

**CONTRACT #3**

**RFS # N/A**

**FA # N/A**

**University of Tennessee  
Health Science Center**

**VENDOR:**

**ECG Management Consultants,  
Inc.**

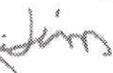
January 11, 2011

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

RECEIVED

JAN 13 2010

FISCAL REVIEW

Dear Mr. White: 

The University of Tennessee Health Science Center is submitting for the committee's review an amendment (Amendment #4) to the contract with ECG Management Consultants, Inc. for the purpose of increasing the University's maximum from \$245,000 to \$695,000 effective March 16, 2011 and to extend the end date through September 30, 2011.

In early 2009, the University conducted a competitive bid process for management consulting services in the development of a faculty practice plan affiliated with our College of Medicine - Chattanooga and the Erlanger Health System. To date, this has been a very deliberate process for both parties for a number of reasons. As a result the initial contract has been extended and amended as detailed below:

UT Contract Number	Signed	End Date	Total Maximum
#8500010633	July 15, 2009	November 15, 2009	\$135,000
#8500013319	February 17, 2010	June 30, 2010	\$135,000
#8500017162	October 25, 2010	December 31, 2010	\$245,000
#8500018745	January 10, 2011	March 15, 2011	\$245,000

In November, leaders from both the HSC and Erlanger met and agreed on the framework for moving forward. In addition, there was agreement that the most efficient manner to move forward would be with the continued assistance of ECG.

I look forward to your review of this contract amendment and stand ready to provide any additional information you require in order to present it to the Contracts Subcommittee.

Sincerely,



Anthony A. Ferrara, CPA, MAS  
Vice Chancellor - Finance and Operations

AAF/

SY:\GENERAL\_1\FILES DOCUMENTS\2011\WHITE ECG UT GLOBAL CONTRACT AMENDMENT.DOC

Enclosures

cc: Charles M. Peccolo  
Leni Chick  
Scott Grammer  
Jeff Loy

Mary Carr-McDonald  
Mark A. Paganelli  
Sandra Pulliam

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: (if applicable)		Edison RFS Number: (if applicable)	
*Original Contract Begin Date:	July 15, 2009	*Current End Date:	March 15, 2011
Current Request Amendment Number: (if applicable)	N/A		
Proposed Amendment Effective Date: (if applicable)	March 16, 2011		
*Department Submitting:	University of Tennessee		
*Division:	Health Science Center		
*Date Submitted:	January 12, 2011		
*Submitted Within Sixty (60) days: If not, explain:	Yes NA		
*Contract Vendor Name:	ECG Management Consultants, Inc.		
*Current Maximum Liability:	\$245,000.01		
<b>*Current Contract Allocation by Fiscal Year:</b> (as Shown on Most Current Fully Executed Contract Summary Sheet)			
FY: 2010	FY: 2011	FY:	FY:
\$135,000.00	\$110,000.01	N/A	N/A
<b>*Current Total Expenditures by Fiscal Year of Contract:</b> (attach backup documentation from STARS or FDAS report)			
FY: 2010	FY: 2011	FY:	FY:
\$129,113.90	\$2,812.83	N/A	N/A
IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:		The project has not progressed as quickly as originally anticipated.	
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:		The project has not progressed as quickly as originally anticipated.	
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:			
*Contract Funding	State:		Federal:

Supplemental Documentation Required for  
Fiscal Review Committee

Source/Amount:			
Interdepartmental:	N/A	Other: UT and Erlanger will share in the costs of the implementation.	\$245,000.01
If "other" please define:		Affiliation Agreement with Erlanger Health System.	
Dates of All Previous Amendments or Revisions: <i>(if applicable)</i>		Brief Description of Actions in Previous Amendments or Revisions: <i>(if applicable)</i>	
11/16/10		Extended end date to June 30, 2010.	
10/25/10		Extended end date to December 31, 2010 and increased maximum liability by \$110,000 to \$245,000.	
01/01/11		Extended date to March 15, 2011.	
Method of Original Award: <i>(if applicable)</i>		Competitive	
*What were the projected costs of the service for the entire term of the contract prior to contract award?		N/A	

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.

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

Deliverable description:	FY: 2010	FY: 2011	FY: 2012	FY:	FY:
Consulting Services	\$135,000.00	\$410,000.01	\$150,000.00		

**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.**

Deliverable description:	FY:	FY:	FY:	FY:	FY:
	N/A. The partnership to create a faculty practice plan for the College of Medicine in Chattanooga is anticipated to create incremental support of the academic mission of training medical students. It is unclear at this point, however, what the magnitude of this support will be in the future. A major task of this consultation will be the development of an appropriate base mission support to the College from Erlanger Health System.				

**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.**

\*\*N/A – See attachment for explanation.\*\*

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

Supplemental Documentation Required for  
Fiscal Review Committee

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

## Supplemental Documentation Required for Fiscal Review Committee

As part of the UT Health Science Center's effort to address the issues identified in the audit of the relationship with the UT Medical Group, Inc, all clinical academic affiliations are being examined. An initial review of the affiliation with the Erlanger Health System and the College of Medicine in Chattanooga began in 2009 following a competitive bid process in which ECG Management Consultants were selected.

The process for the development of a joint venture type faculty practice plan has been slow due to a number of issues including those internal to Erlanger as well as UTHSC's concentration of effort to the development of the pediatric practice plan in Memphis. A recent meeting in Chattanooga on November 18, 2010 confirmed both parties commitment to move forward with the development of a new faculty practice plan to support the UT College of Medicine in Chattanooga and the Erlanger Health System. It was determined the best route for a successful project was to continue with the consulting arrangement led by ECG.

With the support of designated personnel from Erlanger and under the direct guidance of Drs. Louis Lambiase (UTCOCM-C), Keith Helton (EHS), and a Steering Committee, ECG will provide the following roles in the implementation phase of the practice plan:

- ☐ Serve as the single point of accountability for project management and ensure that resources are deployed in an efficient manner and that the objectives of the work plan are achieved.
- ☐ Provide strategic, business, and financial expertise pertaining to the development of a hybrid practice plan that includes niche issues related to the concurrent employment of clinical faculty as well as nonacademic physicians.
- ☐ Issue informed recommendations to UTCOCM-C and EHS in a variety of transitional issues during the course of implementation ranging from physician compensation / benefits to UT Erlanger funds flow arrangement and core operation features and policies of the new practice plan.
- ☐ Work collaboratively with respective legal teams to develop and execute all necessary definitive agreements.
- ☐ Perform supplemental assessment and analysis throughout the course of implementation.
- ☐ Serve as a third-party, non-bias expert in reaching resolution on financially and politically sensitive issues between the parties.
- ☐ Directly facilitate or support in the background a range of stakeholder meetings, including meetings and work sessions with participating physicians.

