



Board of Supervisors Memorandum

May 13, 2014

**Amendment to Intergovernmental Agreement with Arizona Board of Regents and
The University of Arizona Health Network, Inc.**

I. Introduction

On July 1, 2012, the Board of Supervisors approved an amendment to the Intergovernmental Agreement (IGA) between Pima County, the Arizona Board of Regents (ABOR), and The University of Arizona Health Network, Inc. (UAHN). This IGA defined the terms for County funding of The University of Arizona Medical Center–South Campus (UAMC-SC). The amendment included a focus on restructuring UAHN to maximize operational efficiency and community value by integrating the University Campus and South Campus into a more cohesive healthcare network.

Additionally, the IGA and subsequent amendment allowed continued leveraging of local money as a match to continue the investment of new federal funds into Pima County through the Graduate Medical Education (GME) program, Disproportionate Share Hospital (DSH) program, and Safety Net Care Pool (SNCP) program. The IGA ensured compliance with the guidelines established by the Court of Appeals in the case of *Turken v. Gordon* as applicable to Arizona Constitution's "Gift Clause" in provision of the local match. Participation in these federal initiatives resulted in a two- or three-to-one return on the local dollars invested, mitigating the impact of physician training costs and uncompensated care on the Pima County healthcare environment.

II. Transition of Kino Community Hospital to University Physicians Hospital to
University of Arizona Medical Center-South Campus

Pima County has had a commitment to the health and welfare of the residents of our community for over 100 years. The County has strengthened that commitment over the last 35 years with the development and expansion of what is now the Kino Health Campus. In 1974, Pima County voters approved bond funds to replace the County General Hospital on Sixth Avenue with a new hospital on the south side of Ajo Way and Country Club Road. Kino Community Hospital (KCH) opened its doors on Ajo Way in 1977, just a short time before the State implemented the Arizona Healthcare Cost Containment (AHCCCS) program, the State's Medicaid program. In November 2000, Arizona voters approved Proposition 204, transitioning the financial responsibility of providing healthcare to the indigent population from the counties to the State. Consistent with federal requirements, AHCCCS began offering individuals relying on public support for healthcare the opportunity and ability to choose any physician or hospital for their care, eliminating

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Amendment to Intergovernmental Agreement with Arizona Board of Regents and The University of Arizona Health Network, Inc.**

May 13, 2014

Page 2

the need for a County Hospital focused solely on meeting the County's obligation to provide healthcare to an indigent population.

This development, along with increasingly complex reimbursement systems from the federal, state and commercial payers; challenging regulatory requirements; and the lack of a dedicated physician base at the hospital, significantly complicated the County's ability to maximize the value of KCH. By 2004, Pima County was losing in excess of \$30 million per year operating the hospital. Community reliance on the hospital for services was limited.

Stakeholder meetings held with community constituents to examine the future role for the hospital conveyed a strong desire by residents of the community and leadership of other hospitals for the hospital to remain open. Access to care for the residents of the community surrounding the hospital was a clear concern, as the hospital's primary service area was, and continues to be, federally designated as medically underserved and a health professional shortage area for primary and dental care. Loss of the hub of behavioral health services was a communitywide concern as the entire County was and continues to be a federally designated health professional shortage area for behavioral health. The other hospitals wanted to avoid the shift of emergency department and inpatient behavioral health services to their sites. It was clear there was strong support for the continued presence of a hospital in the community south of Broadway Boulevard.

It was increasingly clear from stakeholder input, as well as the financial burden of funding significant losses without a strategy to attain financial stability and the fact the bond rating agencies identified this situation as a concern when rating County bonds, that the County required a different strategy for the hospital. The optimal strategy was determined to be a lease of the hospital to a third party with the necessary resources and competency to assume the license for its operation and transform the site into a viable entity.

At this time, University Physicians, Inc. (UPI), the physician faculty practice for The University of Arizona College of Medicine (UACOM), was engaged in identifying strategies for expansion of the physician training programs at UACOM and introduced their vision of how to leverage the hospital and more readily accelerate achievement of the three-prong goal of clinical services, teaching and research for The University of Arizona.

