TOPIC:

Medical Center Master Facilities Plan Update

CONTEXT:

This is a follow-up to the June 1, 2007 Briefing on this topic.

SUMMARY:

The work by the consultants has been very helpful. Over the last month, progress has been made in the following:

- A decision tree and timeline has been established (attached).
- An administrative structure has been established (attached).
- The reports from Deloitte and Hammes are expected to be finalized before the September Board meeting.
- The next progress report will be made to the Board in September.

CONSIDERATIONS:

- What additional information would the Board like to have?
- What can we expect in September?
- What effect will proposed changes in the James/CCC governance structure have?

REQUESTED OF BOARD OF TRUSTEES:

For information and discussion. No vote required.
Exhibit 1: Timeline of Key Decisions

1. New Organization Design
   - Reporting structure, authority, and accountability
     - Appointment of decision maker
   - Process for refining the MFP
   - Management ground rules for refinements to the MFP
   - Compliance with PPS exemption for the James
   - Capital expansion funding structure and levels for the James and the remaining business entities of the Medical Center

2. Fact Base for Revising the MFP
   - Required elements for achieving status as a top-tier Academic Medical Center (AMC)
   - Required elements for achieving status as a top-tier Comprehensive Cancer Center (CCC)
   - Set of growth assumptions for inpatient and outpatient to meet minimum competitive thresholds
   - Basic renovation required to meet the health and safety regulations
   - Set of financial targets including operational performance, key financial ratios, and philanthropy goals
   - Schedule of expenditures and commitments to date applicable to the $780M ceiling

3. Critical Attributes of the New MFP
   - Facility priorities within the MFP
   - Capital expenditures for refinements to the James, the core facilities, and the supporting structures (e.g., parking, grounds, etc)
   - Key adjacencies and points of integration for six signature programs and ancillary/support services
   - Clear definition of components in phases one and two including timeline, budget and funding mechanisms

4. Proposed New MFP
   - Set of facility options including the costs, benefits, and implications to each option
   - Facilitated process to select the preferred alternative for the new MFP
   - Required phasing for the new MFP and timeline with the following:
     - Key milestones
     - Break points
   - Revised growth, financial, and philanthropic targets for both the first phase and future second phase

5. MFP Cost and Timeline Sign-off
   - Revised construction project management structure, authority and accountability
   - Implementation plan for contingency and allowance management
   - Approval to begin detailed planning phase on the new MFP

Key Dates
Subject: Medical Center Master Facilities Plan

Date: June 20, 2007

From: Gil Cloyd

To: Medical Center Leadership

Now that the internal work group led by Chris Culley is completing its charge to articulate a governance and operational model for the James and the Medical Center, we need to complete our review of remaining issues involving the Master Facilities Plan. Since this involves facility and financial issues, I have asked Bill Shkurti to take the lead in moving this process to the next phase. This includes making sure this project moves forward as a University project with appropriate support, oversight, accountability and reporting. I expect Bill and his staff to work with you and your staff to make sure programmatic needs are met, but ultimate accountability for financial and facilities decisions rests with Bill as the senior University official involved.

I have asked Chris Culley, Pete Geier, Dave Schuller and Chip Souba to form a small work group under Bill's leadership, to assist in this process. I have also asked the following members of the Board of Trustees to join me in providing advice and support to Bill in this effort: Alan Brass, Jo Ann Davidson, Karen Hendricks, Dimon McPerson, John Ong and Les Wexner.

The working group will be guided in its work by these primary objectives:

1. Move forward with the Medical Center Master Facilities Plan in a manner consistent with the objectives laid out in the April 18, 2007 letter from Bob Duncan and me to the Medical Center Leadership and utilized by the Governance working group:
   - To position the OSU James Cancer Hospital and Solove Research Center to become a top ten NCI-designed Comprehensive Cancer Center;
   - To maintain the excellence and growth of the OSU Medical Center to achieve top twenty status among academic medical centers in the nation in programs, personnel and facilities, through a sound strategic investment plan;
   - To maintain the federal PPS exemption; and
   - To enhance inter-disciplinary synergies among the OSU Medical Center, the James/Solove, and Ohio State broadly.

2. Develop a framework and timeline for resolution of all issues identified by the consultants and other stakeholders as described in Bill's June 1, 2007 presentation to the Trustees. This includes ensuring that the Medical Center and the James leadership and
all relevant groups work with the consultants to achieve strategic alignment with appropriate cost options identified.

3. Define an approach to maximize private philanthropic support which incentivizes leadership to gain substantive private contributions (or an equivalent) in addition to other funding sources.

4. Establish clarity and line of sight reporting responsibility to the Senior VP for Business and Finance for all financial and facilities-related decisions applicable to the expansion. This includes defining an ongoing project management process that ensures proper tracking, milestone evaluations, and adherence to best practices, high quality and effectiveness.

5. Ensure that the credit rating and financial viability of the University, the Medical Center, the James and the Health System are maintained.

6. Ensure that hospitals within the health system, including the James, are managed and governed consistent with an approved five-year financial plan. This includes collaboration and sharing of services to minimize duplication and unnecessary expense.

I have authorized Bill to hire whatever consulting assistance and staff support he needs and, where appropriate, to charge this to the project, including the hiring of a senior, experienced overall Project Leader who reports to the Senior Vice President for Business and Finance.

I have asked Bill to present a follow-up report to the full Board at the July 13 meeting.

The University remains committed to a timely and thorough analysis and consideration of this total proposed project and, ultimately, the implementation of a master plan that will position the James, the Medical Center and all of its component programs for continued excellence and leadership in the years ahead.

Cc: Karen Holbrook, President
Christopher Culley, Vice President for Legal Affairs and General Counsel
William Shkurti, Senior Vice President for Business and Finance
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