ECG's initial contract was amended and extended in October, 2010 to obtain their guidance in bringing the parties together to develop a consensus on a decision to move forward. The cost of completing this task, however, was significantly less than anticipated. Therefore, the contract was extended through mid-March to use the existing maximum liability. In order to complete the project as anticipated, it will be necessary to increase the maximum liability by \$450,000 and extend the date through September 30, 2011.

Effective October 30, 2009

Vendor Payments Report

Vendor #	Vendor Name	Check #	Count	Amount	Post Date	G/L	Fund	Replaced Check	Assignment #	PI Doc #
107610	ECG MANAGEMENT CONSULTANTS, INC.	11410126	1	33,424.38	12/04/2009	437500	R094505085		Cont. 890010633	2402339825
107610	ECG MANAGEMENT CONSULTANTS, INC.	11410126	1	35,784.46	12/04/2009	437500	R094505085		Cont. 890010633	2402339825
107610	ECG MANAGEMENT CONSULTANTS, INC.	11411126	1	30,122.56	12/09/2009	437500	R094505085		Cont. 890010633	2402339825
107610	ECG MANAGEMENT CONSULTANTS, INC.	11413125	1	51,860.09	02/11/2010	437500	R094505085		Cont. 890010633	2402339825
107610	ECG MANAGEMENT CONSULTANTS, INC.	11455834	1	23,309.53	04/22/2010	437500	R094505085		Cont. 890010633	2402339825
107610	ECG MANAGEMENT CONSULTANTS, INC.	11455834	1	382.47	06/01/2010	437500	R094505085		Cont. 890010633	2402339825
107610	ECG MANAGEMENT CONSULTANTS, INC.	11740931	1	2,822.87	12/14/2010	437500	R094505085		Cont. 890010633	2402339825
* 107610			7	131,926.73						
**			7	131,926.73						

# CONTRACT SUMMARY SHEET

021406

<b>RFS #</b>	<b>Contract #</b>
N/A	N/A

<b>State Agency</b>	<b>State Agency Division</b>
University of Tennessee	Health Science Center

<b>Contractor Name</b>	<b>Contractor ID # (FEIN or SSN)</b>
ECG Management Consultants, Inc.	<input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- 91-1072663

<b>Service Description</b>			
Management consulting services in the creation of a faculty practice plan in partnership with Erlanger Health System.			
<b>Contract BEGIN Date</b>	<b>Contract END Date</b>	<b>Subrecipient or Vendor?</b>	<b>CFDA #</b>
7/15/2009	3/15/2011	Vendor	

**Mark Each TRUE Statement**

n/a Contractor is on STARS       Contractor's Form W-9 is on file in Accounts

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
332.3	N/A	N/A	N/A	N/A	N/a
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
10				\$ 135,000.00	\$ 135,000.00
11				\$ 110,000.01	\$ 110,000.01
					\$ -
					\$ -
					\$ -
					\$ -
<b>TOTAL:</b>	\$ -	\$ -	\$ -	\$ 245,000.01	\$ 245,000.01

COMPLETE FOR AMENDMENTS ONLY			State Agency Fiscal Contact & Telephone #	
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	Anthony A. Ferrara 901044805523	
10	\$ 135,000.00		State Agency Budget Officer Approval	
11	\$ 110,000.01	\$ 300,000.00	Charles M. Peccolo	
12		\$ 150,000.00		
			Funding Certification (certification, required by T.C.A. § 9-4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)	
<b>TOTAL:</b>	\$ 245,000.01	\$ 450,000.00		
<b>End Date</b>	3/15/2010	9/30/2011		

**Contractor Ownership** (complete only for base contracts with contract # prefix: FA or GR)

<input type="checkbox"/> African American	<input type="checkbox"/> Person w/ Disability	<input type="checkbox"/> Hispanic	<input type="checkbox"/> Small Business	<input type="checkbox"/> NOT disadvantaged
<input type="checkbox"/> Asian	<input type="checkbox"/> Female	<input type="checkbox"/> Native American	<input type="checkbox"/> OTHER minority/disadvantaged—	

**Contractor Selection Method** (complete for ALL base contracts— N/A to amendments or delegated authorities)

<input type="checkbox"/> RFP	<input type="checkbox"/> Competitive Negotiation	<input type="checkbox"/> Alternative Competitive Method
<input type="checkbox"/> Non-Competitive Negotiation	<input type="checkbox"/> Negotiation w/ Government (eg. ID, GG, GU)	<input type="checkbox"/> Other

**Procurement Process Summary** (complete for Alternative Method, Competitive Negotiation, Non-Competitive Negotiation, OR Other)

This contract is an amendment to a contract originally procured through a competitive bid process (RFP # 10032017) for the purpose of increasing the University's maximum liability from \$245,000 to \$695,000 effective March 16, 2011. This is to implement the faculty practice plan affiliated with our College of Medicine - Chattanooga and the Erlanger Health System.

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

1) NCJ Number:	9000005850	Fund Number:	R094505085
2) Campus/Institute Name:	Clinical ED Center-Chattanooga	College of Medicine-Chattanooga	

**EXISTING CONTRACT INFORMATION**

3) Short Description:	Management Consulting Services for the Creation of the Chattanooga Practice Plan		
4) Proposed Vendor:	Name:	ECG MANAGEMENT CONSULTANTS, INC.	
	Vendor Number:	1070610	
	Vendor ID:		
5) Original CTS Number:	8500017162		
6) Contract Start Date:	07/14/2009		
7) Current Contract End Date IF allOptions to Extend the Contract are Exercised:	03/15/2011		
8) Current Total Maximum Cost IF allOptions to Extend the Contract are Exercised:	\$ 245,000.02		

**PROPOSED AMENDMENT INFORMATION**

9) Proposed Amendment #	002		
10) Proposed Amendment Effective Date:	03/15/2011		
11) Proposed Contract End Date IF allOptions to Extend the Contract are Exercised:	09/30/2011		
12) Proposed Amendment Amount	\$ 450,000.00		
13) Proposed Total Maximum Cost IF allOptions to Extend the Contract are Exercised:	\$ 695,000.02		
14) Approval Criteria:	Non-competitive negotiation is in universitys best interest		
15) Description of the Proposed Amendment Effects & Any Additional Service:	Management consulting services by ECG Management Consultants, Inc. in the creation of a physician practice plan in partnership with Erlanger Health System for the UT College of Medicine – Chattanooga.		
16) Explanation of Need for the Proposed Amendment:	The project has reached a point to move forward, but requires the services of a third party consultant to aid in its success.		
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:	The consulting arrangement was initially bid (RFP #10032017) and ECG was the winning contractor.		

