

MEMORANDUM OF UNDERSTANDING

Introduction

This Memorandum of Understanding ("MOU") is made this 11th day of September, 2016 (the "Effective Date"), by and between Willis-Knighton Medical Center, a Louisiana nonprofit corporation ("WKMC"), the State of Louisiana through the Division of Administration ("DOA"), and the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College through its LSU Health Sciences Center, Shreveport ("LSU"). WKMC, DOA, and LSU are referred to together as the "Parties," and each, a "Party."

This MOU is designed to set forth the understandings of the Parties regarding their desire to collaborate and coordinate their efforts with respect to possible collaborative agreements, including but not limited to, Cooperative Endeavor Agreements ("CEAs") and an Academic Affiliation Agreement(s) ("AAA").

Recitals

WHEREAS, over the course of the past 2 years, LSU has faced increasing challenges in maintaining the viability of its graduate medical education ("GME") training in North Louisiana;

WHEREAS, the State of Louisiana has determined that it is in the best interests of the citizens of the State to expand Medicaid eligibility pursuant to the Affordable Care Act;

WHEREAS, the Louisiana Legislature passed HB 1, which was signed by the Governor and became Act 17 of the 2016 Regular Session, and provides that "the LSU Health Sciences Center – Shreveport shall enter into the contracts necessary to ensure the success of its medical education mission;"

WHEREAS, the Louisiana Legislature subsequently passed HB 69, which was signed by the Governor and became Act 14 of the Second Extraordinary Session of 2016, and similarly provides that the LSU Health Sciences Center – Shreveport has legislative authorization to enter into contracts necessary to ensure the success of this medical mission, and further allowing the LSU Health Sciences Center – Shreveport the "opportunity to diversify [its] revenue base so as to fund the medical education mission by partnering with hospitals in the state to ensure access to care for Medicaid and uninsured patients and advancing the medical education learning environment" (collectively, the language quoted above from HB 1 and H 69, is referred to herein as, the "Legislative Intent"),

WHEREAS, consistent with the Legislative Intent, LSU President King Alexander set a letter to WKMC, dated May 18, 2016, specifically requesting that WKMC collaborate closely with LSU to achieve a number of objectives, including, among other things, growth of LSU clinical and research programs, improvement of training opportunities for LSU students, residents, and fellows, assisting LSU with the provision of care to the indigents of the State, and providing enhanced access to care in North Louisiana (collectively, the "State Objectives");

WHEREAS, consistent with the Legislative Intent, LSU and WKMC entered into that certain Letter of Intent, dated June 18, 2016, pursuant to which LSU and WKMC agreed to work together to achieve the State Objectives by conducting additional due diligence, engaging in further discussions, and developing binding, definitive agreements;

WHEREAS, like the Legislative Intent, DOA has concluded that in order to develop an infrastructure that can provide access to care for low income and indigent patients such that Medicaid expansion can be successfully implemented, it is critical that LSU establish vibrant and robust GME training programs and research opportunities through partnerships with private health care institutions, including but not limited to, WKMC;

WHEREAS, WKMC and LSU have for more than twenty (20) years partnered in connection with GME training programs and opportunities, and clinical research, and WKMC remains committed to supporting LSU's clinical, research and teaching missions;

WHEREAS, DOA and LSU have concluded that LSU currently does not have access to sufficient GME training opportunities to maintain its viability or to facilitate the State's decision to adopt Medicaid expansion;

WHEREAS, it is a collective goal of the Parties to enhance the stability and long-term success of Louisiana's academic and training programs so that Louisiana is positioned to attract the most talented faculty, students, residents and other medical professionals;

WHEREAS, a highly rigorous academic and training environment furthers the additional goal of the Parties to leverage the research capabilities of Louisiana's public and private educational institutions and health providers;

WHEREAS, the collaboration and coordination of efforts among the Parties will help optimize the medical training resources available in the North Louisiana region and ensure that sufficient numbers of qualified healthcare professionals exist to address the current and future healthcare needs of North Louisiana;

WHEREAS, the Parties desire to rapidly explore transactions in which: (i) WKMC and LSU will collaborate and partner for purposes of promoting the goals described herein; (ii) WKMC will commit to provide LSU academic support payments and expand its infrastructure and facilities to support LSU's academic mission; (iii) LSU plans to strengthen its Faculty Practice Plan for it to become the engine for clinical and revenue growth; and (iv) the Parties will align their interests and capabilities to achieve the goals described below (collectively, the "Transaction"); and

WHEREAS, the Parties have agreed to pursue certain core elements aimed at achieving the State Objectives and therefore desire to further engage in good faith discussions and negotiations in regard to the Transaction and the development of the documents contemplated hereby.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Understandings and Commitments of the Parties

I. Cooperative Endeavor Agreement. WKMC, DOA and LSU will negotiate in good faith to establish the terms of a cooperative endeavor agreement (“CEA”) to ensure the long-term viability of LSU in North Louisiana, promote access to care and achieve other goals identified herein.

