) members. Four (4) members shall be representatives of LSU appointed by the President after obtaining the advice and consent of the Board of Supervisors. One member shall be the President of Tulane University, or his designee. One member shall be the President of Xavier University, or his designee. One member shall be appointed by the presidents of Delgado, Dillard and Southern Universities to serve two year terms; the order of service shall be determined by lot. Each of these appointed members shall be permanent members serving until replaced by their sponsoring institution or group of institutions.

The remaining four (4) members (hereinafter, "non-permanent members") shall be individuals who are not affiliated in any way with permanent member institutions of the Corporation Board and may also include one individual nationally recognized for leadership in academic medicine or health care management, regardless of his or her state

of residence. For purposes of this section, "not affiliated in any way with permanent member institutions of the Corporation Board" shall mean individuals who during the time of Corporation Board service are not, and for the three (3) years preceding Corporation Board service have not been, employed by or serving on the boards of directors, trustees, or supervisors of a permanent member institution or any entity, organization, department or division or affiliate, including any alumni association or foundation that is under the control or direction of a permanent member institution. Membership alone in an alumni association of the permanent member institutions shall not preclude service on the Corporation Board by being considered "affiliated in any way with permanent member institutions."

At all times, the Chair of the Corporation Board will be a designee of the President of the LSU system, who shall be designated from among the four (4) members of the Corporation Board representing LSU. Except as provided herein, and including any powers granted within the bylaws, the Chair shall enjoy all the rights and privileges of the other Corporation Board members. The process for establishing the initial Corporation Board is detailed herein, and upon its appointment, the initial Corporation Board shall set forth the process for successor non-permanent member appointments in the bylaws of the Corporation, and shall specify that the successor non-permanent Corporation Board member appointments be comprised of a proper balance of membership which includes individuals with expertise in finance, medicine, health care management, health care law or other experience relevant to the planning, development and management of a sophisticated academic medical enterprise.

The bylaws will specify that a nominating committee, which is composed of the permanent members of the Corporation Board, shall be formed for the purpose of recommending successor non-permanent members. The nominating committee shall be chaired by the Chair of the Corporation Board. A majority of the members of the nominating committee shall be required in order for a nomination to be made. The Chair of the Corporation Board may only vote to break a tie. In the event that the nominating committee has not nominated a candidate to fill a vacancy within three (3) months of the creation of the vacancy, the issue shall be referred to the full Corporation Board and a majority vote of the full Corporation Board shall be sufficient to appoint a new director. In the event a nomination by the nominating committee is not approved after being presented to the full Corporation Board and the lapse of three (3) months without a substitute nomination for the position by the nominating committee, any four (4) board members may jointly make a nomination, and a majority vote of the full Corporation Board shall be sufficient to appoint the new director. If two substitute nominations for the position are rejected by the full Corporation Board in accordance with this paragraph, any four (4) board members may jointly make a nomination for the position, and a majority vote of the full Corporation Board shall be sufficient to appoint the new director.

A majority of the members of the Corporation Board will be composed at all times of persons who are not members of the LSU Board of Supervisors or members or employees of LSU or any entity, organization, department or division or affiliate that is under the control or direction of the LSU Board of Supervisors. The bylaws shall also include strict

conflict of interest provisions governing permanent and non-permanent Corporation Board members. The terms of non-permanent members shall be staggered such that no more than two members rotate off the Corporation Board in any one year, no one non-permanent member serves more than two terms, and terms should not last more than three (3) years. Non-permanent members shall serve until they are replaced, and the Corporation Board shall exercise diligence in ensuring the appointment process commences timely in order to comply with the intent of the term limits. In the event a non-permanent member cannot serve a full term, the replacement non-permanent member shall serve the remainder of that term, provided that:

- If the vacating member has served less than half his/her term, the replacement non-permanent member shall be eligible to serve for an additional full term upon the expiration of the vacating member's term.
- If the vacating member has served more than half his/her term, the replacement non-permanent member shall be eligible to serve an additional two full terms upon the expiration of the vacating member's term.