**22) Justification for the Proposed Non-Competitive Amendment:**

ECG has become very familiar with the UT Health Science Center and UTCOM-Chattanooga as well as the Erlanger Health System, over the past two years. Their knowledge and expertise is required to bring the project to a successful conclusion.

**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**") (University Contract #800018745 / #8500017162 / #8500013319 / #8500010633 / RFP #10032017, effective January 01, 2011).

This **Amendment** consists of this cover page and Terms and Conditions. Terms contained on this cover page and Terms and Conditions shall prevail over those of any attachment unless otherwise stated under "Other terms" below.

By mutual agreement, the UNIVERSITY and CONTRACTOR agree to the following amendment:

1. The Period of Performance for Contract #8500017162 is amended from July 15, 2009 to March 31, 2011 to July 15, 2009 through September 30, 2011.
2. The **UNIVERSITY's** maximum liability under this Contract is increased from \$245,000.01 to \$695,000.01.
3. However, either party may terminate this Contract by giving at least thirty (30) days written notice before the effective termination date, in which event the University shall be entitled to receive equitable compensation for satisfactory authorized work completed as of the termination date.
4. All other terms remain unchanged

**FOR CONTRACTOR:**

ADDRESS: ECG Management Consultants, Inc.  
100 Cambridge Street, Suite 2001  
Boston, MA 02114

PHONE: 617.227.0100

FEDERAL ID #: 91-1072663

**FOR UNIVERSITY:**

DEPARTMENT NAME:  
UT College of Medicine – Chattanooga

RESPONSIBLE ACCOUNT:  
R094505085

\_\_\_\_\_  
Christopher T. Collins  
Principal

\_\_\_\_\_  
Anthony A. Ferrara  
Vice Chancellor for Finance & Operations

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## 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. Either Party may terminate this Contract by giving the Other Party at least thirty (30) days written notice before the effective termination date. The University shall be entitled to receive equitable compensation for satisfactory authorized work completed as of the termination date.
4. If the University fails to perform properly its obligations under this Contract or violates any term of this Contract, the Contractor shall have the right to terminate this Contract immediately and withhold payments in excess of fair compensation for completed services. The University has liability coverage solely under the terms and limits of the Tennessee Claims Commission Act.
5. The University 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 Contractor.
6. 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.
7. The University shall maintain documentation for all charges against the Contractor under this Contract. The books, records and documents of the University, 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 Contractor or the Comptroller of the Treasury, or their duly appointed representatives. These records shall be maintained in accordance with generally accepted accounting principles.
8. 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 non-discrimination.
9. 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.
10. The University shall have no liability except as specifically provided in this Contract.
11. Both Parties shall comply with all applicable Federal and State laws and regulations in the performance of this Contract.
12. 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.



MANAGEMENT  
CONSULTANTS

F 617.227.0100  
F 617.227.0042

100 Cambridge Street, Suite 2003  
Boston, MA 02114

December 22, 2010

Kennard D. Brown, J.D., M.P.A., Ph.D.  
Executive Vice Chancellor and Chief of Staff  
The University of Tennessee Health Science Center  
62 South Dunlap Street, Suite 217  
Memphis, Tennessee 38103-4903

Dear Dr. Brown:

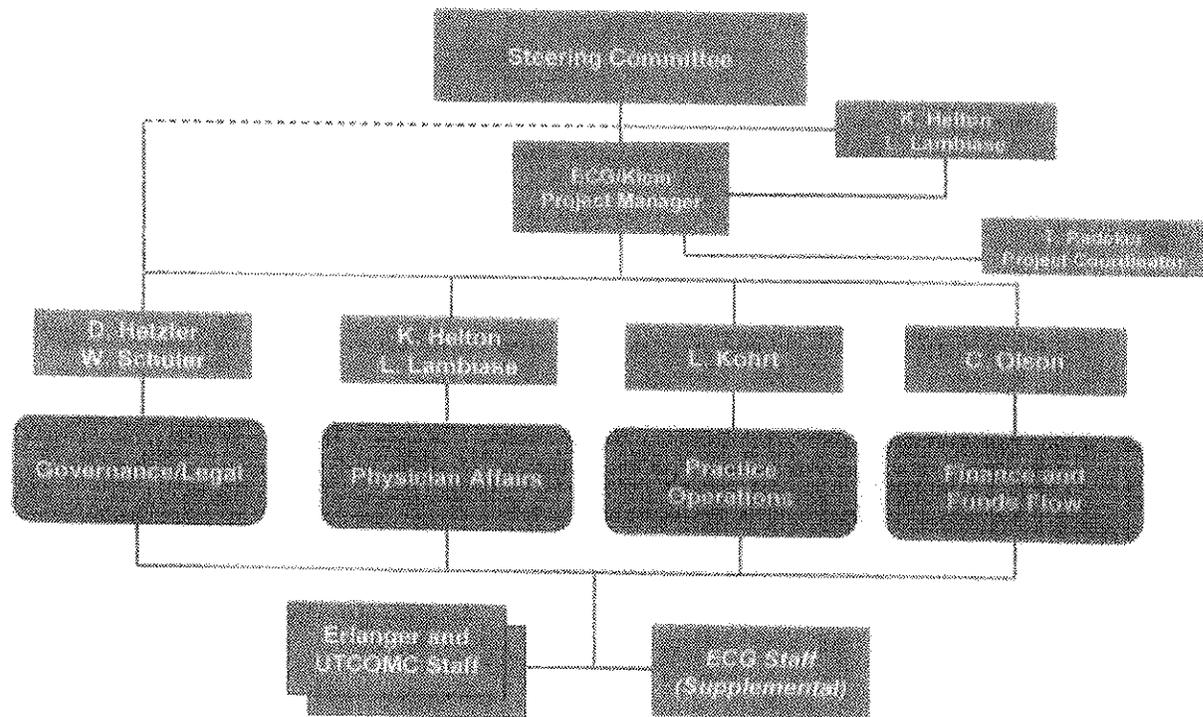
RE: Contract #8500013319

Pursuant to the Steering Committee meeting held in Chattanooga on November 18, 2010, regarding the work plan for the implementation of the faculty group practice (FGP) (tentatively named UT Erlanger Medical Group), ECG Management Consultants, Inc., is pleased to present you with this letter of engagement for the continuation of our assistance as we transition from the preplanning phase to full implementation of operations.

The remainder of this letter specifies our role in the next segment of the planning process, the corresponding scope of work, and the estimated not-to-exceed budget.