UPI had provided services at KCH over a number of years and recognized that the 203-bed hospital presented an unprecedented opportunity for The University of Arizona to accelerate expansion of its training programs in a way that was not possible at its primary teaching hospital, known as University Medical Center, due to space constraints. UPI identified several potential limitations at KCH, including the need for expanded physician

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Amendment to Intergovernmental Agreement with Arizona Board of Regents and The University of Arizona Health Network, Inc.**

May 13, 2014

Page 3

clinic and ambulatory services space as the clinic built on the site was not adequate to support a 200-plus bed hospital. Additionally, the provision of inpatient psychiatric services was occurring in units constructed for medical/surgical patients, limiting the ability to reestablish those services effectively for the community and assure those revenue streams were available to improve the likelihood the hospital could achieve financial stability. The hospital needed separate, specially-designed units for its inpatient psychiatric patients that were separate from the units to be used for inpatient medical/surgical services.

After careful analysis and much consideration, the Board of Supervisors voted that the County transfer the state license authorizing operation of the hospital to UPI and entered a 25-year lease of the hospital and property with an option to extend the lease for another 25 years. The Board's approval of the initial lease included a funding commitment totaling \$127 million over 10 years. The lease contained certain performance measures, maintenance of a set of essential services, continued provision of behavioral health services essential for the County to meet its statutory obligations related to involuntary psychiatric civil commitments defined in Title 36, and a set of service expansion goals supporting revitalization of the hospital services.

UPI operated the hospital under its property lease with the County using various names for the hospital from June 16, 2004 until June 2010. Among the UPI accomplishments were recruitment of physicians; expansion and addition of critical services; reopening the Intensive Care Unit (ICU) essential to care of the most critical patients; reestablishment of the base hospital status for the emergency room for it to become a full participant in emergency patient care with the other local hospital emergency rooms and other actions pivotal to a vibrant clinical setting at which training could be accredited for physicians, nurses and allied health personnel. UPI accelerated dialogue with the leadership of the established academic medical center and the primary teaching hospital, University Medical Center, about the need to fully integrate the second hospital now operated by the physician faculty into a single hospital academic medical system to achieve a more robust and effective two hospital operation.

In June 2010, agreement was reached with the respective corporate leadership and Boards that the physician faculty practice; the health plan known as University Family Care; the hospital on the Kino Campus which had been renamed University Physicians Hospital (UPH); and the primary teaching hospital, University Medical Center, would reorganize into a new company representing a single academic medical system with a new corporate and operational framework. This new corporation utilizes strategies and synergies from their combined strengths and assets of \$1.2 billion to maximize efficiencies and outcomes for the entire system. This single corporate entity was subsequently named The University of

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Amendment to Intergovernmental Agreement with Arizona Board of Regents and The University of Arizona Health Network, Inc.**

May 13, 2014

Page 4

Arizona Health Network (UAHN) and represents a two-hospital academic medical system. The two hospitals are now known as: UAMC–SC and UAMC–UC rather than UPH Hospital and University Medical Center, respectively. The reorganization accompanied a request to the County to provide additional funding to support further collaborative expansion and workforce development at the UAMC–SC hospital. In turn, UAHN firmly committed to integration of activities across both hospitals to reduce operating losses and maximize revenue streams.

It is important to note that Section 3.5 **Early Termination Option** of the Amended and Restated Lease Agreement between Pima County and UA Healthcare, Inc. states that, “If the IGA is terminated, this Lease will also terminate.” [emphasis added]

III. Operational Status Update

Several key metrics for assessing UAMC–SC services are presented in Table below. The expanded public utilization of the South Campus facility since Fiscal Year (FY) 2005 is evident.

Table 1: UAMC–SC Patient Volume Comparison, FY 2005 to FY 2013.

Category	FY 2005	FY 2013	Change	Percent Change
Adjusted Patient Days	39,440	86,508	47,068	119
Overall Inpatient Census	65	106	41	63
ICU	2	8	6	300
Medical/surgical	13	43	30	231
Behavioral Health	50	55	5	10
Clinic Visits	48,830	162,821	113,991	213
ED/Urgent Care Visits	30,356	42,017	11,661	233
Surgical Procedures	662	3,350	2,688	406

There has been a significant and continuing rise in the average daily census at UAMC–SC, linked primarily to increased medical/surgical care admissions. Overall census figures are at their highest levels since monitoring began in 2005. Further, the census indicates the transformation of the facility from primarily behavioral healthcare to a fully mixed patient care hospital. UAMC-SC recently opened an additional medical/surgical ward to allow for the continued growth of this sector of care. Data for FY 2014 continues to document the increase in utilization and patient volume, with a current year-to-date daily census of 115 compared to 106 in FY 2013.