Process for Establishment of the Initial Corporation Board

Because it is contemplated that the State and LSU will enter into the Agreement with the Corporation for the purpose, inter alia, of its benefiting from the funds provided by FEMA to the State and additional funds provided by the State for contribution toward land acquisition and construction costs, pursuant to this Memorandum of Understanding, and because the State of Louisiana has a clear interest in ensuring the qualifications and independence of the Corporation Board prior to executing the Cooperative Endeavor Agreement committing any funding, the parties agree that the Commissioner of Administration and the Secretary of the Department of Health and Hospitals will establish a process for accepting nominations for the initial non-permanent members of the Corporation Board. It is the intent and goal of the parties that the Commissioner of Administration and Secretary of the Department of Health and Hospitals will seek qualified candidates who comprise a proper balance of expertise in finance, medicine, health care management, health care law or other experience relevant to the planning, development and management of a sophisticated and efficient academic medical enterprise. The Commissioner of Administration and the Secretary of the Department of Health and Hospitals will review the nominations for appointment and recommend to the permanent members a slate of initial non-permanent members. The Commissioner and the Secretary shall ensure that the recommended initial non-permanent members represent a proper balance of experience and qualification, are independent and understanding of their obligations to the Corporation. The permanent members of the Corporation Board shall vote on whether to approve the full slate of recommended initial non-permanent members, and such approval shall not be unreasonably withheld. Immediately upon such approval, the recommended members shall be deemed to be elected to the Corporation Board. In the event the recommended slate of initial non-permanent members is not accepted by the permanent members, the Commissioner and the Secretary shall continue to recommend a new slate until one is approved by the permanent members.

Name of AMC

The name of the AMC shall be “University Medical Center” and its branding shall reflect (1) it is a major affiliate of LSU and part of the LSU system, (2) it is a teaching hospital of Tulane University, and (3) other university affiliations approved by a majority of the then seated members of the full Corporation Board. The principal hospital building of the AMC shall be designated the “Rev. Avery C. Alexander Hospital” building. Other buildings may be named for donors at the direction of the Corporation Board in accordance with its building and facilities naming policy.

Public Accountability

The intent of the Agreement is, in part, to ensure proper accountability for the services provided by the Corporation and paid for by the State. As such, the Agreement shall ensure:

- The Division of Administration and the Department of Health and Hospitals shall have access to any and all records held by the Corporation for the purpose of conducting the official responsibilities of the respective agencies.
- The Corporation shall develop and maintain policies and procedures which ensure purchasing practices are consistent with achieving the best pricing and fairness in purchasing through competitive processes.
- The Corporation's financial and other records shall be subject to audit by the LSU System Internal Audit and the Legislative Auditor, in addition to yearly corporate audits.
- The Corporation shall follow quality constructions standards in consultation with the Division of Administration.
- The Corporation shall follow public records laws with respect to receipt and expenditures of state or federal funds.
- The Corporation shall generally take all necessary steps to assure transparency, responsibility and accountability to the public.

Bylaws Requirements

The parties agree that the Agreement will require that the Corporation, as a condition of receiving the initial state support toward construction, will adopt bylaws which, at a minimum:

- State the purpose and corporate mission of the Corporation. The bylaws shall describe, at a minimum, the role the Corporation will play in being a safety net provider for the state's uninsured and the pivotal role the AMC will play as a statewide referral center for patients within the LSU health system in need of higher levels of care, the role the AMC will play in medical and allied

health training, and the goal of being recognized nationally as a leader in research, training and excellence in transparent clinical and financial outcomes.

- While the Corporation must support the programs, facilities, research and education of LSU pursuant to La. R.S. 17:3390, and must support the medical training programs of Tulane consistent with this MOU, it is nonetheless required to be an effective, efficient organization acting, at all times, in a responsible manner. The bylaws shall clearly articulate that it is the obligation of each Corporation Board member to act as a fiduciary to the Corporation and to ensure, first and foremost, the financial integrity of the Corporation, and each Corporation Board member shall attest they will, at all times, notwithstanding any other provision to the contrary, adhere to their fiduciary obligation to the Corporation to ensure proper and efficient stewardship of the Corporation and its assets.
- Recognize that the Corporation has, as a principal purpose, the support of programs, facilities and research and educational opportunities pursuant to La. R. S. 17:3390, and the Corporation will, at all times, adhere to the intent of the statute to support the education and research mission of LSU while also recognizing the significance of the education and research mission of Tulane and other affiliated academic institutions.
- Acknowledge that the AMC is a key component of the LSU Health System and as such will participate in mutually beneficial academic, clinical and business operations. Potential mutually beneficial operations may include: LSU's system-wide Information Technology initiatives, supply chain processes to achieve reduced supply cost, clinical disease management programs, adoption of common metrics for reporting of clinical, operational and financial outcomes, coordination with the LSU Health System on establishing requests for either direct or matched state funds, and others. "Mutually beneficial operations" shall include full participation in the continuation of the LSU electronic medical records ("EMR") program; provided, however, that any EMR system utilized by LSU will meet the interoperability standards established by the Office of the National Coordinator for Health Information Technology. Additionally, LSU will provide Tulane with information on a periodic basis regarding specification requirements of its EMR system, and LSU will reasonably respond to questions that it would routinely answer from other referring providers in the ordinary course, so that LSU and Tulane can ensure compatibility and interoperability between the EMR systems; provided, however, that LSU shall not be required to expend other than normal costs of communicating specification requirements (electronically or by hard copy, at its option) in meeting this obligation to provide such information.
- Include, at a minimum: all substantive issues required by The *Joint Commission*; standards for conduct of Corporation Board members, including non-interference by individual Corporation Board members in the daily operations of the AMC outside prescribed responsibilities outlined in the bylaws; process for appointment and dismissal of Corporation Board

