

CONTRACT #2

RFS # N/A

FA # N/A

**University of Tennessee
Health Science Center**

**VENDOR:
ECG Management Consultants,
Inc.**

February 24, 2010

Mr. Jim White
Executive Director
Fiscal Review Committee
320 Sixth Avenue, North – 8th Floor
Nashville, TN 37243-0057

RECEIVED

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FISCAL REVIEW

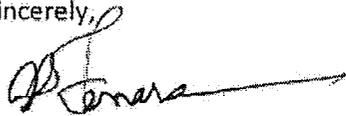
Dear Mr. White:

The University of Tennessee Health Science Center is submitting for the committee's review an amendment (Amendment #3) to the contract with ECG Management Consultants, Inc. for the purpose of increasing the University's maximum liability from \$325,000 to \$1,175,000 effective May 1, 2010 and to extend the end date through April 30, 2011.

In early 2009, the University conducted a competitive bid process for the consulting services for external expertise in the development of a more aligned partnership structure between the University of Tennessee Health Science Center, UT Medical Group, Inc. and Methodist LeBonheur Children's Medical Center. ECG Management Consultants, Inc. was selected by the bid committee. The University now wishes to move forward with Phase II of the implementation of this development plan through the continuous services of ECG Management. In order to accomplish this, the University proposes to increase the maximum liability by \$850,000 and extend the services dates through May 31, 2011. As with the first phase of this engagement, LeBonheur Children's Medical Center will be responsible for reimbursement of half of these expenses to the University.

Please let me know if you or others have questions or need additional information concerning the attached contract.

Sincerely,



Anthony A. Ferrara
Vice Chancellor Finance and Operations

Supplemental Documentation Required for
Fiscal Review Committee

*Contact Name:	Anthony A. Ferrara	*Contact Phone:	901-448-5523
*Original Contract Number:	N/A	*Original RFS Number:	N/A
Edison Contract Number: <i>(if applicable)</i>		Edison RFS Number: <i>(if applicable)</i>	
*Original Contract Begin Date:	06/01/09	*Current End Date:	04/30/10
Current Request Amendment Number: <i>(if applicable)</i>	3		
Proposed Amendment Effective Date: <i>(if applicable)</i>	05/01/2010		
*Department Submitting:	University of Tennessee		
*Division:	Health Science Center		
*Date Submitted:	03/01/2010		
*Submitted Within Sixty (60) days:	Yes		
<i>If not, explain:</i>			
*Contract Vendor Name:	ECG Management Consultants, Inc.		
*Current Maximum Liability:	\$325,000.000		
*Current Contract Allocation by Fiscal Year: <i>(as Shown on Most Current Fully Executed Contract Summary Sheet)</i>			
FY: 2009	FY: 2010	FY:	FY:
\$35,000.00	\$290,000.00	\$	\$
*Current Total Expenditures by Fiscal Year of Contract: <i>(attach backup documentation from STARS or FDAS report)</i>			
FY: 2009	FY: 2010	FY: 2010	FY:
\$34,994.36	\$244,555.81	\$	\$
IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:	N/A		
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:	N/A		
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:	N/A		
*Contract Funding Source/Amount:	State:	Federal:	

Supplemental Documentation Required for
Fiscal Review Committee

Interdepartmental:		<i>Other:</i>	Restricted non-state gifts funds within the College of Medicine
If "other" please define:			
Dates of All Previous Amendments or Revisions: <i>(if applicable)</i>		Brief Description of Actions in Previous Amendments or Revisions: <i>(if applicable)</i>	
November 2009		Added \$50,000 to include cost of legal review	
February 2010		Extended through April 30, 2010	
Method of Original Award: <i>(if applicable)</i>		Bid	
*What were the projected costs of the service for the entire term of the contract prior to contract award?		\$325,000.00	

Supplemental Documentation Required for Fiscal Review Committee

For all new non-competitive contracts and any contract amendment that changes Sections A or C.3. of the original or previously amended contract document, provide estimates based on information provided the Department by the vendor for determination of contract maximum liability. Add rows as necessary to provide all information requested.

If it is determined that the question is not applicable to your contract document attach detailed explanation as to why that determination was made.

****See attached justification****

Planned expenditures by fiscal year by deliverable. Add rows as necessary to indicate all estimated contract expenditures.

Deliverable description:	FY: 2009	FY: 2010	FY: 2011	FY:	FY:
Identification & Development of Practice Plan Model	\$35,000.00	\$290,000.00			
Implementation of Practice Plan		\$50,000.00	\$800,000.00		

Proposed savings to be realized per fiscal year by entering into this contract. If amendment to an existing contract, please indicate the proposed savings to be realized by the amendment. Add rows as necessary to define all potential savings per deliverable.

****See attached justification****

Deliverable description:	FY:	FY:	FY:	FY:	FY:

Comparison of cost per fiscal year of obtaining this service through the proposed contract or amendment vs. other options. List other options available (including other vendors), cost of other options, and source of information for comparison of other options (e.g. catalog, Web site). Add rows as necessary to indicate price differentials between contract deliverables.

****See attached justification****

Proposed Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:
Other Vendor Cost: (name of vendor)	FY:	FY:	FY:	FY:	FY:

Attached Justification for Supplemental Documentation Required for Fiscal Review Committee

After careful review of proposals submitted in response to the Request for Proposal initially issued September 2008, ECG Management Consultants, Inc. (ECG) was engaged to assist the University in identifying and developing a business model for a more unified hospital/physician structure between the University, Methodist Le Bonhuer Healthcare, and UT Medical Group, Inc. Deliverables to date include a Memorandum of Understanding between the entities which outlines the objectives, desired organizational characteristics, and financial affairs of a new Pediatric Faculty Practice. This contract amendment will allow the next stage of transition planning and model implementation to begin. The objective during this stage is to execute all necessary transition steps and tasks needed to establish and commence operations of the new practice.

The University has invested significant resources in the planning phase of this project, and there is a pressing need to implement this new practice plan as soon as possible. Given that this is a continuation of an existing project, ECG has developed intimate knowledge of the University and its affiliates and is sensitive to the specific issues associated with accomplishing stated project objectives. Therefore, ECG is better qualified to assist in this regard than any other consultant group and can do so in a more cost effective manner in light of the work that has already been completed.

<u>Fiscal Year</u>	<u>Inv Date</u>	<u>Invoice Number</u>	<u>Payments to ECG</u>	<u>UT Check #</u>	<u>UT Check Date</u>	<u>FY Payment Total</u>	<u>Cumulative Total</u>	
UNIVERSITY'S MAXIMUM LIABILITY							\$325,000.00	
2009	30-Jun-09	1573.003-4477	(\$34,994.36)	#11578070	9/3/2009			
						(\$34,994.36)	\$290,005.64	
2010	31-Jul-09	1573.003-4498	(\$45,574.26)	#11583883	9/21/2009			
	31-Aug-09	1573.003-4668	(\$57,233.63)	#11610126	12/7/2009			
	30-Sep-09	1573.003-4944	(\$52,161.93)	#11610126	12/7/2009			
	31-Oct-09	1573.003-5060	(\$39,876.47)	#11611526	12/10/2009			
	30-Nov-09	1573.003-5284	(\$32,159.58)	#11630287	2/11/2010			
	31-Dec-09	1573.003-5410	(\$17,549.94)	#11630287	2/11/2010	(\$244,555.81)		
UNIVERSITY'S MAXIMUM LIABILITY BALANCE							(\$279,550.17)	\$45,449.83

**THE UNIVERSITY OF TENNESSEE
REQUEST: NON-COMPETITIVE AMENDMENT
CONTRACT**

1) NCJ Number:	9000003236	Fund Number:	R073201012
2) Campus/Institute Name:	Memphis	Admin-College of Medicine	

EXISTING CONTRACT INFORMATION

3) Short Description:	ECG MANAGEMENT CONSULTANTS AMEND 8500013716 TO EXTEND THRU 04/30/2011		
4) Proposed Vendor:	Name:	ECG MANAGEMENT CONSULTANTS, INC.	
	Vendor Number:	1070610	
	Vendor ID:		
5) Original CTS Number:	0000000000		
6) Contract Start Date:	06/01/2009		
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised:	04/30/2010		
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised:	\$ 325,000.00		

PROPOSED AMENDMENT INFORMATION

9) <u>Proposed</u> Amendment #	003		
10) <u>Proposed</u> Amendment Effective Date:	05/01/2010		
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised:	04/30/2011		
12) <u>Proposed</u> Amendment Amount	\$ 850,000.00		
13) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised:	\$ 1,175,000.00		
14) Approval Criteria:	Non-competitive negotiation is in universitys best interest		
15) Description of the Proposed Amendment Effects & Any Additional Service:			
AMENDING CONTRACT 8500013716 TO EXTEND CONSULTING SERVICES CONTRACT TO ENGAGE EXTERNAL EXPERTISE IN DEVELOPMENT OF MORE ALIGNED PARTNERSHIP STRUCTURE BETWEEN UTMG METHODIST LEBONHEUR THRU 04/30/2011 AND BY \$850,000. THIS BRINGS THE TOTAL CONTRACTUAL MAXIMUM TO \$1,175,000.00.			
16) Explanation of Need for the Proposed Amendment:			
THIS IS A CONTINUATION OF AN ONGOING PROJECT. ADMENDMENT NEEDED TO EXTEND CONTRACT THRU 04/30/2011 AND BY \$850,000 TO FINISH PROJECT OBJECTIVES.			
17) Name & Address of Vendor/Contractor's Current Principal Owner(s): (not required if proposed contractor is a state education institution)			
ECG MANAGEMENT CONSULTANTS, INC.			
1111 THIRD AVENUE, SUITE 2700			
SEATTLE		WA	98101
US	USA		
18) Documentation of Office for Information Resources Endorsement: N/A (required only if the subject service involves information technology)			
19) Documentation of Department of Personnel Endorsement: N/A (required only if the subject service involves training for state employees)			
20) Documentation of State Architect Endorsement: N/A (required only if the subject service involves construction or real property related services)			
21) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives:			