A. The CEA will be structured to achieve the goals of the Parties, including, but not limited to, the following:

1. Stabilize the financial outlook of LSU;
2. Prepare LSU for a population health future; including structuring to maximize options for reimbursement mechanisms (i.e. capitation) and participating in the coverage of the continuum of care both medically (i.e. long term care, preventive care) and geographically (i.e. in the community and outside the hospital setting);
3. Allow LSU to create the infrastructure needed to establish a clinically integrated network (CIN) in order to improve clinical results, improve patient satisfaction, deliver more efficient care and standardize clinical pathways in the geographic area;
4. Coordinate value based care among a variety of organizations within the CIN network;
5. Establish and expand community clinics in low access areas to increase access;
6. Allow LSU to have the flexibility to participate in other similar CINs to provide clinical coverage of patients in a wide geographic area;
7. Create a mechanism that community physicians can participate to develop common care models across the community;
8. Create a mechanism that enables LSU to partner with payers to develop risk based models for value care delivery;
9. Create a model that allows LSU to partner with a variety of hospital-based partners as well as other potential partners in the health delivery space (e.g., urgent care centers);
10. Improve GME training opportunities and access to training sites and patients types that would benefit our trainees;
11. Continue the provision of high quality care to low income and indigent patients in North Louisiana;
12. Improve access to high quality, cost-effective care for low income and indigent patients in North Louisiana;
13. Promote and Improve access to participation in clinical research; and

B. The CEA will include covenants by WKHS to improve, upon achievement of adequate funding levels, infrastructure and facilities for LSU's school of medicine and clinical services, which the parties anticipate will include medical education facilities for LSU's use and control, expansion of outpatient clinics in the community and other facilities to improve access to care.

C. The CEA will establish a process to support LSU's financial requirements.

II. Academic Affiliation Agreement. Pursuant to the CEA, WKHS and LSU will enter into an academic affiliation agreement ("AAA") that will include terms negotiated by the Parties for the following:

A. The creation of appropriate structures (*e.g.*, academic councils and advisory committees) for the Parties and their leadership to provide ongoing input into medical education and resident training, and to create opportunities for the ongoing implementation of the teaching and research missions of LSU;

B. The creation of centers of excellence and other research capabilities and efforts, including obtaining additional grant funding; and

C. Establishment of resident and faculty training assignments, and programmatic requirements.

III. Additional Agreements and Actions. LSU and WKMC may enter into such other agreements ancillary to the CEA and AAA, including agreements intended to address specific academic department needs of LSU, as necessary to achieve the goals and objectives set forth herein. The Parties will also seek to include other providers and community partners to achieve the goals established for the CEA, which may include similar affiliations in other parts of North Louisiana supported by LSU. The Parties are prepared to proceed diligently to negotiate the CEA, the AAA and other agreements, which are anticipated to contain commercially reasonable representations and warranties, covenants, indemnifications, closing conditions and other provisions customary in similar transactions.

IV. Consummation of Transaction. The Parties acknowledge that the provisions outlined in this MOU require further specification, and except as they may be made binding by the specific terms and conditions set forth herein, the terms of the Transaction must be embodied in the CEAs and other definitive agreements, which will require timely approvals of their respective governing boards, and such additional approvals by regulatory authorities with jurisdiction over the Transaction. The Parties, agree, however, to work expeditiously and in good faith, and devote the necessary resources to the negotiation and consummation of the Transaction as may be reasonable and necessary.

V. No Breach. The Parties acknowledge that LSU and the DOA have entered into that certain Cooperative Endeavor Agreement with the Biomedical Research Foundation of Northwest Louisiana, and that the Parties do not intend for this MOU or the Transaction to result in the breach of LSU's obligations under such agreement and that this Memorandum of Understanding should be interpreted consistent with the obligations under that existing Cooperative Endeavor Agreement.