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Amendment to Intergovernmental Agreement with Arizona Board of Regents and The
University of Arizona Health Network, Inc.**

May 13, 2014

Page 5

Financial performance has been a continued priority and revenue improvements and cost management are closely monitored. Since FY 2005 there has been a 32 percent improvement in financial impact per adjusted patient day. In FY 2013 all-source revenue exceeded expenses by \$4.6 million, the highest such figure since the partnership began. The termination of the federal Safety Net Care Pool initiative will have a moderating impact on UAMC-SC financial performance, and the partners are actively engaged in identifying mitigation strategies.

Preliminary FY 2014 data shows a decrease in self-pay (with the highest rate of uncompensated care) and a concurrent increase in third party payers, as is to be expected given the AHCCCS expansion and Affordable Care Act insurance enrollment. This trend should link to increased revenue collection and a decrease in uncompensated care.

Behavioral healthcare continues to be an important part of service delivery at UAMC-SC. This hospital serves as the hub for inpatient behavioral healthcare in Pima County and staff continue to identify opportunities to improve the quality of care. Integration with the services provided at the Behavioral Health Pavilion continues to improve efficiency in behavioral healthcare delivery, with a continued goal of identifying the most appropriate venue for patient services and minimizing unnecessary expenses for the patients and community.

UAMC-SC continues a focus on establishing a permanent Level III trauma facility designation. Through the renovation of the emergency room facilities, the collaborative development and implementation of improved trauma protocols with the American College of Surgeons, and the retention of dedicated trauma management staff, UAMC-SC has taken significant steps toward achieving this goal.

Pima County staff provides IGA oversight and meets regularly with UAHN and UAMC-SC leadership to review performance indicators, IGA deliverables and financial performance. Network and hospital staff are responsible for reporting on a variety of initiatives and activities intended to increase community access to care and improve financial performance. These expectations and performance indicators remain in force through the proposed amendment.

IV. Unique Public/University/Private Collaborative Initiative

From 2007 to 2013, Pima County has partnered with The University of Arizona/UAHN to fund initiatives responsible for generating \$208.1 million in new federal funds. These

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Amendment to Intergovernmental Agreement with Arizona Board of Regents and The University of Arizona Health Network, Inc.**

May 13, 2014

Page 6

dollars are invested in the local economy to enhance physician training and retention, mitigating the cost of uncompensated care, and providing a safety net for the population no longer covered due to AHCCCS funding reductions, while providing other indirect fiscal benefits to the community.

Investment in the Graduate Medical Education (GME) since FY 2008 has returned \$126.2 million in Centers for Medicare and Medicaid Services (CMS) funds from a Pima County contribution of \$27.4 million. These funds are used to defray the expenses incurred by hospitals in the culminating training of new physicians. Further, GME programs enhance the likelihood that these physicians will remain in the community, increasing resident access to care and providing economic benefits to the region.

Disproportionate Share Hospital (DSH) funding is available to ameliorate the impact on hospitals serving a greater number of indigent patients not covered by other payer programs such as Medicare and Medicaid. Since FY 2010, Pima County has contributed \$6.0 million as local match to generate \$11.6 million for the two UAHN hospitals.

In FY 2013, CMS approved the Safety Net Care Pool (SNCP), a commitment to providing financial assistance for children statewide who have lost coverage or are unable to currently receive Medicaid (KidsCare) coverage due to AHCCCS reductions. Through FY 2013, the Pima County – UAHN partnership has contributed \$38.1M in local funds, drawing down \$70.3M in federal funds for the system. SNCP, an important revenue stream, will not be available in FY 15 or FY 16, which are the terms of this proposed Agreement.

V. Highlights of the IGA Amendment

County staff worked with the leadership of UAHN and both hospitals to develop the proposed amendment to the IGA that reaffirms the parties' commitment to several tenets and guiding principles.

A. Efficient and Effective Service Delivery and Training of the Healthcare Workforce

As part of this IGA, UAHN has committed to continue development of the healthcare workforce by maintaining UACOM training collaboratives, expanding cross-specialty collaboration, and increasing resident physician retention programs. This commitment to health professional workforce development will continue to improve access to care in Pima County and provide sustained economic benefit to the community.