ECG IS CURRENTLY REVIEWING THE RELATIONSHIP AND ORGANIZATION BETWEEN THE COLLEGE, UT MEDICAL GROUP, AND METHODIST LE BONHEUR TO JOINTLY IDENTIFY AND DEVELOP A MORE INTEGRATED PARTNERSHIP MODEL BETWEEN OUR PEDIATRIC SPECIALISTS AND METHODIST LE BONHEUR. AS THIS IS A CONTINUATION OF AN ONGOING PROJECT, ECG IS KNOWLEDGABLE OF AND SENSITIVE TO THE SPECIFIC ISSUES ASSOCIATED WITH ACCOMPLISHING PROJCT AIMS. THIS SPECIALIZED KNOWLEDGE WILL ALLOW THEM TO EXPEDITE THIS PROJECT SO THAT THE NEXT STAGE OF TRANSITION PLANNING AND MODEL IMPLEMENTATION CAN BEGIN.

22) Justification for the Proposed Non-Competitive Amendment:

ECG IS CURRENTLY REVIEWING THE RELATIONSHIP AND ORGANIZATION BETWEEN THE COLLEGE, UT MEDICAL GROUP, AND METHODIST LE BONHEUR TO JOINTLY IDENTIFY AND DEVELOP A MORE INTEGRATED PARTNERSHIP MODEL BETWEEN OUR PEDIATRIC SPECIALISTS AND METHODIST LE BONHEUR. AS THIS IS A CONTINUATION OF AN ONGOING PROJECT, ECG IS KNOWLEDGABLE OF AND SENSITIVE TO THE SPECIFIC ISSUES ASSOCIATED WITH ACCOMPLISHING PROJCT AIMS. THIS SPECIALIZED KNOWLEDGE WILL ALLOW THEM TO EXPEDITE THIS PROJECT SO THAT THE NEXT STAGE OF TRANSITION PLANNING AND MODEL IMPLEMENTATION CAN BEGIN.

THE UNIVERSITY OF TENNESSEE
CONTRACT AMENDMENT

8500013924

This amendment is to the contract between the University of Tennessee (hereinafter University and ECG Management Consultants, Inc. (hereinafter Contractor), which Contract was signed by the University on June 3, 2009.

This Contract amendment consists of this cover page, the University's Standard Terms and Conditions and 15 additional pages.

By mutual agreement, the University and the Contractor agree to the following amendment:

Amending contract # 8500013716/8500012448/8500009575 to extend the consulting services of ECG to implement the development plan for a more aligned partnership structure between the University, UT Medical Group, Inc. (UTMG) and our affiliated teaching hospital, LeBonheur Children's Medical Center through April 30, 2011 and to increase the University's maximum liability by \$850,000. This brings the total contractual maximum liability to \$1,175,000. See attached for Contractor's objective and approach of the project, work plan and estimated budget.

LeBonheur Children's Medical Center will reimburse the University for half of these expenses.

All other terms remain unchanged.

In witness of their acceptance of the terms of this agreement, the parties have had this Contract executed by their duly authorized representatives.

FOR CONTRACTOR:

FOR UNIVERSITY:

Signature

Department Name

Printed Name

Responsible Account (If applicable)

Title

Administrative Signature (optional)

Address

Administrative Printed Name

Authorized Official Signature

Authorized Official Name (printed)

Telephone Number

Date

FEB 26 2010

SSN or Fed. ID Number

Anthony A. Ferrante
Vice Chancellor
Finance & Operations



MANAGEMENT
CONSULTANTS

ECG MANAGEMENT CONSULTANTS, INC.
100 Cambridge Street, Suite 2001, Boston, MA 02114-2509
telephone 617.227.0100 fax 617.227.0042
e-mail ecg@ecgmc.com web site www.ecgmc.com

SEATTLE • BOSTON • WASHINGTON D.C. • SAN DIEGO • ST. LOUIS

February 24, 2010

Meri B. Armour, M.S.N., M.B.A.
President and Chief Executive Officer
Le Bonheur Children's Medical Center
50 North Dunlap Street
Memphis, Tennessee 38103-2893

Steve J. Schwab, M.D.
Interim Chancellor
University of Tennessee Health Science Center
62 South Dunlap, Suite 220
Memphis, Tennessee 38163

Dear Ms. Armour and Dr. Schwab:

It has been the pleasure of ECG Management Consultants, Inc., to assist Methodist Le Bonheur Healthcare (MLH) and the University of Tennessee Health Science Center (UTHSC) over the past several months to develop the preferred model for a new pediatric faculty group practice through a collaborative and well-informed planning process. The work conducted to date is captured in a series of documents, most notably the Memorandum of Understanding (MOU), which includes the objectives, organizational characteristics, and financial affairs of the proposed practice (i.e., serves as business plan). The acceptance of the MOU by the three participating parties marks the end of Phase I of the project. We are pleased that the two institutions have asked for assistance with the next stage of transition planning and implementation of the model. This document serves as the letter of engagement for the next segment of the project based on preliminary discussions with your respective teams regarding the availability of internal resources to the organizations and outside assistance needed to successfully implement the practice.

For reasons that include but are not limited to the following, ECG believes it is uniquely qualified to continue to assist UT and MLH with this critically important initiative:

- ECG is deeply familiar with the mutual goals and interests of the parties relevant to the formation of the practice as well as the enterprise- or system-wide vision and goals of the institutions.

Meri Armour, M.S.N., M.B.A.
Steve J. Schwab, M.D.
February 24, 2010
Page 2

- ECG has extensive experience with planning and managing the implementation of new community/private practices as well as faculty group practices, including highly complex mergers and acquisitions among physician practices and/or with hospitals.
- ECG has a dedicated children's hospital/pediatrics group, which allows us to bring forth best practices and contemporary arrangements relevant to the design and implementation of the practice.
- ECG is nationally recognized for its experience with AMCs and the many issues specific to teaching hospitals and medical schools, which is valuable when leading a joint planning and implementation project such as the one proposed herein.

The remainder of this letter includes the objective, approach, and budget for the next phase of the project.

A. Phase II Objective

The ultimate objective of Phase II is to execute all necessary transition steps and tasks to establish and commence operations of the proposed Pediatric Faculty Practice (PFP) as it is described in the MOU and related documentation.¹ This objective will be achieved through a highly organized and time-efficient transition planning process managed by ECG and with the collaborative participation of UT, MLH, and UT Medical Group, Inc. (UTMG).

B. Project Approach

ECG is acutely aware that while the MOU is in the process of being vetted and executed, final approval is required by UT and MLH before the practice can be officially established and financial relationships initiated. As of the date of this letter, it is ECG's understanding that the proposed practice is tentatively scheduled to be presented to the UT Board of Trustees for approval in June 2010. That said, ECG has prepared an approach and work plan that appropriately focuses on the many transitional issues that need to be addressed prior to the establishment of the practice. This will cause the work plan to be more staggered than originally planned to correspond with approval timelines. Accordingly, ECG has organized Phase II into the following two sub-phases to correspond with the UT approval timeline:

¹ Some proposed elements in the MOU are subject to change prior to or during the transition planning process (e.g., establishment or use of foundation).

- Phase II-A – Transition Planning
- Phase II-B – Practice Formation and Implementation

Phase II-A will entail additional due diligence and detailed transition planning during this pre-approval stage. Once all approvals are secured, Phase II-B will commence and entail the activation of the many of the items prepared during the previous sub-phase. ECG has evaluated the requirements and tasks associated with the full transition and implementation of PFP and separated the efforts into two sub-phases, which will be performed sequentially.

1. ECG's Role and Responsibility

The proposed approach and work plan includes ECG serving the following twofold role throughout the engagement:

a. Due Diligence, Analysis, and Expertise

ECG will continue to collect data, conduct supplemental analysis, and offer recommendations for issues/items related to the post-MOU transition planning process. Drawing from its experience with similar initiatives, ECG will provide insight and techniques to ensure that the transition phase is well informed and the implementation phase is successfully executed. Additional due diligence and analysis will also be performed for a series of key transitional items, ranging from practice management services to conversion of physician benefits.

b. Project Management Office

ECG will maintain a project management office (PMO) and serve as full-time project manager to centrally oversee and lead the transition and implementation under the joint direction of the UT College of Medicine Chattanooga (UTCOCM) Executive Dean and Le Bonheur CEO and with the participation of administrative personnel of the parties. This will be accomplished by ECG establishing and staffing a PMO throughout the duration of Phase II.