#### A. ECG Role/Scope of Work

While not continuous, ECG's role has been key over the past 18 months in the conceptual design, business plan, stakeholder consensus building, and preplanning for the development of the FGP to be jointly established by UTCOMC and Erlanger Health System. After many starts and stops, particularly over the past 6 to 8 months as each party sought final board approval and negotiated key terms, we are pleased that the parties are now committed to proceeding with full implementation of the practice. Through an extension of the original contract (Contract #8500013319) with UT, ECG has worked over the past 60 to 90 days to develop an agreed-upon work plan and to bring resolution to core matters related to governance and management. ECG also developed a task-specific implementation plan that is organized into four main work streams, and we have worked collaboratively with UTCOMC and Erlanger to identify all internal resources that could be available to aid in its execution. The work streams and functional areas were presented and agreed to by the parties at the November 18 Steering Committee meeting. The organizational chart below captures the agreed-upon work streams and notable individuals who will be on point for each respective area (refer to "UEMG Steering Committee Meeting 11-18-10.ppt" and related documents for approach and work plan details).



With the support of designated personnel from Erlanger; under the direct guidance of Louis Lambiase, M.D., and Keith Helton, M.D.; and under the direction of the Steering Committee, ECG will serve the following main roles during the implementation stage:

- Serve as the single point of accountability for project management and ensure that resources are deployed in an efficient manner and that the objectives of the work plan are achieved.
- Provide strategic, business, and financial expertise pertaining to the development of a hybrid practice plan that includes niche issues related to the concurrent employment of clinical faculty as well as nonacademic physicians.
- Issue informed recommendations to UTCOMC and Erlanger in a variety of transitional issues during the course of implementation ranging from physician compensation/benefits to UT/Erlanger funds flow arrangements and core operational features and policies of the new practice plan.
- Work collaboratively with respective legal teams to develop and execute all necessary definitive agreements.

- Perform supplemental assessment and analysis throughout the course of implementation.
- Serve as a third-party, non-bias expert in reaching resolution on financially and politically sensitive issues between the parties (e.g., funding level, mechanics of mission support).
- Directly facilitate or support in the background a range of stakeholder meetings, including meetings and work sessions with participating physicians.

While UT shall serve as the contracting client, ECG considers both UT and Erlanger as its client, with the main project sponsors as Kennard D. Brown, J.D., M.P.A., Ph.D., and Mr. James Brexler. ECG will help to develop a practice that meets the expectations of both institutions, including innovative characteristics that are conducive to payment and healthcare delivery reform.

#### B. Project Team and Estimated Hours

ECG's project team will include the following individuals:

- Mr. Christopher T. Collins, Project Officer

Mr. Collins, a Principal in ECG's Boston office, will continue to serve as project officer during the implementation phase. He works exclusively with boards and executive leadership of academic medical centers (AMCs) nationally with large scale organizational redesign initiatives. Mr. Collins has extensive experience in academic group practice development/enhancement, clinical program integration/multidisciplinary program development, and hospital/physician arrangements. He frequently authors articles and is invited to present nationally on AMC integration, as well as the implications of national healthcare reform. Particularly relevant to this proposal, Mr. Collins is deeply familiar with UT, UTHSC, UTCOMC, and Erlanger, and he played a central role in the architecture of the proposed FGP model.

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 development of deliverables, and he will participate in all key project meetings.

Consistent with the agreed-upon work plan, estimated monthly hours for Mr. Collins during this phase will range from 24 to 40 hours per month. The actual number of hours worked will be influenced by several factors, including time required for internal (ECG) project team

meetings to develop deliverables as well as on-site meetings with UT and Erlanger representatives.

\* Mr. Adam Klein, Project Manager

Mr. Klein, a Manager in ECG's St. Louis office, will serve as project manager during the implementation phase. He has extensive experience with executing mergers and acquisitions and physician practice restructuring. Mr. Klein has played a lead role in a number of complex hospital/physician practice transactions during his tenure. Mr. Klein is an Accredited Valuation Analyst with the National Association of Certified Valuation Analysts and an active member of the American Health Lawyers Association. Particularly relevant to this project, Mr. Klein has served as a full-time project manager for the implementation of UT Le Bonheur Pediatric Specialists, Inc. (ULPS), a joint venture practice plan between UT and Methodist Le Bonheur Healthcare – the first of its kind affiliated with UT. He has specific insight and knowledge of UT that will be valuable for the efficient management of this project.

As project manager, Mr. Klein will manage ECG, UT, and Erlanger resources within the framework of the agreed-upon approach and work plan. He will serve as the primary point of contact for on-site leaders of the initiative, including Drs. Lambiase and Helton. In addition to serving as a project manager, Mr. Klein will conduct supplemental analysis as needed.

Consistent with the agreed-upon work plan, estimated monthly hours for Mr. Klein during this phase will average approximately 80 hours per month (roughly 0.5 FTEs). He will be on site at least 2 weeks per month and more frequently during the initial several months.

In the event that Mr. Klein is redeployed on a different project on a full-time basis and is no longer available to serve as project manager for this assignment, an equally qualified manager from ECG will replace Mr. Klein. Mr. Collins will ensure that such a transition will cause no interruption to the pace or progress of this engagement. Further, UT and Erlanger will approve the credentials of an alternative project manager in advance.

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

For at least the first 3 to 4 months of the project, ECG anticipates that an additional consultant will be needed for 80 to 120 hours per month.

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

### C. Schedule and Estimated Budget

#### 1. Schedule

ECG has proceeded with implementation and anticipates full deployment of all LIT and Erlanger resources beginning the week of January 3, 2011. We anticipate the FGP to be operational and all physicians transitioned no later than June 30, 2011.

#### 2. Estimated Budget

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 include travel, document preparation, telephone, and other out-of-pocket expenses and are typically 10 to 15 percent of professional fees.

We estimate the not-to-exceed budget for this segment of the project to be approximately \$450,000, including professional fees and estimated project-related expenses over a 6-month period. This estimate is based on the assumptions summarized in the table below that multiplies the estimated hours of project team member by their respective standard hourly rates.

If we are able to complete this assignment in fewer professional hours than anticipated, you will be billed a correspondingly lesser amount.

	Hours	Rate	Cost
Project Officer	24 to 40	\$325	\$ 7,800 to \$13,000
Project Manager	60 to 90	\$275	16,500 to 24,750
Project Staff	80 to 120	\$225	18,000 to 27,000
TOTAL PROFESSIONAL FEES			\$42,300 to \$64,750

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 business

days of receipt of invoice. We understand that UT will make arrangements with Erlanger to share in the cost of implementation with respect to ECG's role and other committed resources.

This agreement shall be conducted subject to our standard policies and conditions as outlined below and be in full compliance with all relevant UT terms and conditions already in effect for Contract #8500013319.

- \* 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 and professional time at standard rates.
- \* 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.
- \* 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. You further agree that we will not be liable for any lost revenue or for any claims or demands against you by any other party. In no event will we 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.
- \* It is also agreed that all disputes that may arise in connection with our engagement that cannot be mutually resolved shall be submitted to binding arbitration under the rules and procedures of the American Arbitration Association.