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Amendment to Intergovernmental Agreement with Arizona Board of Regents and The University of Arizona Health Network, Inc.**

May 13, 2014

Page 7

B. Public Health and Community Wellness

UAHN has renewed its commitment to continue integration of behavioral and medical healthcare and provide a more comprehensive service delivery system for Pima County residents. Additionally, UAMC-SC will be developed as a Behavioral Health Center of Excellence, improving patient outcomes and operational efficiencies, maximizing benefit to the community. As the main Pima County partner in the delivery and management of Title 36 evaluation and treatment, UAHN has committed to maintaining status as the behavioral health hub for the community and developing programs that divert individuals from involuntary treatment to more cost- and outcome-effective options.

Further, UAHN has committed to explore opportunities to develop or enhance programs that positively impact the community's access to care and other healthcare needs, as well as continuing to cooperate with first responders to improve timely emergency care.

C. Accountability and Transparency

Funding distribution is tied to compliance with operational and financial reporting requirements for UAMC-SC and UAHN. Regular meetings will continue between the County, UAHN and UAMC-SC leadership and key staff to review the financial status of the hospital and discuss operational or strategic developments and initiatives that improve the value of the facility to the Pima County community.

D. Financial Viability and Sustainability

The independent financial viability of UAMC-SC will remain a priority; and performance improvement will be assessed by key indicators including, but not limited to, daily census, patient mix, staffing costs, service utilization, operating revenue and expenditures, and third party payer contracting. The identification and monitoring of external revenue streams will continue to be a priority, particularly as regards allocation of matching funds for state and federal programs.

VI. Funding Commitment

The "not to exceed" funding for this IGA amendment is set and budgeted at \$30 million. This amount includes base funding of \$15 million per year for FY 2015 and FY 2016.

The Honorable Chair and Members, Pima County Board of Supervisors
Re: **Amendment to Intergovernmental Agreement with Arizona Board of Regents and The
University of Arizona Health Network, Inc.**

May 13, 2014

Page 8

Release of base funding to ABOR is contingent upon submission of regular and special reports for review by the County Administrator. Once approved, payment will be issued. Approval of the amendment will maintain the County's support of this vital healthcare delivery system and continue provision of matching funds needed to generate federal funding in a two- or three-to-one ratio.

Recommendation

I recommend the Board of Supervisors approve the Amendment to the Intergovernmental Agreement with the Arizona Board of Regents and The University of Arizona Health Network, which will extend the Intergovernmental Agreement for two years and provides for an appropriation by the County of \$15 million per year.

Respectfully submitted,



C.H. Huckelberry
County Administrator

CHH/mjk – May 1, 2014

Attachments

c: Jan Leshar, Deputy County Administrator for Medical and Health Services

**Second Amendment to the Agreement Among
Pima County, the Arizona Board of Regents, and The University of Arizona
Health Network, Inc.**

**Relating to the
Operation and Funding of a Hospital on University of Arizona Medical
Center South Campus as Part of**

**The University of Arizona College of Medicine Graduate Medical
Education Program**

This Second Amendment ("Amendment"), is entered into by and among Pima County, a body politic and corporate of the State of Arizona ("County"); the Arizona Board of Regents, a public body corporate, acting on behalf of the University of Arizona ("ABOR"); and the University of Arizona Health Network, Inc., an Arizona nonprofit corporation ("UAHN") collectively referred to as the Parties.

Recitals

- A. The Parties previously entered into an Agreement dated June 15, 2010 with respect to funding the University of Arizona College of Medicine ("UACOM") public health and education mission, including support of the UACOM's two-hospital education and clinical system.
- B. On July 1, 2012 the Parties amended the Agreement to reflect the reorganization and renaming of the integrated system and to extend the County's funding commitment through July 31, 2014.
- C. The Parties wish to refine and restate the goals of the Agreement, provide additional funding to further the progress made toward the achievement of those goals, shorten the termination notice period, and address capital improvement funding and disposition.

