

Executive Summary

Affiliation Agreement between The Carle Foundation and The Board of Trustees of the University of Illinois for the Carle Illinois College of Medicine

Recitals

- The Parties believe that establishing this College will further their health care and educational missions and significantly impact economic development locally and across the State.

Organization and Governance

- The College will be a unit of the University, separately accredited from the UIC College of Medicine and subject to all University policies. The Parties agree not to adopt any policy that eliminates or materially alters the terms of the Affiliation Agreement. They will endeavor to inform each other of proposed policy changes that could impact their performance under the affiliation.
- The Illinois Chancellor and the Carle Chief Executive Officer will provide ultimate oversight and accountability for the affiliation, while the Illinois Provost and the Carle Chief Medical Officer will provide coordination, guidance and support necessary to achieve the Parties' Mission and Vision.
- A Joint Liaison Committee composed of five members from each Party plus the Dean/CAO will provide ongoing advice and guidance to the Provost, Carle CMO and Dean/CAO, particularly in coordinating the operating and capital budgets and strategic plans; providing input on faculty recruitment, compensation plans and joint searches for physician faculty; and resolving conflicts between the Parties.
- Recommendations by the Liaison Committee regarding any of the following actions require a supermajority affirmative vote, and each party must approve the action according to its internal processes before implementation may occur: Expansion of the College (such as new locations or increase in enrollment); amendments to the Liaison Committee charter; operational changes or significant proposed expenditures that materially deviate from approved budgets or strategic plans; and affiliations by the College with other health care practice sites for programmatic clinical rotations. The Dean/CAO may permit individual students to obtain clinical experiences at sites other than Carle in special situations.
- A Mission and Vision statement taken from the Parties' business plan is an exhibit to the Affiliation Agreement.

Financial Matters

- Carle will fund \$50 million over the initial five years in five equal, annual installments. Another \$50 million will be similarly payable over the subsequent five-year period following the College's receipt of LCME provisional accreditation. The first payment will be net of funds expended by Carle for pre-commencement expenses that were approved according to the Parties' agreed process. After the seventh anniversary, a portion of the Carle contribution may be placed in a special endowment in Carle's name and held by Illinois.
- Carle will pay an additional sum of \$1.5 million per year to the College in exchange for provision of certain translational research services by Illinois.
- Illinois is committed to using its best efforts to achieve minimum fundraising goals agreed by the Parties. The initial budget forecast contemplates fundraising milestones totaling \$135 million by Year 8. The fundraising commitments will be reviewed and may be adjusted as part of the annual budgeting process. Funds received for the College will be segregated to ensure they are distinct from other Illinois endowments and funds and used solely to support the College.
- Illinois will transfer to the College no less than 95% of collected College tuition revenue and the College fee revenue and shall make no deductions, except as otherwise agreed by the Parties.
- The Parties will prepare a 10-year budget forecast, will agree on the annual College operating and capital budgets and will share in any annual deficits subject to certain conditions. The College fiscal year will be that of Illinois.
 - The Dean/CAO will prepare annual budgets in accordance with Illinois practice and in consultation with the College Executive Committee and the Liaison Committee. The budgets cannot project a year-end deficit and must reflect the Parties' commitment to provide adequate annual funding over the initial 10 years.
 - The Dean/CAO will share the budgets with the Provost and Carle CMO for their input and acceptance.
 - If a cumulative deficit is projected for fiscal year-end, the budget for the succeeding fiscal year may be adopted only if it addresses the current-year deficit, which may include implementing a remediation plan over a period not to exceed seven years.
 - Any deficits must be covered by unrestricted funds or any cumulative surplus held in the designated College account. Either the Provost or Chancellor's office would provide additional funding needed up to \$3 million, to be repaid under a remediation plan. If more than the \$3 million is needed, Carle will contribute up

to another \$3 million, to be credited against its future annual contributions in accordance with the remedial plan.

- If at any time the Carle CMO does not accept budgets or remedial plans presented for approval, he or she may declare a material objection, triggering a resolution process with deadlines. If the material objection is not resolved in a timely manner, the Provost can move ahead with the Illinois budget process; however, thereafter either Party may declare a formal dispute and invoke the dispute resolution process.
- Shortfalls that occur during the fiscal year because of budget variations are to be shared equally, except where only one Party approves of the proposed expenditure. In that event, the Party favoring the expenditure may assume the total liability if the expenditure is consistent with the College Mission and Vision.

Academic Operations

- The Dean of the College also serves as the Carle Chief Academic Officer (CAO) and so has the title of Dean/CAO. The Parties will agree on the division of the Dean/CAO's effort, but Illinois will be the employer. The Dean will report to the Provost as Dean and to the Carle CMO as CAO.
- The Provost will form a Joint Search Committee for the Dean/CAO in consultation with the Carle CMO, the College Executive Committee and the Liaison Committee. The Search Committee will consist of seven members appointed by each Party, and each Party will appoint a co-chair. The Search Committee will develop a job description.
- Either Party may request that the Dean/CAO be dismissed prior to expiration of his/her administrative appointment, so long as the action complies with University and Carle policies and the employment agreement. If Carle dismisses the CAO, the Provost will remove the Dean's administrative responsibilities and pursue dismissal of the Dean/CAO according to University Statutes. The Parties will agree on an acting dean in that event. If the Provost initiates dismissal of the Dean, Carle will suspend the CAO's administrative responsibilities pending final resolution. The Dean/CAO's faculty appointment would not be affected by dismissal of the administrative appointment.
- In order to satisfy the LCME preliminary accreditation requirements, a number of tenured or tenure-track faculty, and physicians employed or under contract with Carle who have tenure, will develop draft College bylaws and initial committee and subcommittee charters. The College faculty would ultimately approve the bylaws and charters.