\* \* \* \* \*

Kennard D. Brown, J.D., M.P.A., Ph.D.  
December 22, 2010  
Page 7

ECG is pleased to have earned the trust and confidence of UT and Erlanger with this important project and have the opportunity to assist with implementation. We consider this engagement a high priority, and we will meet/exceed all expectations during this assignment.

Very truly yours,

ECG MANAGEMENT CONSULTANTS, INC.



Christopher T. Collins  
Principal

CC/imp/167629(doc-E)/1673-02-E2

cc: Mr. James Brexler, Erlanger Health System

Please sign and return a copy indicating your acceptance of this scope of work for this phase of the engagement.

Acknowledged and Accepted By:

Date:

\_\_\_\_\_

\_\_\_\_\_

THE UNIVERSITY OF TENNESSEE 8500018745  
CONTRACT AMENDMENT

This Amendment is to the contract between The University of Tennessee (hereinafter "UNIVERSITY"), and ECG Management Consultants, Inc. (hereinafter "CONTRACTOR") (University Contract #8500017162 / #8500013319 / #8500010633 / RFP #10032017, last signed October 25, 2010).

This Amendment consists of this cover page, Terms and Conditions, and 7 additional pages. Terms contained on this cover page and Terms and Conditions shall prevail over those of any attachment unless otherwise stated under "Other terms" below.

By mutual agreement, the UNIVERSITY and CONTRACTOR agree to the following amendment:

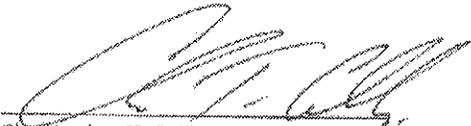
1. The Period of Performance for Contract #8500017162 is amended from July 15, 2009 to December 31, 2010 to July 15, 2009 through March 15, 2011.
2. The CONTRACTOR agrees to provide the services as described on the attached pages.
3. The UNIVERSITY's maximum liability of \$245,000.01 remains the same and CONTRACTOR agrees is sufficient to manage through the Period of Performance.
4. However, either party may terminate this Contract by giving at least thirty (30) days written notice before the effective termination date, in which event the University shall be entitled to receive equitable compensation for satisfactory authorized work completed as of the termination date.
5. All other terms remain unchanged

**FOR CONTRACTOR:**

ADDRESS: ECG Management Consultants, Inc.  
100 Cambridge Street, Suite 2001  
Boston, MA 02114

PHONE: 617.227.0100

FEDERAL ID #: 91-1072663

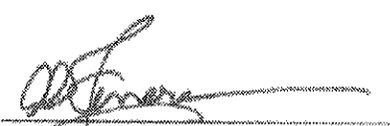
  
\_\_\_\_\_  
Christopher T. Collins  
Principal

1/6/2011  
\_\_\_\_\_  
Date

**FOR UNIVERSITY:**

DEPARTMENT NAME:  
UT College of Medicine - Chattanooga

RESPONSIBLE ACCOUNT:  
R094505085

  
\_\_\_\_\_  
Anthony A. Ferrara  
Vice Chancellor for Finance & Operations

JAN 06 2011  
\_\_\_\_\_  
Date

## 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. Either Party may terminate this Contract by giving the Other Party at least thirty (30) days written notice before the effective termination date. The University shall be entitled to receive equitable compensation for satisfactory authorized work completed as of the termination date.
  4. If the University fails to perform properly its obligations under this Contract or violates any term of this Contract, the Contractor shall have the right to terminate this Contract immediately and withhold payments in excess of fair compensation for completed services. The University has liability coverage solely under the terms and limits of the Tennessee Claims Commission Act.
  5. The University 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 Contractor.
  6. 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.
  7. The University shall maintain documentation for all charges against the Contractor under this Contract. The books, records and documents of the University, 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 Contractor or the Comptroller of the Treasury, or their duly appointed representatives. These records shall be maintained in accordance with generally accepted accounting principles.
  8. 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 non-discrimination.
  9. 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.
  10. The University shall have no liability except as specifically provided in this Contract.
  11. Both Parties shall comply with all applicable Federal and State laws and regulations in the performance of this Contract.
  12. 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.
-

THE UNIVERSITY OF TENNESSEE  
CONTRACT AMENDMENT

8500017162

This amendment is to the Contract between the University of Tennessee (hereinafter University) and ECG Management Consultants (hereinafter Contractor), which Contract was entered into on 7/14/2009.

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:  
Dates of service for contract #8500013319 are amended from July 15, 2009 through June 30, 2010 to July 15, 2009 through December 31, 2010. Contract amount is increased from \$135,000.01 to \$245,000.01.  
For purpose of Erlanger Health System Development Practice Plan (amending University contract 8500013319/8500010633[RFP#10032017])

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

Principal

Title

100 Cambridge St. Suite 2001, Boston, MA 02114

Address

Christopher T. Collins

Printed Name

91-1072663

Federal ID

Date

617-227-0100

Telephone

FOR UNIVERSITY:

UTCOMC

Department Name

University Authorized Official Signature

R094505085

Department Responsible Fund

Anthony C. Ferrara  
Vice Chancellor  
Finance & Operations

Departmental Signature (optional)

OCT 25 2010  
Date

8500017162

## UNIVERSITY'S 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. 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.

8500017162

THE UNIVERSITY OF TENNESSEE

8500013319

CONTRACT AMENDMENT

This amendment is to the contract between the University of Tennessee (hereinafter University) and ECG Management Cons. (hereinafter Contractor), which Contract was signed by the University on 7/14/2009

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

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

Dates of service for contract #8500010633 are amended from July 15, 2009 through November 15, 2009 to July 15, 2009 through June 30, 2010. No other changes are requested.

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:

*[Handwritten Signature]*

Christopher T. Collins

Name

*PRINCIPAL*  
*CC* Senior Manager

Title

ECG Management Cons.

Address

100 Cambridge St. Suite 2001

Boston, MA 02114

617-227-0100

Telephone Number

Fed. ID: 098105581

SSN or Fed. Id. No.

Rev. 3-1-97

FOR UNIVERSITY:

*Amending Cont # 8500010633*

LTCOM Chattanooga

Department Name

RO94505085

Responsible Account  
(If applicable)

Administrative Signature  
(Optional)

*[Handwritten Signature]*

Authorized Official

**Anthony A. Ferrara**  
Vice Chancellor  
Finance & Operations

FEB 17 2010

Date

8500013319

## 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 non-discrimination.
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).

8500013319

THE UNIVERSITY OF TENNESSEE  
CONTRACT

8500010633

This Contract, made and entered into on July 1, 2009, documents the agreement between The University of Tennessee through its College of Medicine Chattanooga (hereinafter University) and ECG Management Consultants, Inc. (hereinafter Contractor).