Accordingly, in exchange for ABOR's and UAHN's commitments and their compliance with all the terms and conditions of the Agreement, the Parties agree as follows:

1. Paragraph 2.2 Unilateral Termination by ABOR or UA Healthcare is modified to read as follows: Unilateral Termination by ABOR or UAHN. ABOR and UAHN will each have the option to unilaterally terminate this Agreement at any time, without cause, with at least six month's advance written notice to the other Parties. The County will continue to make any

payments due under this Agreement during that six month period. The termination period may be reduced by mutual written agreement of the Parties.

2. Paragraph 3.5 Subsequent Years is modified to read as follows: County is not at this time agreeing to provide funding after June 30, 2016, but County will maintain a close relationship with ABOR/UACOM and UAHN and its affiliates throughout the term of the Lease and will support its mission to the extent consistent with other County responsibilities and funding limitations, and with appropriation and budgeting laws and policies. The Parties agree to begin negotiations for any extension of funding by August 1 of the year preceding the applicable expiration date and to provide as much notice as is reasonably possible in the event any party elects not to continue the relationship. If the County does agree to provide additional funding after June 30, 2016, the Parties will execute a written supplement or addendum to this Agreement setting forth the amount and timing of the payments, and the use of the funds.
3. Pursuant to Paragraph 3.5 of the Agreement, the County agrees to provide ABOR additional funding for the twenty-three month period between August 1, 2014 and June 30, 2016 in the manner and under the terms and conditions set forth in the Attachment B-2.
4. Paragraph 3. **County Funding Amounts** is modified to add paragraph 3.8 Additional Funding. In the event UAHN or its affiliate, UPH, makes any improvements to the geriatric psychiatry unit of UAMC – South Campus during the term of this Amendment, the County agrees to reimburse that entity for its improvement expenses within 45 days of County's receipt of proof of payment by that entity to the contractor. In no event will the total improvement expense reimbursement pursuant to this paragraph exceed Eight Hundred Thousand Dollars (\$800,000). Any improvements must be made in accordance with the restrictions and limitations contained in the 2004/2006 bond ordinance and pursuant to Section 17 of the Amended and Restated Lease Agreement (Pima County Contract 04-65-U-134151-604-07).

5. Paragraph 12.13. **Notice** is modified to update the contact information as follows:

Arizona Board of Regents:

Joe GN Garcia, MD
Senior Vice President for Health Sciences
Professor of Medicine
P.O. Box 210202
1295 N. Martin, Suite B207
Tucson, Arizona 85721-0202
Fax: 520-626-1460

University of Arizona Health Network, Inc.:

General Counsel
1501 N. Campbell Avenue
Tucson, Arizona 85724

with a copy to:

Karen Mlawsky
Senior VP and CEO, Hospital Division
1501 N. Campbell Avenue
Tucson, Arizona 85724

6. During the twenty-three month period to which this Amendment applies, UAHN (directly or through an affiliate) will pursue the various operational objectives and reporting requirements that have been jointly developed by the Parties as set forth in Attachments A-2 and B-2.
7. All other provisions of the Agreement not specifically changed by this Amendment remain in effect and are binding upon the Parties.
8. This Amendment is effective August 1, 2014.

The Parties have executed this Agreement as of the dates indicated below:

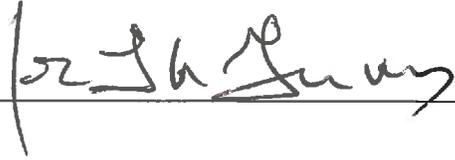
PIMA COUNTY:

ARIZONA BOARD OF REGENTS:

Sharon Bronson

Chair of the Board of Supervisors

Date: _____

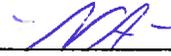


Date: _____

ATTEST:

ATTEST:

Clerk of the Board of Supervisors



Secretary of the Arizona Board of Regents

THE UNIVERSITY OF ARIZONA HEALTH NETWORK, INC.:



Chief Executive Officer

APPROVALS AS TO FORM:

The foregoing Agreement among Pima County, the Arizona Board of Regents and The University of Arizona Health Network, Inc. has been reviewed and pursuant to A.R.S. § 11-952 by the undersigned, each of whom has determined that it is in proper form and is within the powers and authority granted under the laws of the State of Arizona to the party represented by such attorney.