members; attendance requirements by Corporation Board members; conflict of interest policies for Corporation Board members, including disclosure and recusal; and process for selection of officers other than the Chair, who shall be designated as provided herein by the President of the LSU System.

- State that any three directors may bring an issue to the full Corporation Board as an action item for the agenda, provided that written notice is provided to all Corporation Board members at least 20 days in advance. The notice shall state that the item has been requested for the agenda and must identify the item.
- Include the creation and membership guidelines of standing committees of the Corporation Board, to include, at a minimum; audit and compliance, finance, quality, risk management, compensation and review, strategic planning and Graduate Medical Education.
- Require the Corporation to maintain and annually update a five-year strategic plan inclusive of a capital plan, finance and financial operations plan, quality plan, staffing and staff development plan, patient, employee and physician satisfaction plan, and a marketing and business plan.
- Include language requiring two-thirds affirmative vote of the members of the Corporation Board prior to making any future changes to the bylaws or corporate articles.
- Provide that the Corporation Board shall be ultimately responsible for the employment of a qualified Chief Executive Officer, who shall be responsible only to the Corporation Board.
- Provide that for GME-related contracts with LSU and Tulane, that neither University shall be treated in a discriminatory manner with regard to the policy administration of the GME programs. Notwithstanding the requirement for a two-thirds affirmative vote of the members of the Corporation Board in order to change the bylaws, any change to the non-discrimination section of the bylaws shall require the consent of the permanent Corporation Board member representing Tulane in the event the proposed bylaw change affects the non-discrimination section related to Tulane, and shall require the consent of a majority of the of the permanent Corporation Board members representing LSU in the event the proposed bylaw change affects the non-discrimination section related to LSU.
- Provide that the GME Position Allocation provisions of the bylaws may not be changed without the consent of the permanent Corporation Board member representing Tulane and the permanent Corporation Board members representing LSU.

Although it is not a requirement of the Agreement, the Parties will recommend that the Corporation Board consider including in the Corporation bylaws a statement that participating institutions, for example Delgado, Dillard, and Southern universities, will be invited to attend Corporation Board meetings.

Additional GME and Related Requirements

The Corporation shall operate the AMC and shall be the GME successor to the hospital currently operating under provider number 19-0005. The LSU Board of Supervisors and the Corporation shall take all steps necessary to meet all the Medicare requirements for change of ownership, within the time limits set by CMS, related to the transfer of provider number 19-0005, and the resident slots and licenses associated with such provider number, to the Corporation.

In the event there is a change in governmental or private payor policy that affects hospital reimbursement for resident training, the parties will conform this MOU and any implementing agreement to most closely carry out the intent of this provision to ensure that Tulane and LSU are entitled to the Historical Allocation (as defined below) of resident slots and fair reimbursement for resident training.

GME Contracts

The Parties agree that the bylaws of the Corporation shall provide that the Corporation Board and Tulane, and the Corporation Board and LSU, will enter into GME contracts stipulating the rights and responsibilities of each party with regard to affiliated academic training programs in accordance with this section. The agreements must acknowledge the critical role the AMC will play for the GME programs of both universities, and must detail the processes for governance of the GME programs. All policies and procedures within the AMC related to administration of the training programs will apply equally to the students, residents and faculty without regard to the sponsoring institution such that for similar work or support services, an institution's student, resident or faculty member will not be discriminated against by virtue of their affiliation with the sponsoring institution. The Parties further agree that the Corporation, in administering the GME program and affiliation agreements, shall:

- Ensure, with regard to policies affecting residents and medical students, an equality of educational experience between the students and residents irrespective of the sponsoring institution;
- Ensure, with regard to policies affecting LSU and Tulane residents, faculty and medical students, equality in application of the policies irrespective of the sponsoring institution; and
- Ensure faculty and resident support and pay without discrimination based upon the sponsoring institution being LSU or Tulane (for example, the method of assigning staff supervision reimbursement will be based upon the proportion of residents to faculty, according to specialty; provided that this provision shall not be construed to require duplicative services).