ECG will be the central point of contact for transition and implementation during Phase II. With a dedicated work space at UTCOCM, MLH, or UTMG, ECG will assign resources to this project to be on site on a regular basis to manage the task-specific work plan and conduct needed analysis and planning to augment resources available in the organizations.

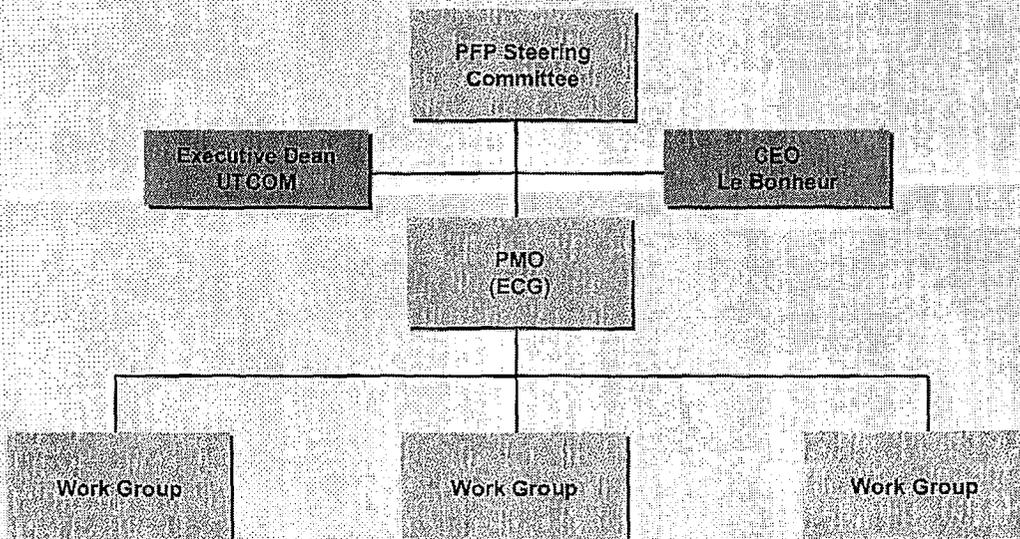
2. Steering Committee, Work Groups, and Points of Contact

a. Steering Committee

ECG will work with senior leadership of UT and MLH to determine the most appropriate composition of a steering committee to oversee the transition/implementation phase. It is anticipated that the steering committee would meet every 4 to 6 weeks to be briefed on overall progress. This committee may or may not be the proposed PFP Board of Directors (or subset thereof).

b. Work Groups

At the outset of Phase II, ECG will work closely with UT, MLH, and UTMG to establish multiple small, designated work groups that will meet on a regular basis (every 1 to 2 weeks) to actively engage in addressing specific tasks for a particular area (e.g., finance work group).



c. Primary Points of Contact

In an effort to streamline communications, ECG will consider Mr. Matthew Love (MLH) and Mr. J. Timothy Mashburn (UTCOM) to serve as the primary points of contact (i.e., be available on a daily basis if needed) during Phase II. The formal client contacts for the engagement will be Steve J. Schwab, M.D. (UTHSC) and Ms. Meri Armour (MLH). These points of contact will naturally not

preclude ECG from meeting with many other constituents throughout the course of this project to seek guidance, direction and input, including but not limited to the interim Dean of UTCOM; Executive Vice Chancellor UTHSC; and/or Vice Chancellor for Finance and Operations, UTHSC; as well as the executive leadership of UTMG (i.e., as it relates to the divestiture).

C. Work Plan Outline

1. Phase II-A – Transition Planning

Phase II-A will largely focus on the detailed planning and preparation required to populate the many definitive agreements that will formally define PFP. Analysis will shift from feasibility (Phase I) to supportive analysis required to inform and prepare transactions (e.g., purchased services). Governance and management structures defined in Phase I will be defined in policy documents in Phase II-A.

Below is a list of major tasks/areas that ECG anticipates will be included in the preapproval transition planning process of Phase II-A. This list is not exhaustive; it is subject to review by UT and MLH, and major categories could change. For purposes of this document, the majority of the bulleted list of elements implies necessary analysis and appropriate preparation that will be performed during Phase II-A short of implementation (pending final approval). Exceptions will be made on a case-by-case basis (e.g., UT and MLH may elect to initiate a search for an executive director prior to receiving final approval of PFP). Through the PMO and in collaboration with the work groups, ECG will address items in the following major areas (categories/classifications subject to change):

a. Preapproval Documentation and Stakeholder Communication

- MOU refinements with parties and legal counsel.
- Presentation to attorney general.
- Correspondence with and/or presentations to UT, MLH, and/or UTMG boards or board committees.
- Town hall meetings/open forums.
- Supporting documentation requirements by UT administration/board.

b. Affiliations/Contracts

- UT/PFP affiliation agreement.
- UT/MLH affiliation agreement.
- PFP/MLH service and affiliation agreement.

c. Governance and Management

- PFP bylaws, including board/committee election and nominating procedures.
- Executive director job description and search.
- Medical director job description.
- Standing board committees.
- Practice operating plan, including core policies and procedures.
- Organizational charts and job descriptions (clinic operations).

d. UTMG Divestiture and PFP Practice Services

- Documentation/correspondence and supporting analysis for banks.
- Vendor, supplier, and partner agreements.
- PFP/MLH purchased services agreements (revise/reassign existing UTMG agreements).
- Affiliated hospital agreements (review and prepare revisions).
- UT affiliation agreement (review; prepare revisions and identify process).
- Business-related insurance.
- PFP/UTMG purchased services agreements (including review of all supporting costs; personnel).
- A/R (preplanning).

e. Practice/Clinic Operations

- Purchased services agreement(s), including personnel leases.
- Property leases.
- Supplies.
- Human resources function (regardless of location).
- Registration and scheduling (new module, new scripts).
- Medical records (paper).
- EMR/IT transition.

f. Physician Affairs

- Faculty salary realignment (UTC/M/UTMG/PFP).
- Physician compensation and incentive system.
- Employment contracts.
- Payroll (dual or single).
- Benefits.
- Malpractice.

g. Billing, Contracting, and Credentialing

- Government and commercial payor notifications and correspondence.
- New accounts and A/R for post-start-date billing linked to new tax ID.
- New lockbox.
- Compliance policies and procedures.
- Interim payor contracts and long-term strategy.

h. Finance and Business Operations

- Restricted accounts or foundation financial arrangements.
- Accounting system.
- Financial and performance reports.
- Provider-based clinics (e.g., feasibility of converting; impact to PFP financials).
- Budget guidelines and procedures.
- UTMG asset transfer.
- Initial operating budget.

i. Legal and Compliance

- All definitive agreements (not previously mentioned).
- Fair market value analysis and documentation.
- Compliance policies and procedures.
- Medical records.
- Malpractice-related matters.

j. Marketing and Patient Communication

- Practice name.
- Stakeholder and patient communication strategy, plan, and documentation.
- Signage.
- PFP Web site; modifications to UTHSC, UTMG, and MLH Web sites.

2. Phase II-B – Practice Formation and Implementation

Contingent upon final approval of both UT and MLH, which is anticipated in June 2010, Phase II-B will be launched and include the formal establishment of PFP (as a nonprofit corporation), execution of all definitive agreements prepared during Phase II-A, and implementation of practice operations. ECG envisions there to be a 45- to 60-day period of piloting and testing segments of implementa-

tion prior to the effective start date. In addition to assisting with the coordination and execution of all definitive agreements, ECG through the PMO will assist with such major implementation tasks/areas (i.e., publicly or in a less visible supportive role to the executive director and others), including but not limited to the following:

- Seating of PFP board and facilitation of initial meetings.
- Capitalization and start-up funding.
- Payroll and benefits transition/implementation.
- Physician credentialing/enrollment.
- Initiation of billing/collections (A/R).
- Department/faculty meetings.
- Clinical and administrative staff meetings.
- Management of patient communications, including documentation and telephone scripts.
- Initiation of financial and performance reports.
- Implement financial arrangements.
- Launch marketing plan.

It is difficult to predict the nature of Phase II-B and level of effort required internally or by ECG. The level of effort and assistance by ECG during Phase II-B will depend upon the preparation and progress accomplished during Phase II-A and the extent to which there are new issues/items that surface as implementation begins. With permission from UT and MLH, and avoiding any appearance of premature activity while final approval is pending, ECG will aim to maximize the number of items addressed and prepared in the preapproval phase (Phase II-A) to keep a reasonable pace.

D. Project Team

The importance of this engagement is reflected in the senior-level staff ECG will assign to the project team. ECG will assign a project team to this engagement with substantial experience with practice plan development as well as specialized expertise to assist with specific components of the transition and implementation.

■ Mr. Christopher T. Collins, Project Officer

Mr. Collins, a Principal in the Academic Healthcare Division at ECG's Boston office, will continue to serve as project officer for this assignment. He has over 12 years of experience in the healthcare provider sector and works exclusively with senior leadership of AMCs nationally. He has led a wide range of strategy, business development, and organizational restructuring initiatives for and/or among multiple entities of an AMC, including the university/health sciences center, medical school, teaching hospital, faculty group practice, and department or multidisciplinary center. Mr. Collins has extensive experience with practice plan development/enhancement; clinical program integration/multidisciplinary program design; and hospital/physician arrangements, including joint ventures in an AMC setting. In addition, relevant to this proposal, Mr. Collins is familiar with UT/UTHSC and MLH.