PIMA COUNTY:



Deputy County Attorney

ARIZONA BOARD OF REGENTS:



Attorney for Arizona Board of Regents

ATTACHMENT A-2

Operational Objectives

The Parties jointly determined a set of four guiding principles for the successful development and operation of the UAMC-South campus that further the Parties' mutual objectives. Those guiding principles together with the specific goals and objectives intended to service those principles during the time period beginning August 1, 2014 through June 30, 2016 are set forth below.

1. Efficient and Effective Service Delivery and Training of the Healthcare and Allied Healthcare Workforce

a. Development of a trained, skilled workforce in health care and allied fields

- i. Ensure and maintain a robust training experience for all University of Arizona College of Medicine (UACOM) training programs at the UAMC- South Campus.
- ii. Expand and enhance training programs focused on a care delivery model that will improve outcomes by increasing collaboration with healthcare professionals in a variety of health-related disciplines.
- iii. Explore possibilities of training rotations, consistent with CMS resident funding, to locations throughout Pima County government.
- iv. Explore opportunities to retain UACOM resident physicians in Pima County after completion of their residencies.

b. Cost-effective and quality service delivery

- i. Develop care and payment models that improve patient outcomes.
- ii. Ensure continued availability of quality healthcare for southern Arizona through continuous evaluation and assessment of existing and future service needs.

2. Public Health and Community Wellness.

a. Integration of Medical and Community Behavioral Health Systems.

- i. Enhance and expand integration and cooperation with community behavioral health service providers by collaborating with the local Regional Behavioral Health Authority.
- ii. Explore opportunities to enhance behavioral health service delivery through cost-effective and innovative treatment models.
- iii. Develop UAMC-South campus into a Behavioral Health Center of Excellence as recognized by the Arizona Board of Regents. This will be developed in partnership with Pima County, UAHN and the UACOM Department of Psychiatry.

- iv. Continue to assist Pima County in fulfilling its involuntary commitment obligations under Title 36 of Arizona Revised Statutes by serving as the community practice hub for involuntary commitments and through the design and implementation of evaluation and treatment models that respect an individual's right to timely treatment in the least restrictive setting and provide individuals with the opportunity to participate in their evaluation and treatment on a voluntary basis.
- v. Use its best efforts to make progress in diversion of individuals from involuntary treatment and in development of an outpatient involuntary evaluation program.

b. *Enhancement of Communitywide Health Initiatives.*

Explore opportunities to develop and enhance key programs that positively impact healthcare needs and access to care based on the joint UAHN/UACOM strategic plan and in response to community needs.

c. *Integration and Cooperation with First Responders*

Continue active cooperation and integration with the community's first responders and emergency response capabilities through participation in activities, events and exercises.

3. *Accountability and Transparency*

Ensure regular and systematic reporting of financial and statistical data for the UAMC-South Campus by convening at least monthly financial and operational oversight meetings in conjunction with Pima County and other stakeholders.

4. *Financial Viability and Sustainability.*

a. *Operational Performance*

Continue to improve operational performance through consistent and regular monitoring of key indicators including, but not limited to, average daily census, average length of stay, patient mix, staffing patterns and visits to specific services or specialties.

b. *Financial Reviews*

Ensure improved financial operations through consistent and regular review of financial indicators including, but not limited to, annual revenue and

expense goals, gross patient charges, net service revenue, contract or other operating income, operating expense, payer mix and methodology and protocol for allocating federal and state matching dollars for local service.

Attachment B-2
Funding and Reporting

1. Funding.

For activities and reporting occurring or due August 1, 2014 through June 30 2015, the County will, within ten business days of submission of proof to and approval by County of each of the set of reports or deliverables, pay to ABOR a sum not to exceed Fifteen Million Dollars (\$15,000,000) in monthly installments of One Million Three Hundred Sixty-three Thousand Six Hundred Thirty-six Dollars (\$1,363,636). For activities and reporting occurring July 1, 2015 through June 30, 2016, the County will within ten business days of submission of proof to and approval by County of each of the set of reports or deliverables, pay to ABOR a sum not to exceed Fifteen Million Dollars (\$15,000,000) in monthly installments of One Million Two Hundred Fifty Thousand Dollars (\$1,250,000).

2. Required Reporting and Deliverables. In consideration of and as a condition precedent to the funding set forth in this Second Amendment, UAHN must submit the following reports and deliverables. The schedule outlining the anticipated dates of receipt for each set and type of report and deliverable is attached as Schedule B-1.