This Contract consists of this cover page, the University's Standard Terms and Conditions and ECG Management Consultants cost proposal and technical proposal (RFP 10032017). Terms contained on this cover page and the University's Standard 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 to help develop a full integrated multi specialty faculty group practice affiliated with the College of Medicine Chattanooga and in partnership with Erlanger Health System. See attached for Contractor's objective and approach of the project, work plan and estimated budget.

The period of performance under this contract is from July 15, 2009 through November 15, 2009. However, the University may terminate this Contract by giving the Contractor at least thirty (30) days written notice before the effective termination date, in which event the 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 123,214.00 for contract services and \$11,786.00 for expenses. Monthly payments will be paid within thirty (30) days upon receipt of invoice.

The University of Tennessee will subcontract with Erlanger Health System for \$49,000.00 of the total estimated budget.

The University's maximum liability under this Contract is \$135,000.00.

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)

Christopher T. Collins, Senior Manager

ECG Management Consultants, Inc.  
Address

100 Cambridge Street, Suite 2001

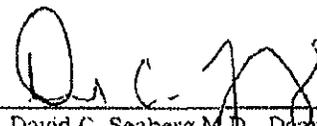
Boston, MA 02114  
(617) 227-0100  
Telephone No.

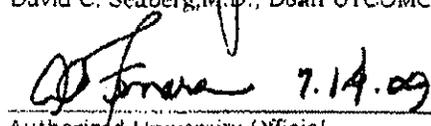
Federal ID: 91-1073663  
SS No. Or Fed. ID No.

7/14/09 (date)

FOR UNIVERSITY:

Department Name: UT COM Chattanooga  
Account: R073201012

  
David C. Seaberg, M.D., Dean UTCOMC

  
Authorized University Official  
Anthony A. Ferrara  
Vice Chancellor  
Finance & Operations

8500010633

THE UNIVERSITY OF TENNESSEE  
CONTRACT

8500010633

This Contract, made and entered into on July 1, 2009, documents the agreement between The University of Tennessee through its College of Medicine Chattanooga (hereinafter University) and ECG Management Consultants, Inc. (hereinafter Contractor).

This Contract consists of this cover page, the University's Standard Terms and Conditions and ECG Management Consultants cost proposal and technical proposal (RFP 10032017). Terms contained on this cover page and the University's Standard 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 to help develop a full integrated multi-specialty faculty group practice affiliated with the College of Medicine Chattanooga and in partnership with Erlanger Health System. See attached for Contractor's objective and approach of the project, work plan and estimated budget.

The period of performance under this contract is from July 15, 2009 through November 15, 2009. However, the University may terminate this Contract by giving the Contractor at least thirty (30) days written notice before the effective termination date, in which event the 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 123,214.00 for contract services and \$11,786.00 for expenses. Monthly payments will be paid within thirty (30) days upon receipt of invoice.

The University of Tennessee will subcontract with Erlanger Health System for \$49,000.00 of the total estimated budget..

The University's maximum liability under this Contract is \$135,000.00.

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)

Christopher T. Collins, Senior Manager

Department Name: UT COM Chattanooga  
Account: R073201012

ECG Management Consultants, Inc.

Address

100 Cambridge Street, Suite 2001

Boston, MA 02114

(617) 227-0100

Telephone No.

Federal ID: 91-1072663

SS No. Or Fed. ID No.

\_\_\_\_\_  
(date)

\_\_\_\_\_  
David C. Seaberg, M.D., Dean UTCOMC

\_\_\_\_\_  
Anthony A. Ferrara 7.14.09

Authorized University Official

Anthony A. Ferrara  
Vice Chancellor  
Finance & Operations

8500010633

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

8500010633

**University of Tennessee Health Sciences Center**  
University of Tennessee College of Medicine Chattanooga

---

UTCOCMC Practice Plan Development  
Response to Request for Proposal  
RFP No. 10032017  
Cost Proposal

May 28, 2009

**ECG**

**MANAGEMENT  
CONSULTANTS**

**8500010633**

**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](mailto:ecg@ecgmc.com) web site [www.ecgmc.com](http://www.ecgmc.com)

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

## COST PROPOSAL

### **I. Professional Fees**

ECG Management Consultants, Inc., developed a cost estimate of professional fees by applying our standard hourly rates to the estimated number of hours by component that we believe will be necessary to achieve the scope of work described herein and reflected in the Request for Proposal (RFP No. 10032017). Based on the time we believe will be required to vet options and ultimately define the preferred model in Component A, and to develop the necessary financials to make a well-informed decision in Component B, we estimate professional fees to be \$123,214 as shown in the table below.

Project Components	Total Hours	Blended Rate	Professional Fees
Component A – Define Preferred FGP Structure and Partnership Model	142	\$295	\$ 41,890
Component B – Identify Financial Requirements and Arrangements	324	\$251	<u>81,324</u>
<b>TOTAL PROFESSIONAL FEES</b>			<b><u>\$123,214</u></b>

While it is our standard practice to charge for our services based on the professional fees incurred, the estimated professional fees above reflect a not-to-exceed budget to comply with the requirements of the RFP. Should the scope of work call for more hours than anticipated, we agree to obtain prior written approval from the University of Tennessee Health Science Center (UTHSC) before exceeding the professional fee budget of \$123,214.

It is our practice to bill for our services monthly, in arrears, for the professional fees and project-related expenses incurred. If we are able to complete this assignment in fewer professional hours than anticipated, you will be billed a correspondingly lesser amount.

Monthly payments are expected within 30 business days of receipt of invoice.

### **II. Project-Related Expenses**

Out-of-pocket, project-related expenses (travel expenses, document production, etc.) are not included in the estimate of professional fees above and typically average 10 to 15 percent of professional fees. Based on previous projects with UTHSC, we do not expect project-related expenses to exceed 10 percent of professional fees. ECG is familiar with related University of Tennessee (UT) policies and will comply with all necessary requirements, including per diem rates for lodging and meals in Chattanooga.

**8500010633**

### III. General Policies 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 and professional time at standard rates. UT is not allowed, by law, to pay costs of collection, court costs, or attorney 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 institution 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.

In addition to the standard conditions listed above, given the nature of this assignment it is necessary for ECG to bring your attention to the limitations of projected financial statements. The financial projections we will develop as a part of Component B (as described in the technical proposal) will be based on historical data provided by the University of Tennessee College of Medicine Chattanooga (UTCOCM), Erlanger, and other relevant and reliable sources. All

**8500010633**

underlying assumptions applied by ECG will be reviewed and discussed with participating entities. Nonetheless, there are typically differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. The financial reports produced as a result of Component B and the accompanying projections are restricted to internal use; we express no assurances of any kind regarding the projections.