As project officer, Mr. Collins will have overall responsibility for maintaining the firm's high standards of quality and ensuring that the objective of this engagement is met. Working closely with the project manager and others assigned to the engagement, he will be actively involved in the project and the development of deliverables, and will participate in all key project meetings.

■ Project Manager

An ECG manager or senior manager will be assigned to this engagement to serve as the primary point of contact for the PMO throughout the transition and implementation stages. This individual will have experience with physician practice operations and experience with managing work plans of this scale. This individual will be responsible for tracking the task-specific progress of the engagement on a daily basis and serve as a liaison between UT, MLH, and UTMG staff as well as other outside resources that are required to assist with Phase II. The consultant will be selected based on specific credentials and the availability of resources at the time this engagement is authorized.

■ Project Staff

One or more senior consultants will also be assigned to this project to support the project officer and project manager. Staff assigned to this engagement will conduct needed analytics and due diligence to support planning and decision making throughout Phase II as well as prepare documentation. Staff assigned to this engagement will have a master's degree, several years of healthcare industry experience, and specific experience with physician practices.

■ Technical Advisers

Other ECG principals and/or senior managers may be called upon on an as-needed basis to support Mr. Collins and provide input/guidance for specific areas during Phase II (e.g., payor contracting). UT and MLH will be notified in advance for approval before such technical advisers are engaged.

Biographies of and/or references for team members will be furnished under separate cover upon request.

E. Project Timeline and Budget

1. Schedule

We are prepared to begin this engagement immediately (within 5 business days) upon the institutions' authorization to proceed. ECG anticipates that 2 to 3 weeks will be required to conduct necessary preplanning before transition planning is fully engaged. This includes establishing the steering committee, work groups, and meeting schedule as well as developing an agreed-upon, task-specific work plan by component (similar to items listed in subsection C.1 herein).

With a well-coordinated, task-driven effort and the participation of the parties, ECG believes that the key transitional issues can be fully addressed and definitive agreements completed by June 30, 2010. This assumes that ECG's staffing plan is endorsed, work groups are engaged and cooperative, and respective legal counsel assist in a timely manner.

Assuming final approval is secured by UT in June, ECG is optimistic that the practice can be incorporated and faculty can begin to transition in July and August, with PFP in operation by September 30, 2010. This may or may not include full employment of physicians by this point in time (may include lease arrangements until payor contracts and credentialing is complete).

The table below depicts the rough timeline of Phases II-A and II-B. This is subject to change based on several factors, including the ability to secure final approval by UT in June. Provided that transition planning is executed efficiently with active participation of the parties, ECG anticipates the practice can be incorporated and definitive agreements can be executed in July, and the first board meeting can be held in August.

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Develop task-specific work plan, establish committee(s), and assign work groups.								
Phase II-A – Transition Planning (preapproval)								
Phase II-B – Practice Formation and Implementation (post-approval)								

The scope of work and the estimated budget provided in the next section are contingent upon the accessibility of required data and the availability of UT and MLH administration and staff to meet with and work collaboratively with our project team. ECG will strive to complete this assignment as efficiently as possible within the expected time frame. We will be proactive in communicating with you regarding issues that may impede our ability to conduct our work in a manner that is consistent with our approach described herein.

2. Phase II Budget

a. Consulting Services

We have structured the cost estimate to reflect the approach described in this letter, including the targeted timeline of Phases II-A and II-B shown above. We charge for our services based on the professional fees and project-related expenses incurred. Our professional fees will be determined by the actual hours worked on the engagement at our standard hourly rates. Project-related expenses will include the direct cost of travel, document preparation, telephone, and other out-of-pocket expenses. Given the nature of this assignment, ECG estimated the number of hours by project team member (and standard billing rate) required to complete Phases II-A and II-B over the course of 6 to 8 months. We estimate the monthly project budget to be approximately \$81,000 in professional fees. This represents an average over the course of the engagement, with some months being higher or lower than others depending on the tasks being executed and the level of ECG resources required/authorized.

Average Monthly Budget	Hours	Hourly Rate	Average Monthly Fees
Project Officer (Mr. Collins)	60 to 80	\$325	\$22,750
Project Manager	120 to 160	\$225	31,500
Project Staff	120 to 160	\$190	<u>26,600</u>
AVERAGE MONTHLY FEES			<u>\$80,850</u>

The above budget assumes the following with respect to the deployment of resources and project management:

- Mr. Collins will be engaged on a weekly basis, attend all steering committee meetings, meet regularly with senior leadership, and attend many of the work group meetings (particularly in the first stage of the project); he anticipates being in Memphis at least 2 weeks per month for this assignment.
- Through the PMO, the project manager will manage the work plan and work closely with staff of UT, MLH, and UTMG on a weekly basis. ECG anticipates the project manager to be on site at least 3 to 4 weeks per month.
- Project staff will conduct analysis and prepare documentation under the direction of the project manager and project officer and be on site when necessary.

As a cornerstone principle of the firm, ECG executes work plans in a cost-effective manner and is at the client site when necessary. Staff will conduct analysis and other tasks remotely from the ECG office if in-person meetings are not required for a period of time. Every effort will be made to maintain the proper balance to maintain constant contact with the client and be accessible to UT and MLH on a daily basis while managing the project budget.

b. Subcontracts for Consulting Services

The estimated budget above does not account for other specialty consulting firms that may be retained during Phase II, which most likely relates to physician benefits at this time. Assessing different payroll and benefits options will be a high priority during the first 4 to 6 weeks of the engagement. Depending on how many options UT and MLH would like to explore and the degree of variance from how UTMG and UT are currently positioned to offer benefits, a specialist may be retained to develop and implement a plan for payroll and benefits. ECG regularly partners with a

Meri Armour, M.S.N., M.B.A.
Steve J. Schwab, M.D.
February 24, 2010
Page 14

number of firms that specialize in this area for similar assignments. ECG will work with UT and MLH to determine whether such a specialist is needed. ECG has experience with comparing benefits structures and developing a preferred strategy but defers to other specialists to fully evaluate and design detailed benefits options and plans. It is anticipated that ECG would contract with the consulting firm and invoice UT and/or MLH.

c. Legal Services

Nelson Mullins Riley & Scarborough LLP will continue to assist UT and MLH on an as-needed basis throughout Phase II. Their primary role will be to assist with the development of all new definitive agreements as well as revisions to existing affiliation agreements and contracts where applicable. Nelson Mullins will work closely and collaboratively with the respective legal teams of MLH, UTMG, and UT. Drawing from their experience with similar pediatric joint venture arrangements between a teaching hospital and university/medical school, they will offer advice and identify legal solutions that fit within and are consistent with the policies and procedures of the three parties. They will work on a time-and-materials basis with hourly rates ranging from \$250 to \$750 per hour. For the preparation of definitive agreements and to provide advice throughout Phase II, total fees are estimated to be between \$25,000 and \$40,000. Nelson Mullins will be subcontracted through ECG for this phase, and costs associated with legal services will appear as a separate line item on ECG's monthly invoices.

d. Billing

During the course of the engagement, we will bill monthly for our services based upon the actual fees and project-related expenses incurred. Monthly payments are expected within 30 days of receipt of invoice. ECG will send the full invoices to UT for payment. It is our understanding that MLH and UT will share the cost of the engagement through separate arrangements, which will be administered by the parties and outside the purview of this letter of engagement.

We anticipate project-related expenses (e.g., travel costs) to be approximately 10 percent of professional fees. The ECG project team will make every attempt to book travel well in advance to minimize air fare costs. Further, ECG will attempt to secure a discounted rate with an area hotel for the duration of the project.

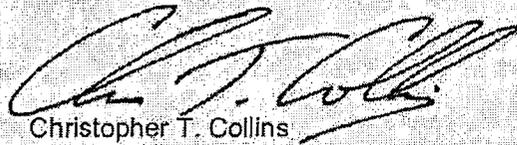
* * * * *

Meri Armour, M.S.N., M.B.A.
Steve J. Schwab, M.D.
February 24, 2010
Page 15

Your continued trust and confidence in ECG's capabilities is duly recognized and serves as a source of motivation and continued commitment to getting results that exceed your expectations. We deeply value our relationship with UT and MLH and look forward to proceeding with Phase II of this important assignment.

Very truly yours,

ECG MANAGEMENT CONSULTANTS, INC.



Christopher T. Collins
Principal

CC/Imp/153165(doc-E)/1573-00

cc: Mr. Matthew Love, Vice President, Planning and Strategy, MLH
Kennard D. Brown, J.D., M.P.A., Ph.D., Executive Vice Chancellor and Chief of Staff, UTHSC
Mr. Anthony Ferrara, Vice Chancellor for Finance and Operations, UTHSC
J. Timothy Mashburn, M.B.A., Associate Dean, Finance and Administration, UTCOM
J. Lacey Smith, M.D., Interim Dean, UTCOM

Please sign and return a copy (via postal mail or fax) indicating your acceptance of this proposal.

Acknowledged and Accepted By:

Date:

Title: _____

THE UNIVERSITY OF TENNESSEE
CONTRACT AMENDMENT

This amendment is to the contract between the University of Tennessee (hereinafter University and
ECG Management Consultants, Inc. (hereinafter Contractor), which Contract was signed by the
University on 6-3-09.