- a. Uncompensated care. UAHN Chief Financial Officer shall provide the County with a definition of uncompensated care applicable to both UAMC-University and South Campuses.
- b. Monthly.
 - i. Evidence that at least monthly Oversight Committee Meeting took place unless mutually cancelled or rescheduled.
 - ii. Financial and Statistical reports including a comparison to budgeted amounts and prior year actual amounts together with explanatory narratives and highlights.
 - iii. Receipt of UAMC-South Campus daily census by inpatient unit as distributed within the system.
- c. Quarterly.
 - i. Status of match initiatives with the Arizona Health Care Cost Containment System ("AHCCCS") and actual or planned allocation of federal funds by initiative and source of matching funds.
 - ii. Status of payer contracts with specific attention to behavioral health services.
 - iii. Status, actions taken, and progress made toward achieving level III trauma designation at the UAMC-South Campus from the American College of Surgeons (ACS).
 - iv. Key program initiatives at the UAMC-South campus funded in whole or in part with Pima County bonds or identified as community needs including but not limited to: Diabetes Prevention and Treatment Program; School of Nutritional Services; Expanded GI Program; Primary Care Physician Expansion and Family and Community Medicine Programs; training initiatives for allied health workers.

- v. Status of activities and actions taken to achieve designation by the ABOR as a Center of Excellence for behavioral health services and progress made toward the integration of medical and behavioral health services and implementation of innovative programming allowing patients to be treated in the least restrictive environment on a voluntary basis. Identified trends and anticipated changes in circumstances together with strategies and plans to address any operational or financial consequences.
 - vi. Number and percentage of admissions through emergency department and by direct admission.
- d. Annually.
- i. UAHN Board approved operating and capital budgets for the integrated system as a whole and the South Campus individually including explanatory narrative and assumptions made that may impact budget year operations.
 - ii. Uniform Accounting Report (UAR) filings for both the UAMC-University Campus and South Campus operations within 30 days post filing.
 - iii. Medicare Cost Reports for both the UAMC-University Campus and South Campus operations within 30 days post filing.
 - iv. Internal Revenue Service Forms 990 for both the UAMC-University Campus and South Campus operations within 30 days post filing.
 - v. Audited Financial Statements for the integrated system as a whole, the UAMC-University Campus and South Campus operations by October 31.
 - vi. Identity of physicians providing billable services at the UAMC-South Campus by specialty together with their total billed service units wherever provided and total service units billed by physician at the UAMC-South Campus.
 - vii. Status of activities and actions taken to develop, pursue, and maintain the UAMC-South Campus as a training site for a variety of health-related disciplines.
 - viii. Updates regarding progress of the UAHN Strategic Plan.
 - ix. Status of operational and contractual relationship between UAMC-South Campus and Regional Health Behavioral Authority (RHBA) for Crisis Response Center operations.
 - x. Leadership and organizational chart for the UAMC-South Campus, including governance relationship with UAHN.
- e. Ad Hoc.
- i. Any event that is likely to have a material impact on UAHN or either UAMC Campus as soon as reasonably possible.
 - ii. Copies of any anticipated press releases relating to the UAMC-South Campus as soon as reasonably possible.
 - iii. Notice of any media contacts or requests as soon as reasonably possible.
 - iv. Advance written notice of any intent to terminate services, add provider based clinics, or make changes in services or specialties available at the UAMC-South Campus.
 - v. A comparison of costs and revenues for state and federal inmate services.
 - vi. Financial reports related to the emergency department, behavioral health and uncompensated care at UAMC-South Campus, upon request.

**SECOND AMENDMENT TO
AMENDED AND RESTATED LEASE AGREEMENT
BETWEEN PIMA COUNTY AND UNIVERSITY PHYSICIANS HEALTHCARE
FOR KINO HOSPITAL CAMPUS
[PIMA COUNTY CONTRACT FM 12*2152]**

This Second Amendment to Amended and Restated Lease Agreement, dated January __, 2014 for reference purposes, is made and entered into by and between Pima County, a political subdivision of the State of Arizona ("County" or "Landlord"), University Physicians Healthcare, an Arizona nonprofit corporation ("UPH" or "Tenant").