Disputes related to the content of an executed contract related to GME will be resolved by the hospital CEO and the representative of the applicable school of medicine initially. If the hospital CEO and representative of the applicable school are unable to resolve the

dispute, the issue will be referred to a committee of the Corporation Board formed for the purpose of resolving such GME-related contractual disputes. The committee membership will consist solely of the Corporation Board members not affiliated with LSU or Tulane. The committee will propose a resolution to the dispute. If this resolution is not accepted by the affected University and the full Corporation Board, nothing herein shall preclude the further available means to enforce an executed contract, and the contract may provide for binding arbitration or other means of dispute settlement. Since GME issues affecting both Tulane and LSU impact the operation of the AMC and, as a practical matter, extend beyond the AMC, the following will be considered during this informal resolution process related to GME slots or assignments, but will not be binding in any other proceeding:

- Total distribution of LSU and Tulane residents by discipline at the AMC
- Needs and expectations at the AMC and the ability for the residency programs to meet those needs and expectations
- Performance according to contract requirements
- Residents in the AMC slots assigned to other hospitals and their disciplines
- The total CMS-approved GME slots assigned to Tulane and LSU at the-AMC.

GME Position Allocation

The Parties agree that the bylaws will include the following provisions regarding the allocation of GME slots.

It is agreed that the pre-Katrina number of CMS-approved residency slots 573.26. Of this number, 373.26 of the slots are to be utilized at the discretion of LSU and 200 slots are to be used at the discretion of Tulane (the "Historical Allocation"). If fewer than the 573.26 GME positions can be accommodated at the AMC, each institution shall be entitled to use the available positions at the AMC in the same proportion as the Historical Allocation. The excess slots will be divided by the same proportion and may be loaned to other hospitals through annually renewed affiliation agreements, according to CMS regulations and under the oversight of the GME committee.

Reclaiming Slots

In the event there is a greater need for residents at the AMC, the Corporation may reclaim slots that have been loaned to other hospitals through regular and emergency affiliation agreements in accordance with the terms of such agreements; provided, however, that Tulane and LSU will fill the reclaimed slots in proportion to the Historical Allocation. The Corporation, in deciding which hospitals to reclaim slots from, will consult with Tulane and LSU to ensure that the slots are reclaimed in a manner that (a) permits Tulane and LSU to provide residents in the appropriate specialties at the AMC in proportion to the Historical Allocation, and (b) that ensures the proposed resident experience at the AMC will not adversely affect the ACGME accreditation of the residency programs of either Tulane or LSU. The Corporation shall provide Tulane and LSU notice of its intent

to reclaim the slots at least 12 months (but not more than 18 months) prior to July 1 of the year in which the Corporation intends to reclaim the slots (the "Academic Year"). The notice shall state the program and purpose for which the reclaimed slots will be used. If either Tulane or LSU declines to provide residents to fill some or all of the reclaimed slots that are proposed by the Corporation, such school's unused slots may be allocated to the other school's residents for use at the AMC without regard to the Historical Allocation; *provided, however*, that such reclaimed slots shall revert back to the school from which they were taken in the subsequent Academic Year if the reclaimed slots were not filled by the school from which they were taken at the time of the initial request due to temporary or emergency circumstances or other reasonable short-term limitations associated with the transition of residents to the AMC; and *provided further*, that any such reclaimed slot must be used for the designated purpose or it shall revert to the school from which it was taken to be used for that school's residents at the AMC, or if the AMC decides to enter into an affiliation agreement, at another hospital.