This Contract amendment consists of this cover page, the University's Standard Terms and Conditions and
0 additional pages.

By mutual agreement, the University and the Contractor agree to the following amendment:
to amend contracted consulting services (original contract # 850009675 and related contract amendment # 8500012448) to
engage external expertise in the development of a more aligned partnership structure between UT Medical Group, Inc. (UTMG)
and our affiliated teaching hospital, Le Bonheur Children's Medical Center thru April 30, 2010.

The University's maximum liability under this contract remains unchanged at \$325,000.

All other terms remain unchanged.

In witness of their acceptance of the terms of this agreement, the parties have had this Contract executed by their duly
authorized representatives.

FOR CONTRACTOR:

[Signature]
Signature
STEPHEN M. SADOWSKI
Printed Name
PRINCIPAL
Title
ECG MANAGEMENT CONSULTANTS, INC.
Address
100 CAMBRIDGE ST, SUITE 2001
BOSTON, MA 02114-2509
617-227-0100
Telephone Number
098105581
SSN or Fed. ID Number

FOR UNIVERSITY:

COM Special Education Fund
Department Name
R07-3201-012
Responsible Account (if applicable)
[Signature]
Administrative Signature (optional)
[Signature]
Administrative Printed Name
Anthony A. Ferrara
Authorized Official Signature
Vice Chancellor
Authorized Official Name (printed)
Finance & Operations
Date

STANDARD TERMS AND CONDITIONS

1. The University is not bound by this Contract until it is approved by the appropriate University official(s) indicated on the signature page of this Contract.
2. This Contract may be modified only by a written amendment which has been executed and approved by the appropriate parties as indicated on the signature page of this Contract.
3. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the University.
4. Unless otherwise indicated on the reverse, if this Contract provides for reimbursement for travel, meals or lodging, such reimbursement must be made in accordance with University travel policies.
5. The Contractor warrants that no part of the total Contract amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as officer, agent, employee, subcontractor, or consultant to Contractor in connection with any work contemplated or performed relative to this Contract, and that no employee or official of the State of Tennessee holds a controlling interest in the Contractor. If the Contractor is an individual, the Contractor certifies that he/she is not presently employed by the University or any other agency or institution of the State of Tennessee; that he/she has not retired from or terminated such employment within the past six months; and that he/she will not be so employed during the term of this Contract.
6. The Contractor shall maintain documentation for all charges against the University under this Contract. The books, records and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment, and shall be subject to audit, at any reasonable time and upon reasonable notice, by the University or the Comptroller of the Treasury, or their duly appointed representatives. These records shall be maintained in accordance with generally accepted accounting principles.
7. No person on the grounds of disability, age, race, color, religion, sex, national origin, veteran status or any other classification protected by Federal and/or Tennessee State constitutional and/or statutory law shall be excluded from participation in, or be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract. The Contractor shall, upon request, show proof of such non-discrimination, and shall post in conspicuous places, available to all employees and applicants, notice of nondiscrimination.
8. The Contractor, being an independent contractor, agrees to carry adequate public liability and other appropriate forms of insurance, and to pay all taxes incident to this Contract. The University shall have no liability except as specifically provided in this Contract.
9. The Contractor shall comply with all applicable Federal and State laws and regulations in the performance of this Contract.
10. This Contract shall be governed by the laws of the State of Tennessee, which provide that the University has liability coverage solely under the terms and limits of the Tennessee Claims Commission Act.
11. The Contractor shall avoid at all times any conflict of interests between his/her duties and responsibilities as a Contractor and his/her interests outside the scope of any current or future Contracts. The following principles define the general parameters of a conflict of interests prohibited by the University:
 - a. A Contractor's outside interests shall not interfere with or compromise his/her judgment and objectivity with respect to his/her duties and responsibilities to the University.
 - b. A Contractor shall not make or influence University decisions or use University resources in a manner that results in:
 - Financial gain outside any current or future Contracts for either the Contractor or his/her relatives or
 - Unfair advantage to or favored treatment for a third party outside the University.
 - c. A Contractor's outside financial interests shall not affect the design, conduct, or reporting of research.The Contractor certifies that he/she has no conflicts of interests and has disclosed in writing the following:
 - a. Any partners or employees of the Contractor who are also employees of the University.
 - b. Any relatives of the Contractor's partners or employees who work for the University.
 - c. Any outside interest that may interfere with or compromise his/her judgment and objectivity with respect to his/her responsibilities to the University.
12. If the Contractor fails to perform properly its obligations under this Contract or violates any term of this Contract, the University shall have the right to terminate this Contract immediately and withhold payments in excess of fair compensation for completed services. The Contractor shall not be relieved of liability to the University for damages sustained by breach of this Contract by the Contractor.
13. It is understood by the Contractor that the University will possess all rights to any creations, inventions, other intellectual property, and materials, including copyright or patents in the same, which arise out of, are prepared by, or are developed in the course of the Contractor's performance under this Contract. The Contractor and the University acknowledge and agree that the Contractor's work under this Contract shall belong to the University as "work-made-for-hire" (as such term is defined in U.S. Copyright Law).
14. For personal, professional, and consultant services, the Contractor shall submit brief, periodic progress reports to the University as requested.
15. In compliance with the requirements of Chapter 87B, Public Acts of 2005 of the State of Tennessee, for any contract for goods or services purchased by the University, the Contractor hereby attests that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the United States in the performance of the Contract.

8500012448

THE UNIVERSITY OF TENNESSEE
CONTRACT AMENDMENT

This amendment is to the contract between the University of Tennessee (hereinafter University and
ECG Management Consultants, Inc. (hereinafter Contractor), which Contract was signed by the
University on _____

This Contract amendment consists of this cover page, the University's Standard Terms and Conditions and
0 additional pages.

By mutual agreement, the University and the Contractor agree to the following amendment:
to extend contracted consulting services (contract tracking # 8500009575) to engage external expertise in the development of a
more aligned partnership structure between UT Medical Group, Inc. (UTMG) and our affiliated teaching hospital, Le Bonheur
Children's Medical Center thru 02/28/2010 and by \$50,000.00 to include the cost of legal review.
The University's maximum liability under this contract is \$325,000.00. *OK*

All other terms remain unchanged.

In witness of their acceptance of the terms of this agreement, the parties have had this Contract executed by their duly
authorized representatives.

FOR CONTRACTOR:

[Signature]
Signature
CHRISTOPHER T. COLLINS
Printed Name
PRINCIPAL, ECG
Title
100 CAMBRIDGE ST.
Address
BOSTON, MA 02114
617-227-0100
Telephone Number
91-1072663
SSN or Fed. ID Number

FOR UNIVERSITY:

COM Special Education Fund
Department Name
R07-3201-012
Responsible Account (if applicable)
Administrative Signature (optional)
Administrative/Printed Name
[Signature]
Authorized Official Signature
Authorized Official Name (printed)
Date DEC 11 2009

STANDARD TERMS AND CONDITIONS

1. The University is not bound by this Contract until it is approved by the appropriate University official(s) indicated on the signature page of this Contract.
 2. This Contract may be modified only by a written amendment which has been executed and approved by the appropriate parties as indicated on the signature page of this Contract.
 3. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the University.
 4. Unless otherwise indicated on the reverse, if this Contract provides for reimbursement for travel, meals or lodging, such reimbursement must be made in accordance with University travel policies.
 5. The Contractor warrants that no part of the total Contract amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as officer, agent, employee, subcontractor, or consultant to Contractor in connection with any work contemplated or performed relative to this Contract, and that no employee or official of the State of Tennessee holds a controlling interest in the Contractor. If the Contractor is an individual, the Contractor certifies that he/she is not presently employed by the University or any other agency or institution of the State of Tennessee; that he/she has not retired from or terminated such employment within the past six months; and that he/she will not be so employed during the term of this Contract.
 6. The Contractor shall maintain documentation for all charges against the University under this Contract. The books, records and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment, and shall be subject to audit, at any reasonable time and upon reasonable notice, by the University or the Comptroller of the Treasury, or their duly appointed representatives. These records shall be maintained in accordance with generally accepted accounting principles.
 7. No person on the grounds of disability, age, race, color, religion, sex, national origin, veteran status or any other classification protected by Federal and/or Tennessee State constitutional and/or statutory law shall be excluded from participation in, or be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract. The Contractor shall, upon request, show proof of such non-discrimination, and shall post in conspicuous places, available to all employees and applicants, notice of nondiscrimination.
 8. The Contractor, being an independent contractor, agrees to carry adequate public liability and other appropriate forms of insurance, and to pay all taxes incident to this Contract. The University shall have no liability except as specifically provided in this Contract.
 9. The Contractor shall comply with all applicable Federal and State laws and regulations in the performance of this Contract.
 10. This Contract shall be governed by the laws of the State of Tennessee, which provide that the University has liability coverage solely under the terms and limits of the Tennessee Claims Commission Act.
 11. The Contractor shall avoid at all times any conflict of interests between his/her duties and responsibilities as a Contractor and his/her interests outside the scope of any current or future Contracts. The following principles define the general parameters of a conflict of interests prohibited by the University:
 - a. A Contractor's outside interests shall not interfere with or compromise his/her judgment and objectivity with respect to his/her duties and responsibilities to the University.
 - b. A Contractor shall not make or influence University decisions or use University resources in a manner that results in:
 - Financial gain outside any current or future Contracts for either the Contractor or his/her relatives or
 - Unfair advantage to or favored treatment for a third party outside the University.
 - c. A Contractor's outside financial interests shall not affect the design, conduct, or reporting of research.
- The Contractor certifies that he/she has no conflicts of interests and has disclosed in writing the following:
- a. Any partners or employees of the Contractor who are also employees of the University.
 - b. Any relatives of the Contractor's partners or employees who work for the University.
 - c. Any outside interest that may interfere with or compromise his/her judgment and objectivity with respect to his/her responsibilities to the University.
12. If the Contractor fails to perform properly its obligations under this Contract or violates any term of this Contract, the University shall have the right to terminate this Contract immediately and withhold payments in excess of fair compensation for completed services. The Contractor shall not be relieved of liability to the University for damages sustained by breach of this Contract by the Contractor.
 13. It is understood by the Contractor that the University will possess all rights to any creations, inventions, other intellectual property, and materials, including copyright or patents in the same, which arise out of, are prepared by, or are developed in the course of the Contractor's performance under this Contract. The Contractor and the University acknowledge and agree that the Contractor's work under this Contract shall belong to the University as "work-made-for-hire" (as such term is defined in U.S. Copyright Law).
 14. For personal, professional, and consultant services, the Contractor shall submit brief, periodic progress reports to the University as requested.
 15. In compliance with the requirements of Chapter 878, Public Acts of 2006 of the State of Tennessee, for any contract for goods or services purchased by the University, the Contractor hereby attests that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performances of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the United States in the performance of the Contract.