RECITALS

- A. County and University Physicians, Inc. (now University Physicians Healthcare) ("UPH"), an Arizona nonprofit corporation, previously entered into a lease agreement dated April 27, 2004 (as subsequently amended, the "Lease"), pursuant to which County leased to UPH a hospital facility and some associated real property formerly operated by the County as Kino Community Hospital (the "Hospital").
- B. The Lease was subsequently amended several times and then completely amended and restated by the parties pursuant to the Amended and Restated Lease dated June 21, 2011 for reference purposes. The Lease was further amended by the First Amendment to Amended and Restated Lease executed by the County on August 20, 2012.
- C. UA Healthcare, the sole member of UPH referenced in the Lease, has changed its name and is now The University of Arizona Health Network, Inc. ("UAHN").
- D. The County, UAHN, and the Arizona Board of Regents ("ABOR") entered into an intergovernmental agreement dated June 15, 2010 (the "IGA"), pursuant to which the County agreed to contribute funding to further the public health and education mission of the University of Arizona College of Medicine at the Hospital.
- E. In the IGA, the County agreed that it would consent to an assignment of the Lease to UAHN if requested by UAHN, that County would not agree to a modification or termination of the Lease without UAHN's written consent, and that any early termination of the IGA would result in termination of the Lease.
- F. The parties amended the IGA by agreement dated July 2, 2012, to extend the County's funding through July 31, 2014.
- G. ABOR, UAHN, and the County are now entering into an agreement (the "Second IGA Amendment") further amending the IGA to extend County funding for two additional years. The County is also agreeing, in the Second IGA Amendment, to provide up to Eight Hundred Thousand Dollars (\$800,000) to fund capital improvements to the geriatric psychiatric section of the Hospital. UPH, UAHN, and the County have agreed to contemporaneously amend the Lease.

AGREEMENT

IN WITNESS WHEREOF, County and UPH have executed this Amendment as of the date and year indicated below.

1. Reimbursement for Capital Improvements.

1.1. Except as provided in Section 2 below, in the event the Lease is terminated pursuant to Section 3.5 of the Lease, County will reimburse UPH up to but not in excess of \$2 million for the actual cost of capital improvements made by UPH to the Premises between August 1, 2014, and June 30, 2016. The reimbursement amount will be reduced at a depreciation rate of 20-percent per year from the date the improvement is substantially complete. The reimbursement shall be made within thirty (30) days of UPH's written request for payment.

1.2. In order for an improvement to be eligible for reimbursement, UPH must obtain the County's prior written approval of the improvement even if not otherwise required pursuant to Section 17.1 of the Lease. UPH must also provide the County with documentation substantiating the actual cost of the improvements at the same time UPH provides the County with as-built drawings pursuant to Section 17.2 of the Lease. All other provisions of Section 17 regarding improvements apply as written to such improvements.

2. Geriatric Psych Improvements. No reimbursement will be made pursuant to Section 1 above for improvements to the geriatric psychiatric section of the Hospital for which the County provides funding pursuant to the IGA. All provisions of the Lease will apply fully to any such improvements, and UPH will be responsible for those improvements, regardless of whether the funding is provided to ABOR or UAHN, or directly to UPH at the direction of ABOR or UAHN.

3. Lease. The Lease remains in full force and effect as modified by this Amendment.

PIMA COUNTY, a political subdivision
of the State of Arizona

By: Sharon Bronson
Chair of the Board of Supervisors

Date: _____

ATTEST:

By: Robin Brigode
Clerk of the Board of Supervisors

Date: _____

APPROVED AS TO CONTENT:

By: Michael Kirk
Director, Facilities Management Department

Date: _____

APPROVED AS TO CONTENT:



By: Jan Lesher
Deputy County Administrator for
Medical and Health Services

Date: 5-1-2014

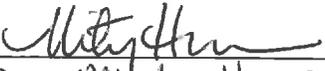
APPROVED AS TO FORM:



Deputy County Attorney

Date: 5.1.14

**UNIVERSITY PHYSICIANS
HEALTHCARE**, an Arizona
nonprofit corporation


By: Mikky Hansen
Its: CFO

CONSENT TO AMENDMENT OF LEASE:

THE UNIVERSITY OF ARIZONA HEALTH NETWORK, INC. an Arizona
nonprofit corporation


By: Michael Waldrum
Its: CEO UAHN