Academic Faculty and Staff

- The College will be organized and the faculty appointed according to University Statutes. Initial faculty may include one or more Carle physicians currently tenured at Illinois.

- In most cases, Carle will employ the clinical faculty (rather than Illinois). Whether or not employed or under contract to Carle, all clinical faculty of the College must meet Carle's minimum professional standards.
- All members of the College faculty will have academic appointments in the appropriate academic unit of Illinois, and tenure system faculty will be tenured or tenure-eligible in an appropriate academic department.
- The College faculty will form an Executive Committee with each department having representation consistent with the Statutes.
- Although the structure of the College is within the faculty's purview, the Parties envision the formation of two departments, a Biomedical Science and Engineering Department and a Clinical Science Department, the latter composed primarily of teaching physicians.

Academic and Clinical Oversight

- Illinois will retain authority over the overall education program for medical students. Carle will be responsible for clinical oversight of activities undertaken at Carle and non-Carle provider sites.
- Carle will be responsible for sponsorship of residency programs (graduate medical education) for post-M.D. training and fellowships associated with the College. Existing residency programs for which Carle is not currently the sponsoring institution and other residencies unconnected with the new College are unaffected.

Research

- The Parties will continue to operate under their existing Research Affiliation Agreement (dated 2010) until a new or amended agreement is completed. The new research agreement is one of several documents to be completed 90 days after signing this Agreement. Also to be completed is a Translational Research Agreement under which Illinois will provide services to Carle in exchange for an annual payment of \$1.5 million, which is part of the College budget.

Branding

- The College will be named Carle Illinois College of Medicine. Each Party will have the necessary rights to use the other's name in connection with the College and their affiliation, and they will cooperate in following relevant style guidelines and in enforcing their rights against infringers.

Conflict of Interest

- A policy for disclosing, managing or eliminating conflicts of interest at the Liaison Committee, administration and faculty levels will be developed, and individuals involved will continue to comply with their employer's respective policies.

Commencement of Affiliation

- The Parties will have until the later of October 31, 2015 or 90 days from the signing of the Affiliation Agreement to complete several remaining tasks in order for the affiliation to proceed, including: finalizing the Liaison Committee charter, the hiring guidelines for shared personnel and the Research Affiliation and Translational Research Agreements, and Carle's payment of its first annual installment.

Term and Termination

- The Affiliation Agreement is perpetual but provides for certain termination rights. Either Party may terminate the Affiliation Agreement if closing conditions are not met within the 90-day period; if there is a failure to obtain or a loss of LCME accreditation; insolvency; or material breach that cannot be cured or resolved in the dispute resolution process.
- During the initial 10-year period, if Carle sells substantially all of its assets to a third party or changes its form of ownership, the successor entity must assume Carle's obligations under the Affiliation Agreement if Illinois agrees to the assignment. If Illinois does not agree, then Carle will remain obligated for its financial commitments during this period under the Affiliation Agreement.
- Under specific extreme circumstances, each Party has special termination rights that may be invoked immediately with written notice.
 - Illinois may terminate if: Carle loses its hospital operating license or is excluded from Medicare or Medicaid participation; there is action or inaction by Carle that results in material harm to Illinois' reputation; Carle sells its assets to a non-Carle affiliate; or extraordinary changes in Medicare or Medicaid funding have a material adverse effect on Carle's ability to fulfill its financial obligations for two consecutive years.
 - Carle may terminate if: Illinois loses its academic accreditation; Illinois sells substantially all of the College's assets; there is action or inaction by Illinois that results in material harm to Carle's reputation; extraordinary State budget cuts have a material adverse effect on Illinois' ability to fulfill its obligations for two consecutive years; or extraordinary changes in Medicare or Medicaid funding have a material adverse effect on Carle's ability to fulfill its obligations for two consecutive years.

- Invoking one of these special termination rights triggers an unwinding of the affiliation, and termination is not immediately effective.

Dispute Resolution and Unwinding

- Disputes that cannot be resolved through normal channels must be raised to the Provost and Carle CMO. The Liaison Committee is consulted if there is no resolution in 30 days. The next escalation is to the Carle CEO and Illinois Chancellor. Finally, disputes unresolved at the executive level are escalated to the Carle Board Chair and University President.
- If the Parties forgo voluntary mediation, the final solution is the Unwind Option. Under the Unwind Option, the Parties unwind the College operations under a timetable but remain committed to their respective academic and financial commitments so that currently enrolled students may complete their education. This is called the "Teach-Out."
- In the case of an unwinding, the Parties will develop a plan to allocate costs and distribute any remaining assets.

Other Affiliations

- The Parties will cooperate to foster collaborations in academic, research, scientific and clinical areas. Each Party's Board must approve additional parties to the Affiliation Agreement.

Faculty Practice Organizations

- Illinois will not create a physician faculty practice organization or plan associated with the College and will not expand physician faculty practice plans or organizations existing on other campuses to the College.

Indemnification and Insurance

- The Parties have agreed on indemnity and insurance language in keeping with their respective insurance and risk management programs. Carle will insure physicians performing clinical activities at Carle, even if they are employed by Illinois. Carle also will insure Residents assigned to Carle.