700357
#8500009575

THE UNIVERSITY OF TENNESSEE

CONTRACT

This Contract made and entered into on May 21, 2009, documents the agreement between The University of Tennessee (hereinafter "University"), and ECG Management Consultants, Inc. (hereinafter Contractor).

This Contract consists of this cover page, the University's Standard Terms and Conditions (on reverse) and ¹²/₂₄ additional pages. Terms contained on this cover page and the Terms and Conditions shall prevail over those of any attachment unless otherwise stated under "Other Terms" below.



Contractor will provide the following:

Consulting services to engage external expertise in the development of a more aligned partnership structure between UT Medical Group, Inc. (UTMG) and our affiliated teaching hospital, Le Bonheur Children's Medical Center. See attached for Contractor's objective and approach of the project, work plan and estimated budget.

The period of performance under this Agreement is from 6/01/2009 through 10/31/2009. However, the University may terminate this Agreement by giving Contractor at least thirty (30) days written notice before the effective termination date, in which event Contractor shall be entitled to receive equitable compensation for satisfactory authorized work completed as of the termination date.

The University will compensate the Contractor \$ NA See other payment terms below.

Other payment terms:

Payment obligation under this agreement will be \$239,700 for contract services and \$35,300 for expenses. Monthly payments will be paid within thirty (30) days upon receipt of invoice. The University of Tennessee will subcontractor with Methodist Le Bonheur Healthcare (Methodist) and UTMG for fifty percent (50%) of the total estimated budget.

The University's maximum liability under this Contract is \$275,000.00.

In witness of their acceptance of the terms of this agreement, the parties have had this Agreement executed by their duly authorized representatives.

FOR CONTRACTOR

Christopher T. Collins, Senior Manager
Name and Title

ECG Management Consultants, Inc.
Address

100 Cambridge Street, Suite 2001, Boston MA 02114

617-227-0100
Telephone

Federal ID: 91-1072663
SSN or Federal I.D. no.

May 21, 2009
Date

FOR UNIVERSITY:
College of Medicine
Department

R0173701012
Responsible Account

Administrative Signature

Authorized Official

Anthony A. Ferrara
Vice Chancellor
Finance & Operations

Date

JUN 03 2009

STANDARD TERMS AND CONDITIONS

1. The University is not bound by this Contract until it is approved by the appropriate University official(s) indicated on the signature page of this Contract.
2. This Contract may be modified only by a written amendment which has been executed and approved by the appropriate parties as indicated on the signature page of this Contract.
3. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the University.
4. Unless otherwise indicated on the reverse, if this Contract provides for reimbursement for travel, meals or lodging, such reimbursement must be made in accordance with University travel policies.
5. The Contractor warrants that no part of the total Contract amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as officer, agent, employee, subcontractor, or consultant to Contractor in connection with any work contemplated or performed relative to this Contract, and that no employee or official of the State of Tennessee holds a controlling interest in the Contractor. If the Contractor is an individual, the Contractor certifies that he/she is not presently employed by the University or any other agency or institution of the State of Tennessee; that he/she has not retired from or terminated such employment within the past six months; and that he/she will not be so employed during the term of this Contract.
6. The Contractor shall maintain documentation for all charges against the University under this Contract. The books, records and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment, and shall be subject to audit, at any reasonable time and upon reasonable notice, by the University or the Comptroller of the Treasury, or their duly appointed representatives. These records shall be maintained in accordance with generally accepted accounting principles.
7. No person on the grounds of disability, age, race, color, religion, sex, national origin, veteran status or any other classification protected by Federal and/or Tennessee State constitutional and/or statutory law shall be excluded from participation in, or be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract. The Contractor shall, upon request, show proof of such non-discrimination, and shall post in conspicuous places, available to all employees and applicants, notice of nondiscrimination.
8. The Contractor, being an independent contractor, agrees to carry adequate public liability and other appropriate forms of insurance, and to pay all taxes incident to this Contract. The University shall have no liability except as specifically provided in this Contract.
9. The Contractor shall comply with all applicable Federal and State laws and regulations in the performance of this Contract.
10. This Contract shall be governed by the laws of the State of Tennessee, which provide that the University has liability coverage solely under the terms and limits of the Tennessee Claims Commission Act.
11. The Contractor shall avoid at all times any conflict of interests between his/her duties and responsibilities as a Contractor and his/her interests outside the scope of any current or future Contracts. The following principles define the general parameters of a conflict of interests prohibited by the University:
 - a. A Contractor's outside interests shall not interfere with or compromise his/her judgment and objectivity with respect to his/her duties and responsibilities to the University.
 - b. A Contractor shall not make or influence University decisions or use University resources in a manner that results in:
 - Financial gain outside any current or future Contracts for either the Contractor or his/her relatives or
 - Unfair advantage to or favored treatment for a third party outside the University.
 - c. A Contractor's outside financial interests shall not affect the design, conduct, or reporting of research.The Contractor certifies that he/she has no conflicts of interests and has disclosed in writing the following:
 - a. Any partners or employees of the Contractor who are also employees of the University.
 - b. Any relatives of the Contractor's partners or employees who work for the University.
 - c. Any outside interest that may interfere with or compromise his/her judgment and objectivity with respect to his/her responsibilities to the University.
12. If the Contractor fails to perform properly its obligations under this Contract or violates any term of this Contract, the University shall have the right to terminate this Contract immediately and withhold payments in excess of fair compensation for completed services. The Contractor shall not be relieved of liability to the University for damages sustained by breach of this Contract by the Contractor.
13. It is understood by the Contractor that the University will possess all rights to any creations, inventions, other intellectual property, and materials, including copyright or patents in the same, which arise out of, are prepared by, or are developed in the course of the Contractor's performance under this Contract. The Contractor and the University acknowledge and agree that the Contractor's work under this Contract shall belong to the University as "work-made-for-hire" (as such term is defined in U.S. Copyright Law).
14. For personal, professional, and consultant services, the Contractor shall submit brief, periodic progress reports to the University as requested.
15. In compliance with the requirements of Chapter 878, Public Acts of 2006 of the State of Tennessee, for any contract for goods or services purchased by the University, the Contractor hereby attests that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performances of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the United States in the performance of the Contract.

ECG

MANAGEMENT
CONSULTANTS

ECG MANAGEMENT CONSULTANTS, INC.
100 Cambridge Street, Suite 2001, Boston, MA 02114-2509
telephone: 617.227.0100 fax: 617.227.0042
e-mail: ecg@ecgmc.com web site: www.ecgmc.com

SEATTLE • BOSTON • WASHINGTON D.C. • SAN DIEGO • ST. LOUIS

May 21, 2009

Meri Armour, M.S.N., M.B.A.
President and Chief Executive Officer
Le Bonheur Children's Medical Center
50 North Dunlap Street
Memphis, Tennessee 38103

Steve J. Schwab, M.D.
Executive Dean, University of Tennessee College of Medicine
Chairperson, Board of Directors, UT Medical Group, Inc.
University of Tennessee Health Science Center
920 Madison Avenue
Memphis, Tennessee 38163

Dear Ms. Armour and Dr. Schwab:

ECG Management Consultants, Inc., is pleased to have the opportunity to present this proposal to promptly assist Methodist Le Bonheur Healthcare (Methodist), the University of Tennessee (UT) through its Health Science Center (UTHSC), and UT Medical Group, Inc. (UTMG) to jointly identify and develop a more integrated partnership model between pediatric specialists and the Le Bonheur Children's Medical Center (Le Bonheur) so they can more effectively leverage the strengths and resources of each institution to strategically advance children's health.