#### **IV. RFP Cost Proposal Form**

To ensure full compliance with the RFP process, ECG recreated the form presented as Attachment 5 of the RFP. Please see ATTACHMENT A of this cost proposal.

**REQUEST FOR PROPOSAL NO. 10032017  
CONSULTANT SERVICES**

**COST PROPOSAL**

<b>A. Firm Fixed Price<sup>1</sup></b>		<b><u>\$123,214</u></b>
<b>B. Operating Cost<sup>2</sup></b>		
■ Travel	\$ <u>N/A</u>	
■ Communications	\$ <u>N/A</u>	
■ Printing	\$ <u>N/A</u>	
■ Other (list)	\$ <u>N/A</u>	
SUBTOTAL	\$ <u>11,786</u>	
TOTAL REIMBURSABLE ESTIMATED OPERATING COST		<b><u>\$ 11,786</u></b>
TOTAL PRICE		<b><u>\$135,000</u></b>

<sup>1</sup> Figure represents estimated not-to-exceed budget for professional fees based on ECG's standard hourly rates of individuals assigned to the project and the anticipated number of hours required to successfully complete Components A and B of the proposed work plan.

<sup>2</sup> ECG charges for projected-related costs incurred and is unable to estimate by category shown. However, based on previous engagements with UTHSC and the per diem policies, we estimate expenses to be roughly 10 percent of professional fees.

**8500010633**

**University of Tennessee Health Science Center**  
University of Tennessee College of Medicine Chattanooga

---

UTCOCMC Practice Plan Development  
Response to Request for Proposal  
RFP No. 10032017  
Technical Proposal

May 28, 2009

**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](mailto:ecg@ecgmc.com) web site [www.ecgmc.com](http://www.ecgmc.com)

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

**8500010633**

**II. Part A – Qualifications and Proposed Work Plan**

**8500010633**

## II. Part A – Qualifications and Proposed Work Plan

*RFP: Provide detailed information about the Consultant's organization, personnel, and experience, substantiating the firm's qualifications and capabilities to perform the services offered.*

### A. Firm Qualifications

*RFP: A list of all organizations for which you have consulted for this particular or similar service. Include a brief description of the service and the name and contact information for the Consultant's principal contact at each institution.*

ECG is a national healthcare management consulting firm that works exclusively in the healthcare provider sector and predominantly with AMCs, schools of medicine, teaching hospitals, and FGPs. We are particularly known for our specialized expertise regarding the organization, management, and financing of the clinical enterprise at AMCs, as well as the interface between academic and clinical programs. Since 1973, we have completed more than 4,800 major consulting engagements for our clients, which include over 100 of the nation's medical schools, more than 250 teaching hospitals, and a similar proportion of their affiliated FGPs. ECG maintains a staff of approximately 80 full-time consultants in five offices across the United States.

For over 35 years, we have worked with many AMCs in designing, revising, and implementing FGPs that are responsive to the specific needs and mission of the organization, participating faculty physicians, and the communities they serve. We have had the privilege of assisting numerous AMCs throughout the country in transforming their physician organizations through engagements focused on the following:

- Corporate reorganization of FGPs, including the establishment of separate legal entities affiliated with the university or health system.
- Consolidation and merger of multiple, departmental FGPs into a single, multidisciplinary physician organization.
- Merger of an FGP with a health system.
- Reintegration of an FGP with a school of medicine.
- Comprehensive reorganization of FGP governance structure and related processes.
- Development or reorganization of financial arrangements and funds flow between the FGP and affiliated entities.
- Development and/or redesign of faculty compensation/incentive arrangements.
- Implementation of a wide range of financial improvement and business development initiatives related to the physician organization.

8500010633

ECG believes it is uniquely qualified to assist The University of Tennessee Health Science Center (UTHSC) and UTCOMC, in collaboration with Erlanger leadership, with this specific assignment for several substantial reasons, which include, but are not limited to, the following:

- Unmatched experience with FGP development and redesign nationally for over 35 years.
- Extensive background with the medical schools and FGPs of public universities and the unique issues that they face.
- Historical perspective and applicable present day knowledge and understanding of The University of Tennessee (UT), UTHSC, The University of Tennessee College of Medicine (UTCOM), and their affiliated entities, which will be critically important throughout this assignment.
- Niche expertise with medical schools that are not part of an integrated system with a hospital and the unique considerations that must be raised for any potential partnership model with a private, affiliated health system.
- Recent experience working with and familiarity of the high expectations of senior leadership and the board of UT regarding major initiatives that impact UTHSC.
- Specific sensitivity to the legal and financial implications to UT and UTHSC regarding this initiative and the understanding of how a proposed FGP would fit within and support the mission and vision of UTHSC and UTCOM.

Select examples of our FGP design experience are included in EXHIBIT I. References are provided in Section IV Part C of this technical proposal. ECG is pleased to provide additional references upon request.

#### **B. Select AMC Client List**

*RFP: A list of all higher education institutions or related entities served by the Consultant in the past five years. Include a brief description of the service and the name and contact information for the Consultant's principal contact at each institution/entity.*

ECG is nationally known for expertise with AMCs, including the universities and their medical schools. We have completed hundreds of assignments over the past 5 years for "higher education institutions or related entities." Please see EXHIBIT II for a list of recent AMC clients. In addition to the projects profiled in EXHIBIT I, ECG will gladly furnish additional information upon request.

#### **C. Approach, Work Plan, and Deliverables**

This subsection includes ECG's proposed approach, scope of work, and deliverables based on our experience with similar assignments and the requirements expressed in Attachment 3 of the RFP.

8500010633

## **1. Project Objective**

The twofold objective of this engagement is to assist UTCOMC, in conjunction with Erlanger leadership, as follows:

- Evaluate the proposed FGP organization, governance, management, and financial model and make recommendations to ensure that the most appropriate and feasible model is developed for the two institutions.
- Conduct a detailed financial analysis and develop projected income statements for the proposed FGP that will illustrate the estimated start-up and ongoing investments needed to successfully integrate and operate existing physicians and practices into a single, multispecialty medical group.