New Programs

The Corporation, Tulane, or LSU may initiate a request to the other parties to establish a new residency program or expand a residency program (beyond current ACGME approved resident number) at the AMC. In the event the Corporation establishes a new residency program or expands a residency program at the AMC, the Corporation in agreement with either school, may reallocate resident slots to the new program in a manner which does not change the Historical Allocation. When an expansion is proposed when only one school operates the program to be expanded, the Corporation and the accredited program will design the expansion to allow reasonable opportunities to the school without such a program to participate consistent with the goals and requirements of the program. The Corporation will provide Tulane or LSU with notice of intent to reclaim slots for any new or expanded residency program at the time of the request to the ACGME. The school must necessarily make the request of the ACGME. If either Tulane or LSU declines to provide residents to fill some or all of the slots as requested by the Corporation within 12 months of receipt of ACGME initial program approval or other ACGME required approvals, such school's unused slots in the new program may be allocated to the other school's residents for use in the new program; *provided, however*, that such reclaimed slots shall revert back to the school from which they were taken in the subsequent Academic Year if the reclaimed slots were not filled by the school from which they were taken at the time of the initial request due to temporary or emergency circumstances or other reasonable short-term limitations associated with the start-up of the new program; and *provided further*, that any such reclaimed slot must be used for the designated purpose or it shall revert to the school from which it was taken to be used for that school's residents at the AMC or, if the AMC decides to enter into an affiliation agreement, at another hospital.

This provision is applicable only to new or expanded residency programs at the AMC. In the event the Corporation loans its slots to be used for a new residency program at any other location, neither Tulane nor LSU will be required to participate in the new program nor will the non-participating school be required to allocate any of its slots to the new program.

The Corporation can only share and reclaim ACGME approved and CMS approved slots.

Provision of Services

Neither Tulane nor LSU will be charged for their use of the AMC as a teaching hospital.

Tulane and LSU faculty will have the opportunity to conduct clinical trials at the AMC subject to AMC research policies and procedures, in a manner insofar as practicable consistent with each institution's historic research presence at the pre-Katrina MCLNO facilities.

Financing of the New Academic Medical Center

The new Academic Medical Center shall be financed through a combination of strategies.

The State of Louisiana has committed, through Acts 28 and 203 of the 2007 Regular Session, \$300 million. The Legislature has already provided the authority to utilize these resources, and the executive branch agrees to take all steps necessary to secure this funding. This funding will be released as determined by the Commissioner of Administration pursuant to the Agreement.

The Federal Emergency Management Agency (FEMA) is expected to provide the State of Louisiana with a settlement (or judgment) related to Hurricane Katrina. The funds from the settlement (or judgment) shall be received by the state and released by the Commissioner of Administration as provided herein.

The remaining capital costs shall be financed through revenue bonds issued by the Corporation. These bonds shall not be guaranteed by the state of Louisiana, and shall not require the full faith and credit of the State.

Independent verification of the financial plan for financing purposes will be obtained and must be provided to the Corporation Board for its review and approval before any binding final action on financing. A firm with expertise in health care bond financing will be utilized. The scope and cost of the project may be adjusted accordingly based on the input of the financial analysis to ensure the project can be financed successfully.

Financing the Uninsured and Developing a System of Care

All parties agree the number of uninsured citizens has created a substantial financial strain on the healthcare safety net. The Disproportionate Share funding program has achieved its capacity, even while the costs allowable under the program have continued to grow and are expected to continue growing. The parties agree to work together to achieve more effective means by which federal funding can be optimized with the goal of broadening access to private or public health insurance options for the poor.

It is clear the majority of the uninsured in the region will continue to seek their health care through the Academic Medical Center. The AMC will maintain the mission of being a reliable safety net provider.

THEREFORE, the State of Louisiana, through the Division of Administration and the Department of Health and Hospitals, agrees to continue funding the cost of the services provided by the AMC to the uninsured, subject to funding by the Legislature which they will take reasonable steps to obtain.

The Corporation, through contractual arrangements, may participate in a number of health insurance plans, and shall participate in coordinated care or medical home programs provided through the Medicaid program. The Corporation will also endeavor to create a system of care for the uninsured who seek services where the care is managed through evidence-based disease management initiatives and the outcomes data is maintained and transparent. Notwithstanding anything in this agreement to the contrary, the Corporation must function responsibly as an independent entity, and while it is the intent of the parties that the Corporation participate fully in any state initiative, nothing in this agreement shall restrain the Corporation Board from making a determination as to the financial feasibility of any such initiative, and the Corporation Board shall have the right and obligation to negotiate reasonable funding for the initiative, if appropriate.

The Corporation shall work cooperatively with community-based organizations and clinics with the goal of ensuring a coordinated system of care for the poor. It is critical the system be metric based, with outcomes and access being measured. The Corporation shall cooperate with LSU, Tulane and other institutions to optimize the resources available to provide a seamless system of care.