As a result of a recent initiative that ECG assisted UT with, we are acutely aware of the opportunities these institutions have before them with respect to building upon the well-established and nationally recognized pediatrics programs the institutions have collaboratively developed. We are knowledgeable of and sensitive to the specific issues associated with the proposed initiative and understand the eagerness of the parties to move forward with a well-informed joint planning process. ECG is familiar with these institutions and their relationship, as well as the dynamics of the local market. We are also known nationally for our experience with AMCs and our specialized expertise with children's medical centers. We believe we are uniquely qualified to assist you with this important initiative.

The remainder of this letter outlines our understanding of your needs, the objective and approach of the project, a work plan, and an estimated budget for your consideration. This proposal benefits

Ms. Meri Armour
Steve J. Schwab, M.D.
May 21, 2009
Page 2

from our current understanding and perspectives of the institutions and therefore supersedes/replaces any and all proposals or correspondence from ECG relative to this specific initiative.

A. Our Understanding of Need

Through a close affiliation and renewed partnership with new leadership, UT, through its College of Medicine (UTCOM), and Methodist share a vision to develop and grow several major service lines and elevate the stature of the AMC. This commitment is particularly evident in recent years by the joint recruitment of top-flight faculty to the region; major reinvestment in needed infrastructure, including facilities; and development of innovative care delivery models. The nationally recognized pediatric subspecialty programs jointly developed and sustained by Le Bonheur and UTCOM are a testament to the partnership.¹

As the institutions look to the next level of expansion and programmatic development, they share a desire to develop a more contemporary and integrated structure to ensure that both institutions are fully vested strategically and financially, and respective resources are maximized for the long-term sustainability of the children's medical center. The institutions mutually acknowledge that while there are many successes to celebrate in recent years, and their programs are of high quality, their contractual/financial relationship has at times drawn valuable focus unnecessarily away from jointly defining and pursuing strategic goals. With the fiscal reality that pediatric programs require substantial subsidization to succeed, given their disadvantaged economic model compared to most other specialties, the institutions wish to develop a new, more integrated model to support the children's medical center. While the UTCOM and Methodist leadership are closely aligned regarding the vision and overarching goals relative to a more integrated structure, steps need to be taken to define a mutually acceptable model which, among other objectives, will:

- Enhance the academic programs and support the mission of UTCOM.
- Serve as an attractive and inviting structure to faculty recruits.
- Emulate highly effective and tested structures in place at leading children's medical centers nationally while recognizing the local circumstances and conditions.
- Include select private physicians which complement and culturally align with the clinical faculty.

¹ For purposes of this document, "UTCOM" represents both the academic programs of the COM and the clinical enterprise of UTMG (although it is a separate entity). This reference is intentional and meant to ease the flow of the document. It is not intended to undermine the structure of UTHSC or misunderstand the important role of UTMG relative to this initiative.

- Foster an environment that focuses on quality and high clinical productivity and, in turn, competitively rewards physicians and staff for their contributions.
- Provide a structure that will, in time, yield significant strategic and economic gain for both institutions.

As Le Bonheur continues to make major capital investments, including a new \$327 million medical center to open in 2010, and UTCOM continues with an aggressive faculty recruitment plan with limited resources, the institutions believe it is imperative that this initiative be commenced in the immediate future. To that end, the parties wish to hire an experienced healthcare consulting firm to help facilitate a joint planning process to identify and define a more unified structure from which the institutions can further elevate the children's medical center.

B. Project Objective and Scope

The objective of this project is to help the institutions identify and develop a business plan for a more integrated or unified structure between the pediatric specialists and Le Bonheur while sustaining the academic mission of UTCOM. Through a joint planning process, viable options that meet mutually established principles and criteria will be examined. Such options will include prevailing models that exist at preeminent children's medical centers nationally and which may be applicable and effective at Le Bonheur/UTCOM. Once a model is selected by the institutions and agreement is reached in principle, a business plan will be developed to define in detail key elements including:

- Organizational and ownership structure.
- Financial frame work/funds flow arrangements.
- Physician employment/arrangements.
- Approach and methodology to integrate physician practices (if applicable).
- Physician compensation structure.
- Operational infrastructure requirements, including purchased services.
- Impact on existing organizations.

C. Approach and Work Plan

To accomplish the stated objective, we have developed a specific approach and work plan based on our experience with similar assignments and consistent with the requirements of the Request for Proposal (RFP) initially issued in September 2008. Considering ECG's familiarity with the institutions and preliminary positions regarding this initiative, the approach is designed to target the key issues early in the process and maintain an accelerated, yet prudent, pace throughout the engagement. The work plan is organized in two phases:

- Phase I – Preferred Model/Conceptual Design
- Phase II – Business Plan Development

At the outset of this project, we recommend forming a steering committee (or joint planning committee) that will consider the conceptual design options and oversee detailed development of the business plan. The scope of work described herein and the proposed timeline assumes that the steering committee will be a relatively small group of senior leadership of UTHSC, Methodist, and UTMG (i.e., decision makers). We propose that these meetings be scheduled every 2 to 3 weeks and that approximately 2 hours be allotted to each meeting.

PHASE I – PREFERRED MODEL/CONCEPTUAL DESIGN

During this phase, the institutions, through the steering committee, will collaboratively identify the most effective partnership model to further integrate the clinical faculty and select private physicians with Le Bonheur, after closely considering the near- and long-term implications of select viable options. The outcome of this phase will be the conceptual design or framework of the preferred model. Key tasks associated with this phase include, but are not limited to, the following:

Task 1 – Collect/Validate Background Information

After execution of a confidentiality agreement with both institutions, ECG will collect and review data and information regarding financial and performance data from Le Bonheur and UTCOM necessary to inform a productive joint planning process. While ECG is familiar with UTCOM and UTMG, including the pediatric programs as a result of a recent consultation, we will collect additional financial and operational data specific to the specialty and subspecialty pediatric programs as needed. Faculty-specific data collected will be important to the conceptual design of a new partnership model with respect to compensation and the proposed structure's influence to enhance productivity and major revenue streams. The review and validation of this information will help orient ECG to the specific issues prior to conducting stakeholder interviews.

Task 2 – Interview Stakeholders

During the initial stage of the project, we will conduct interviews with a broad base of stakeholders, including physicians, to solicit valuable input and insight regarding the issues that relate to the development of a more unified hospital/physician structure between Le Bonheur and UTCOM. We anticipate conducting between 15 and 20 interviews as part of this task. In some cases, it may be advantageous to perform interviews in small groups. At the outset of this engagement, we will work with you to select the most appropriate individuals/constituents.

Task 3 – Facilitate Planning Meetings

Throughout Phase I, ECG will facilitate a series of joint meetings to discuss potential organizational goals and design principles and consider viable options for a more integrated model between Le Bonheur and UTCOM. In addition to joint meetings of the steering committee, it may be necessary to conduct separate meetings with each institution to clarify organizational priorities, discuss specific issues, and vet implications prior to the joint meetings.

Task 4 – Review Viable Options/Alternatives

A key component of our assistance will be the identification, development, and assessment of appropriate alternative models for a more integrated pediatric practice plan model. Drawing from our experience and characteristics of successful structures in place nationally, we will work collaboratively with the steering committee and other stakeholders to identify and assess the applicability and effectiveness of different models for Le Bonheur/UTCOM. Design features will specifically cover elements of organization, governance, finances, management, and operations. Through this analysis, we will offer alternatives that will be considered within the context of the steering committee meetings. Near- and long-term implications to each institution of each option and characteristic will be closely examined during this step.

Task 5 – Codify Conceptual Model

The goal of the first phase is for the senior leadership of Le Bonheur and UTCOM to reach agreement conceptually regarding a more integrated structure between pediatric faculty and the children's hospital. The product of our deliberations will be a conceptual design document in the form of a Memorandum of Understanding (MOU) that contains agreed-upon elements for organization, governance, finances, management, and operations. Documents will include but not be limited to the following:

- Guiding principles, goals, and objectives of the new structure.
- Ownership/corporate structure.

- Governance model.
- Organization of physicians and nonphysician practitioners.
- Principles and goals of faculty compensation and productivity.
- Funds flow structure.
- High-level management structure, definition of major functions of the group, and general reporting relationships.

The work product resulting from Phase I deliberations will provide the framework for more detailed design elements to be defined in the subsequent phase.

Task 6 – Secure Preliminary Approval/Support

Before proceeding with Phase II, assuming mutual agreement is reached regarding a preferred structure, it will be necessary to obtain support or preliminary approval of the model from senior leadership of Methodist and UT, potentially including representatives of the respective boards. While ECG will defer to the institutions with respect to the required level of approval needed at this juncture, we believe it is prudent to secure support for the conceptual model before further investment in an extended planning process. Furthermore, we would anticipate the need to brief other stakeholders of both institutions to gain additional input and insight at this stage in the planning process. We will assist with facilitating this step, including all necessary preparation briefing documents.

Deliverables: MOU/Term Sheet

Supporting Documentation of Conceptual Design

PHASE II – BUSINESS PLAN DEVELOPMENT

Phase II encompasses a more detailed planning process to delineate and define the new structure through the development of a comprehensive business plan, including governance, management, funds flow, and group membership. This phase will produce the necessary detail to proceed with seeking board approval and proceed with implementation. Notable tasks to be completed in this phase are outlined below.

