



UNC Board of Governors  
Committee on Health Care  
August 21, 2018

## COMMITTEE CHARGE

**Situation:** The UNC System has extensive involvement in health care, and is responsible for putting its resources to work for the benefit of North Carolinians. UNC System institutions conduct cutting edge health and medical research and educate professionals to meet North Carolina's health care workforce needs. In addition, North Carolina's health care workforce needs are expanding and the health care services delivery marketplace is rapidly changing as major healthcare and hospital systems consolidate into regional and super-regional systems. Recently, national healthcare provider HCA signed a letter of intent to acquire Mission Health in Western North Carolina.

**Action:** The Board of Governors' Special Committee on Health Care shall examine the questions and issues listed below and report its results and recommendations to the Board through the Committee on Budget and Finance.

- The current state of the health care services marketplace and the current state of health and medical education and research in North Carolina;
- The identification of the essential components of a statewide health care strategy to be addressed by UNC System institutions and entities;
- The status of the proposed integration of ECU Physicians and Vidant Medical Group, known as Project Unify;
- Potential opportunities and challenges facing the health care services enterprises and affiliated research and education programs within the UNC System; and
- The appropriate governance role of the Board of Governors with respect to health care services delivery enterprises within the UNC System.

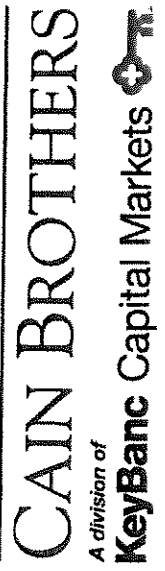
**Membership:** Chair Sloan, Mr. Bisette, Mrs. Coward, Mr. Daughtry, Mr. Randy Ramsey, Chancellor Folt, Dr. Roper, Chancellor Sartarelli, and Chancellor Staton



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*Detailed Scope of Services and Timeline*

November 1, 2018





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*Board of Governors Health Care Committee Discussion Materials*

December 17, 2018

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UNC-HC, along with other NC healthcare providers, face numerous challenges, including:

- > New competitor in state with significant capital (HCA)
- > State Medicaid reforms and expansion
- > State Treasurer and issue of rates for state employees and retirees
- > Aggressive growth plans of Duke in your primary service area and Novant, Atrium, and HCA state-wide
- > Dominant Blues plan and potential for things like narrow networks
- > Potential repeal of CoN laws
- > Large rural population within the state

*Draft and Confidential*



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*Board of Governors Health Care Committee Discussion Materials*

January 29, 2019

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## Capital Planning Across the System

Summary of recommendations presented at the last meeting

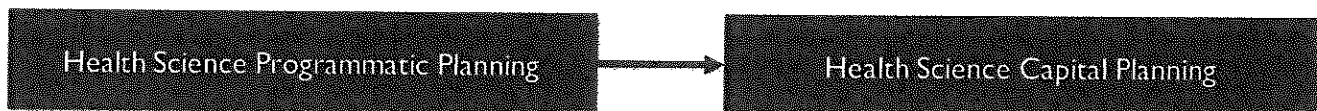
### Recommendations:

1. Clarify UNC-HC Board authority
2. Grow UNC-HC patient care business via M&A
3. Expand health science training to benefit citizens
4. Systemwide role to coordinate this expansion

### All of these recommendations are interrelated:

- > Can't successfully grow the patient care business via M&A without clarifying the UNC-HC Board role.
- > Must grow the patient care business to pay for the academic mission's expansion of health science training.
- > Can't successfully expand that training without better coordination across the System campuses and with the UNC-HC patient care locations.

An individual should be responsible for coordinating expanded health science training between the campuses and the health system, so that issues can be dealt with at a lower level than the system presidency



**View #1 - M&A Vision - Small to Mid-Sized Systems in NC**

**Hospitals**



**Value Proposition / Commentary**

- UNC-HC would take dominant position in governance, deal terms, etc.
- Increases breadth and depth of UNC-HC throughout the state, perhaps enhancing competitive positioning
- Increase in covered lives with respect to population health management
- Combined capabilities can help address pressing rural care gaps