VI. State Action. The DOA represents and warrants that this MOU and the Transaction are necessary to ensure the success of LSU's medical education mission, and further that it is the intent of the DOA and LSU that any contracts entered into with WKMC or other private institutions in connection with this MOU or the Transaction are sovereign actions of the State of Louisiana which have immunity for actions undertaken pursuant to those contracts that might otherwise be considered to be in violation of state antitrust laws, federal antitrust laws, or both. The parties intend that any final agreements executed pursuant to this MOU shall provide that the State of Louisiana, through the DOA and/or LSU, shall actively supervise the performance of all obligations under the final agreements, including the performance of WKMC.

VII. Prior Dealings Consistent with State Objectives. LSU and WKMC previously entered into that certain Master Agreement, effective March 1, 2015, pursuant to which LSU and WKMC agreed to collaborate for the provision of certain physician services to better meet the health care needs of the low income and needy population in the Shreveport/Bossier City community, and to further the University's academic mission. Such Master Agreement set forth the general framework for the relationship between the Parties and requires that more specific obligations with respect to particular service engagements be set forth in written Supplements thereto. The Parties hereto acknowledge and agree that such Master Agreement and Supplements are consistent with the Legislative Intent and State Objectives described herein, and that such agreements and additional Supplements are necessary to achieve the State Objectives.

VIII. Confidentiality. Subject to applicable law, the Parties agree to maintain confidentiality during negotiation of all of the transactions contemplated by this MOU.

IX. Termination. The term of this MOU shall be from the Effective Date until the earlier of: (i) the effective date of the CEAs and AAA, or (ii) July 1, 2017. In addition, any Party may terminate its obligations under this MOU, with or without cause, in its sole discretion, by giving at least thirty (30) days prior written notice of such termination to each of the Parties.

X. Publicity. Upon mutual agreement, the Parties may to make public announcements regarding the subject matter hereof upon execution of this MOU.

XI. Intent of the Parties. This MOU is an expression of the intent of the Parties only and is not intended to be a binding agreement. No offer, acceptance, commitment, undertaking, estoppel or obligation of any nature relating to the proposed Transaction outlined above shall be implied in fact, law or equity. Unless and until CEAs and the AAA have been executed and delivered, no Party or its respective affiliates will be under any legal obligation of any kind whatsoever with respect to any such Transaction by virtue of this or any other written or oral expression or any course of conduct with respect to any such Transaction by any of the directors, officers, employees, agents or any other representatives of the Parties or any of their respective advisors.

XII. Expenses. Each Party shall be responsible for its own legal, consulting and other expenses incurred in connection with discussions to date, due diligence, negotiation of this MOU and of the Transaction and the development of the CEAs and AAA, as well as the consummation of the Transaction, unless the Parties otherwise agree in writing to share specific expenses between them.

XIII. Assignment. This MOU may not be assigned to either Party without the written consent of the other Party; provided, however, that WKMC may assign its respective rights hereunder to a wholly owned subsidiary or controlled affiliate.

XIV. Notices. Any notices required hereunder must be in writing and shall be deemed effective when delivered in person or the next business day after deposited for delivery by a recognized overnight courier, addressed to the party entitled to notice at the address set forth below:

If to WKMC: Willis-Knighton Health System
P.O. Box 32600
Shreveport, LA 71130
Attn: James K. Elrod, President and CEO

If to LSU: LSU Health Sciences Center
Office of Legal Affairs
1501 Kings Highway
P. O. Box 33932
Shreveport, LA 71130-3932
Attn:

If to DOA: State of Louisiana, Division of Administration
Claiborne Building, 7th Floor
1201 N. Third Street
Baton Rouge, LA 70802
Attn: Commissioner

[Signature page follows.]

[Signature page to MOU by and among DOA, LSU, and WKMC.]

IN WITNESS WHEREOF, the parties hereto have executed this MOU as of the Effective Date.

WILLIS-KNIGHTON MEDICAL CENTER

By:  _____

Its: PRESIDENT & CEO

Date: 9-11-, 2016

LOUISIANA DIVISION OF ADMINISTRATION

By:  _____

Its: Commissioner

Date: OCT. 25, 2016

LSU

By:  _____

Its: INTERIM CHANCELLOR / DEAN

Date: 9-11-16