Task 1 – Develop Detailed Structure and Plan

In this task, ECG will work collaboratively with the steering committee to define and document in detail all necessary attributes of the new partnership model in the form of a business plan which will include, but not be limited to, the following:

- Organization and governance.
 - » Corporate and organizational structure.
 - » Board composition, authorities, and reserve powers.
 - » Proposed physician membership and relevant criteria.
 - » Policy-making process.
- Fiscal affairs.
 - » Approach to valuation and financial integration of existing practices (if applicable).
 - » Financial funds flow arrangement.
 - » Faculty compensation model and incentive system.
 - » Treatment of surpluses and reserves.
- Management and operations.
 - » Management structure/model.
 - » Operating model and procedural considerations.
 - » Notable infrastructure requirements.

As part of this step, ECG will use readily available financial data from UTMG related to the department of pediatrics to evaluate and inform financial components of the business plan, including compensation and funds flow. However, developing a comprehensive financial model encompassing each individual physician who may be a member to a new entity will not be conducted as part of this step.

Task 2 – Prepare an Implementation Plan

We will work with the management teams of all organizations to develop a detailed implementation plan. The plan will include key tasks, milestones, and the individuals or groups responsible for the execution of each step/task.

Task 3 – Secure Final Approval

ECG will assist on an as-needed basis with the preparation of material and/or facilitation of meetings relative to the institutions obtaining final approval of the proposed model from their respective boards.

***Deliverables: Detailed Business Plan
Implementation Plan***

D. Firm Qualifications and Project Team

1. Firm Qualifications

ECG has more than 35 years of experience in assisting pediatric and adult faculty practice plans in both creating and evaluating their group management structures and operations. We have significant experience with developing and planning for faculty practice plans in major teaching hospital settings. We have the proven ability and experience in the formulation and implementation of the critical elements of a faculty practice plan, and we are proud that our clients frequently request our assistance with the implementation of recommendations that we have formulated.

We believe senior leadership of UTCOM and Le Bonheur is familiar with our firm, our reputation in academic medicine, and the qualifications we bring to this assignment. Please refer to previous correspondence from ECG for profiles of similar engagements and client references. Alternatively, we will promptly resend a summary of our qualifications relevant to this scope of work under separate cover upon your request.

2. Project Team

The importance of this engagement is reflected in the senior-level staff ECG will assign to the project team.

■ Mr. Christopher T. Collins, Project Officer

Mr. Collins, a Senior Manager in the Academic Healthcare Division at ECG's Boston office, will serve as project officer for this assignment. He has over 12 years of experience in the healthcare provider sector and works exclusively with senior leadership of AMCs nationally. He has led a wide range of strategy, business development, and organizational restructuring initiatives for and/or among multiple entities of an AMC, including the university/health sciences center, medical school, teaching hospital, faculty group practice, and department or

multidisciplinary center. Mr. Collins has extensive experience with practice plan development/enhancement; clinical program integration/multidisciplinary program design; and hospital/physician arrangements, including joint ventures in an AMC setting. In addition, relevant to this proposal, Mr. Collins is familiar with UT/UTHSC and Methodist, including the shared vision of the leadership, and has a close understanding of the issues that will be necessary to address throughout this initiative.

As project officer, Mr. Collins will have overall responsibility for maintaining the firm's high standards of quality and ensuring that the objective of this engagement is met. Working closely with the project manager and others assigned to the engagement, he will be actively involved in the project and the development of deliverables, and will participate in all key project meetings.

■ Mr. Kenneth A. Roorda, Project Manager

Mr. Roorda, a Senior Manager ECG's Seattle office, heads the firm's Children's Hospital and Pediatric Organization practice and will serve as project manager for this assignment. Working predominantly in AMCs, he has extensive experience with pediatric faculty group formation and operations and has worked with many premier children's hospitals nationally. As a result of his exclusive focus on pediatric programs, Mr. Roorda is well versed on components of successful programs, including effective physician/hospital partnership models and productivity-based pediatric faculty compensation plans.

As project manager, he will be responsible for day-to-day management of the assignment, including key communications and preparation of meeting materials, and assume a lead role in the facilitation of project meetings. Mr. Roorda will oversee all staff assigned to the engagement in conjunction with the project officer.

■ Stephen M. Sadowski, Technical Adviser

Mr. Sadowski, a Principal in ECG's Academic Healthcare practice, will serve as technical advisor throughout the engagement. He has been providing consulting services exclusively to AMCs for over 15 years and has extensive experience with FGP organizational and governance design. He is familiar with UTHSC and Methodist and the local market through a recent engagement with UT.

As technical adviser, he will be called upon on an as-needed basis, to contribute to the engagement, bringing additional expertise or perspective to specific components of the project, including, but not limited to, the organizational governance components of a proposed phy-

sician organization relevant to this initiative. Further, Mr. Sadowski or other professionals in the firm may serve as a liaison to a peer institution/client whose input may be valuable to the project.

One or more senior ECG consultants will also be assigned to this project to support Messrs. Collins and Roorda. Staff assigned to this engagement will have a master's degree, several years of healthcare industry experience, and specific experience with clinical department reviews. Biographies of and/or references for team members will be furnished under separate cover upon request.

E. Project Timeline and Budget

1. Schedule

We are prepared to begin this engagement immediately (within 5 business days) upon the institutions' authorization to proceed. Based on our experience with similar assignments, our familiarity of the institutions, and the potential of utilizing some data collected from recent engagements (with necessary permission), we anticipate completion of this engagement in 4 to 5 months, with each phase requiring roughly 8 to 10 weeks. We are optimistic that ECG can leverage its knowledge of the institutions and navigate through both phases in a time-efficient manner. However, ECG anticipates challenges with scheduling meetings with UTCOM and Methodist representatives during summer months and has taken this under consideration.

The scope of work and the estimated budget provided in the next section are contingent upon the accessibility of required data and the availability of executive leadership, as well other staff, to meet with our project team. ECG will strive to complete this assignment as efficiently as possible within the expected time frame. We will be proactive in communicating with you regarding issues that may impede our ability to conduct our work in a manner that is consistent with our approach described herein.

2. Budget

We have structured the cost estimate to reflect the approach described in this letter, including an aggressive timeline and one that considers the anticipated efficiency associated with ECG's established knowledge base of the institutions. We charge for our services based on the professional fees and project-related expenses incurred. Our professional fees will be determined by the actual hours worked on the engagement at our standard hourly rates. Project-related expenses will include the direct cost of travel, document preparation, telephone, and other out-of-

pocket expenses. We estimate the total project budget to be approximately \$275,000 for this engagement based on the proposed work plan and the following assumptions:

	Hours	Rate	Fees
Mr. Collins	160	\$300	\$ 48,000
Mr. Roorda	300	\$275	82,500
Project Staff	520	\$210	<u>109,200</u>
TOTAL PROFESSIONAL FEES			\$239,700
Project-Related Expenses ²			<u>35,300</u>
TOTAL ESTIMATED BUDGET			<u>\$275,000</u>

If we are able to complete this assignment in fewer professional hours than anticipated, you will be billed a corresponding lesser amount. We agree to obtain prior approval from the institutions before exceeding the professional fee budget shown above.

During the course of the engagement, we will bill monthly for our services based upon the actual fees and project-related expenses incurred. Monthly payments are expected within 30 days of receipt of invoice.

F. General Terms and Conditions

This agreement shall be conducted subject to our standard policies and conditions, as outlined below.

- Any changes in this agreement shall be confirmed and agreed upon in writing by all parties.
- The services performed in this engagement are intended solely for internal use and may not be used externally nor included in or referred to in any offering statement, purchase or financing agreement, or other documents without our approval. Depending on the proposed use, such approval may require additional work and associated expenses.
- Should ECG be required to respond to any subpoena, reply to any request for production of documents or interrogatories, or appear for deposition in any hearing or civil proceeding arising from matters pertaining to this agreement, ECG shall be reimbursed for all expenses

² Estimated at approximately 15 percent of total professional fees. ECG will closely manage project expenses, including booking air travel in advance to secure discounts, and will adhere to all the necessary travel policies of the institutions, where applicable.

and professional time at standard rates. UT is not allowed, by law, to pay costs of collection, court costs, or attorney's fees.

- Similarly, we will maintain as confidential all data and other information, either written or verbal, you provide to us in connection with our work on this engagement and will not disclose it to others, except in the case of a subpoena or court order, without your prior approval.
- To the extent allowed under the laws of the State of Tennessee, ECG's liability for damages will be limited to gross negligence, fraud, or willful misconduct and shall not exceed the total amount paid for the services described herein. ECG further agrees that UT will not be liable for any lost revenue or for any claims or demands against you by any other party. In no event will UT be liable for incidental or consequential damages, even if we have been advised of the possibility of such damages.
- No action, regardless of form, arising out of the services described herein may be brought by either party more than 3 years after the date of the last services provided under this proposal.
- UT is a State of Tennessee institute and is not allowed, by law, to arbitrate.
- *Illegal Immigrant* – In compliance with the requirements of Chapter 878, Public Acts of 2006 of the State of Tennessee, for any contract for goods or services purchased by the university, ECG hereby attests that it shall not knowingly utilize the services of an illegal immigrant in the United States in the performance of this contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the United States in the performance of the contract.
- UT's maximum financial obligation under the terms of this agreement for the scope of work described herein is \$275,000.

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