The parties agree that the principles governing the formation and operation of the AMC must be tied to, and consistent with, the broader objectives of health care reform and should be part of a comprehensive plan. As long as there remains a substantial segment of the population without health insurance coverage, the regional health care system must evolve to a competitive, yet collaborative, "marketplace" for all private and public health care providers. It is the intent of the parties to optimize insurance coverage for the poor, and the parties support any effort by the state to expand access to coverage. By doing so, the state will reduce its reliance on DSH funding for institutional purposes, and rather will focus its resources on the proper integration of the poor into a competitive, performance-based marketplace driven by choice and quality. It is in the State's interest to foster a competitive marketplace, while also providing the appropriate resources toward the provision of care for the poor.

Operation of the Academic Medical Center

Notwithstanding anything herein to the contrary, in order for the Corporation to meet its fiduciary obligations required under its bond covenants, it will be necessary for the Corporation to be operated in a manner consistent with the best practices of private, non-profit institutions.

The Corporation Board shall hire an experienced Chief Executive Officer, who will report solely to the Corporation Board. The parties agree it is incumbent upon the Corporation Board to ensure the Corporation engages the most visionary and operationally capable leader available. Therefore, the parties agree the Corporation should, as part of its process for identifying such a leader, engage in a procurement process for identifying hospital management firms or persons with documented successful experience in the operation of sophisticated academic and research-oriented health care institutions. "Successful experience" is defined as demonstrable success in financial and clinical outcomes in institutions operating in competitive environments with significant uninsured populations while also maintaining credible research and training programs.

It has been widely acknowledged that the rate of technological advancement in science has achieved such a rate of speed that designing a hospital based on today's knowledge of the marketplace means the AMC could be somewhat obsolete by the time it opens. Therefore, the parties agree it is crucial the future trends in medicine – academic medicine in particular – be evaluated as the facility is designed and built. In the design phase of the project, the parties agree to utilize a small but experienced team of nationally recognized experts and futurists in the developing trends in academic medicine so as to ensure the designers are exposed to the optimum potential for the use of technology and evidence-based medical approaches within the new facility and throughout the delivery system.


All parties agree to support this Memorandum of Understanding, agree to be bound by it, and commit to acting in good faith, with all due diligence, to effect its success and comply with its intent.

THUS DONE in Baton Rouge, Louisiana this 28 day of August, 2009.

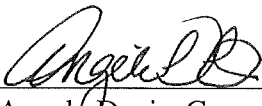
**Board of Supervisors of Louisiana State
University Agricultural & Mechanical College**

By: 
John V. Lombardi, President

**State of Louisiana, Department of Health and
Hospitals**

By: 
Alan Levine, Secretary

State of Louisiana, Division of Administration

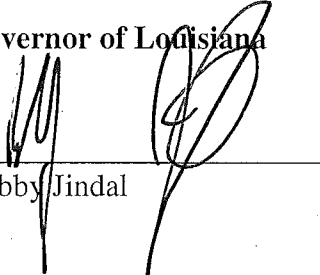
By: 
Angele Davis, Commissioner of
Administration

**Administrators of the Tulane Educational
Fund**

By: 
Scott S. Cowen, President

ATTEST:

Governor of Louisiana


Bobby Jindal

AMENDMENT

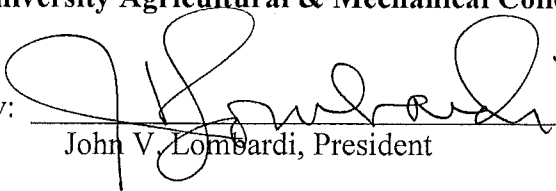
THIS AMENDMENT of that certain Memorandum of Understanding (agreement) relating to the New Academic Medical Center for the New Orleans Region, executed by the UNDERSIGNED PARTIES on the 28th day of August, 2009, **is as follows:**

The provisions relating to "Governance" starting on page 5 in defining "not affiliated in any way with permanent member institutions of the Corporation Board" and as further defined on page 6, shall NOT be construed to limit the appointments that take place pursuant to the "Process for Establishment of the Initial Corporation Board" starting on page 6 of the agreement. This Amendment shall only apply and be in effect for the initial slate of nonpermanent members.

THUS AGREED TO this 2d day of March, 2010.

**Board of Supervisor of Louisiana State
University Agricultural & Mechanical College**

By: _____


John V. Lombardi, President

**State of Louisiana, Department of Health and
Hospitals**

By: _____

Alan Levine, Secretary

State of Louisiana, Division of Administration

By: _____

Angele Davis, Commissioner of Administration

Administrators of the Tulane Educational Fund

By: _____

Scott S. Cowen, President