**FY 2018 Overview of Combination (\$ in millions)**

| System Profiles         | UNC-HC  | ECUP  | Other | Value   | Pct. Ratio |
|-------------------------|---------|-------|-------|---------|------------|
| Total Operating Revenue | \$4,266 | \$204 |       | \$6,103 |            |
| Operating EBIDA         | 388     | -     |       | 547     |            |
| % Operating EBIDA       | 9.1%    | -     |       | 9.0%    |            |
| Cash & Investments      | \$1,987 | \$58  |       | \$2,942 |            |
| Long-Term Liabilities   | 834     | -     |       | 1,809   |            |
| Hospitals               | 10      | -     |       | 18      |            |
| Employees               | 31,500  | 1,300 |       | 40,979  |            |

**View #2 - M&A Vision - Large System Merger, Which Could Cross State Lines**

**Hospitals**



**Value Proposition / Commentary**

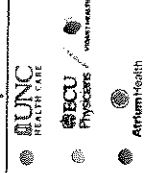
- UNC-HC would not dominate this merger, but should preserve key governance
- UNC-HC and Atrium are natural partners, given similar organizational missions, strategic goals, and complementary areas of expertise
- A combined system would be clinically and academically leading, high value, and more widely accessible

**FY 2018 Overview of Combination (\$ in millions)**

| System Profiles         | UNC-HC  | Atrium  | Pct. Ratio |
|-------------------------|---------|---------|------------|
| Total Operating Revenue | \$4,266 | \$5,731 | \$9,997    |
| Operating EBIDA         | 388     | 626     | 1,014      |
| % Operating EBIDA       | 9.1%    | 10.9%   | 10.1%      |
| Cash & Investments      | \$1,987 | \$4,307 | \$6,294    |
| Long-Term Liabilities   | 834     | 3,166   | 4,000      |
| Hospitals               | 10      | 28      | 38         |
| Employees               | 31,500  | 36,869  | 68,369     |

**View #3 - M&A Vision - Small to Large Systems Merger, Which Could Cross State Lines**

**Hospitals**



**Value Proposition / Commentary**

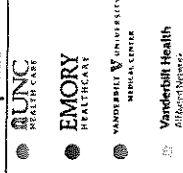
- Further increases breadth and depth of clinical care throughout the region
- A combined system would be clinically and academically leading, high value, and more widely accessible
- Combined capabilities can help address pressing rural care gaps
- UNC-HC would not dominate merger, but should preserve key governance

**FY 2018 Overview of Combination (\$ in millions)**

| System Profiles         | UNC-HC  | ECUP  | Other | Value   | Pct. Ratio |
|-------------------------|---------|-------|-------|---------|------------|
| Total Operating Revenue | \$4,266 | \$204 |       | \$5,731 | \$11,834   |
| Operating EBIDA         | 388     | -     |       | 626     | 1,173      |
| % Operating EBIDA       | 9.1%    | -     |       | 10.9%   | 9.9%       |
| Cash & Investments      | \$1,987 | \$58  |       | \$4,307 | \$7,249    |
| Long-Term Liabilities   | 834     | -     |       | 3,166   | 4,975      |
| Hospitals               | 10      | -     |       | 28      | 8          |
| Employees               | 31,500  | 1,300 |       | 36,869  | 8,179      |

**View #4 - M&A Vision - Southeast Region AMCs**

**Hospitals**



**Value Proposition / Commentary**

- Creation of a multi-state academic health system
- Can leverage scale and academic cultures to enhance operating performance
- Fuel the academic mission of each school with a clinical engine that spans multiple states within a contiguous region
- Merger of equals / "system of systems" of like-minded AMCs

**FY 2018 Overview of Combination (\$ in millions)**

| System Profiles         | UNC-HC  | Emory   | Vanderbilt  | Pct. Ratio |
|-------------------------|---------|---------|-------------|------------|
| Total Operating Revenue | \$4,266 | \$3,289 | \$4,056     | \$11,610   |
| Operating EBIDA         | 388     | 307     | 220         | 915        |
| % Operating EBIDA       | 9.1%    | 9.3%    | 5.4%        | 7.9%       |
| Cash & Investments      | \$1,987 | \$738   | \$986       | \$3,711    |
| Long-Term Liabilities   | 834     | 427     | 1,666       | 2,927      |
| Hospitals               | 10      | 9       | 1 + Network | 20         |
| Employees               | 31,500  | 11,465  | 20,274      | 63,239     |

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