## **2. Project Approach and Work Plan**

To achieve the objectives of this engagement, ECG has developed an approach based on our experience with similar assignments. ECG recognizes the complexity of organizational and financial issues involved with the creation of the group. Through a collaborative approach with UTCOMC and Erlanger executives as well as other stakeholders, ECG will vet all findings and recommendations throughout the process. The work plan we have developed for this assignment is organized into the following two components:

- Component A – Define Preferred FGP Structure and Partnership Model
- Component B – Identify Financial Requirements and Arrangements

### **COMPONENT A – DEFINE PREFERRED FGP STRUCTURE AND PARTNERSHIP MODEL**

Drawing from ECG's knowledge and experience with a wide range of FGP organizational, ownership, and governance models, we will assist the parties identify and define the preferred FGP structure and partnership model that will yield mutual value to the institutions and the communities they serve. The identification of the most appropriate model will require the careful examination of the unique considerations relative to a public institution, directly or indirectly, participating in a partnership model. This process will begin with the review of all available conceptual models currently being considered by UTCOMC and Erlanger. As necessary, ECG will bring forward other viable models or components (i.e., to be potentially augmented with proposed concepts) to help the parties mutually agree to and define the preferred structure.

Key tasks associated with this component include, but are not limited to, the following:

- Issue a specific request to UTCOMC and Erlanger for data and background material relevant to this component.

**8500010633**

- Compile and review all relevant documentation describing the conceptual models under consideration, including major components such as:
  - » Goals and objectives of the medical group.
  - » Ownership/partnership model.
  - » Membership.
  - » Board composition/governance structure.
  - » Fiscal affairs/funds flow.
  - » Management model.
- Conduct a series of stakeholder interviews with UTCOMC and Erlanger leadership and other stakeholders, including select physicians, to gain greater insight to the planned development of the practice plan.
- Perform a comparative analysis with peer institutions that have similar models currently in place to help determine the effectiveness and sustainability of key attributes of the proposed model.
- Develop, present, and vet a series of findings from the review with leadership of UTCOMC and Erlanger.
- Formulate and issue specific recommendations to modify components of or to replace the proposed conceptual structure.
- Define and finalize the preferred FGP and partnership structure and seek input and tentative approval (in concept) from UT leadership, including legal counsel, and Erlanger.
- Develop a formal set of bylaws for the proposed practice plan reflective of the final modifications and recommendations of the proposed model.

We believe the output from this component will provide UTCOMC and Erlanger with the endorsement and/or recommendations needed to: bring closure to the conceptual design of the proposed medical group; seek necessary approval for the entity from an organizational and programmatic standpoint; and have a working set of bylaws with the appropriate level of detail to move the process forward for development (pending all necessary approvals).

***Deliverables:***

- ***Findings and specific recommendations regarding the conceptual FGP models currently under consideration by the parties.***
- ***Facilitation of a consensus building process to identify, define, and seek tentative approval/endorsement of the preferred FGP structure and partnership arrangement.***
- ***Formal bylaws for submission/review by the respective leadership and legal counsel of the two institutions.***

**8500010633**

COMPONENT B - IDENTIFY FINANCIAL REQUIREMENTS AND ARRANGEMENTS

Before proceeding with detailed business planning to develop the proposed FGP, it is imperative that a rigorous financial assessment is conducted to:

- Determine the financial requirements (e.g., start-up and recurring investments) of each institution for the development of the proposed FGP.
- Define the underlying financial arrangements between the organizations of the preferred model.
- Inform other key elements of the practice plan, including the financial framework of the physician compensation plan.

During this component, ECG will conduct a financial analysis primarily grounded in empirical data from UTCOMC, Erlanger, and other participating physician practices to determine the initial start-up costs and operating financials under a "baseline" scenario. From this baseline, revenues and expenses will be adjusted or added to formulate a proposed set of financials for the practice plan. ECG will make necessary assumptions regarding financial arrangements between the entities that reflect the recommended framework defined in Component A, as well as use market-reasonable assumptions based on our experience for particular costs not yet defined (e.g., payment rate for medical directorship). The financial model will undergo several iterations based on input and feedback from UTCOMC and Erlanger leadership. The outcome of this component will enable all parties to make a well-informed decision regarding the financial feasibility of the proposed practice plan, as well as garner the necessary support for start-up capital if warranted. Key tasks include, but are not limited to, the following:

- Develop and execute a confidentiality agreement between ECG and each participating party to enable the collection of detailed financial data.
- Issue a detailed data request and validate all information collected with respective parties.
- Identify and estimate baseline revenue of the practice plan, including:
  - » Collections (professional).
  - » Select industry-sponsored research.
  - » GME funding (via UTCOMC).
  - » Contracted services (e.g., medical directorships).
  - » Other programmatic and/or recruitment support.
- Identify and reassign appropriate baseline operating costs to the proposed practice plan from participating entities, including:
  - » Physician compensation.
  - » Physician extender compensation.

8500010633

- » Clinical and administrative support staff.
- » Facility-related costs for office and clinic space.
- » Business support services, including billing and compliance.
- » Malpractice.
- » Pharmaceuticals and supplies.
- » Other direct expenditures specific to the proposed practice plan.
- » Academic support to UTCOMC (i.e., dean's tax).

The baseline pro forma will capture the reassigned revenue and expenditures and serve as a foundation to make necessary adjustments and develop projections for the first 3 years of operations. Projected income statements will be based on several central assumptions that dictate revenue and major cost centers, which will be collaboratively determined with stakeholders as part of this component, including:

- Level of clinical compensation, including "at risk" component.
- Productivity of existing physicians.
- Recruitment plan and implications to revenue and cost structure.
- Incremental operating costs required for establishment of practice plan.
- Benefits.
- Deployment of physicians' time (i.e., clinical time that defines practice plan activity).
- Purchased service arrangements with Erlanger (e.g., medical directorships).
- Program and recruitment support from UTCOMC and Erlanger during start-up years.
- Other assumptions that will accurately and conservatively define estimated operating revenues and expenses for the proposed practice plan during its initial period.

In addition to the set of pro formas established for the proposed practice plan, supporting financial schedules will enable the participating parties to consider and make decisions regarding the financial impact to their respective organization. As part of this component, ECG will provide specific recommendations to UTCOMC (and/or UTHSC/UTCOM) related to the financial feasibility of the practice plan and its impact or relationship to nonclinical activities of the medical school.

***Deliverables:***

- ***Detailed revenue and expense supporting schedules and assumptions for assignment of baseline activity.***
- ***Estimated baseline and projected pro formas of proposed practice plan.***

**8500010633**

- *Findings and recommendations regarding the financial arrangements originally proposed by UTCOMC and Erlanger.*
- *Findings and recommendations regarding the financial feasibility of the practice plan.*
- *Estimated start-up and capital cost requirements for UTCOMC.*

**D. Proposed Timeline**

We are prepared to begin this project immediately upon confirmation of the scope and receipt of a signed copy of the engagement letter and UT contract. Based on our experience with similar assignments, we anticipate completion of this engagement within approximately 12 to 14 weeks of receiving and validating all necessary data/material. This approximate timeline incorporates the anticipated challenges of arranging meetings with UTCOMC and Erlanger leadership and other stakeholders during the summer months.

The scope of work and the estimated timeline are contingent upon the immediate 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.

8500010633