

AGENDA
SPECIAL MEETING
LSU BOARD OF SUPERVISORS

Board Room, LSU System Building
Baton Rouge, Louisiana

10:00 A.M., FRIDAY, DECEMBER 14, 2012

Mr. Hank Danos, Chairman

1. Call to Order and Roll Call
2. Invocation and Pledge of Allegiance
3. Public Comments
4. Approval of a Memorandum of Understanding for further negotiations among the LSU Board of Supervisors, Louisiana Children's Medical Center and others relating to the future operation of the Interim Louisiana Hospital and, upon its completion, the new University Medical Center in New Orleans.
5. Approval of a Memorandum of Understanding for further negotiations among the LSU Board of Supervisors, Lafayette General Health System, Inc. and others relating to the future operation of University Medical Center in Lafayette.
6. Approval of a Memorandum of Understanding for further negotiations among the LSU Board of Supervisors, Ochsner Health System, Hospital Service District No. 1 of the Parish of Terrebonne and others relating to the future operation of L. J. Chabert Medical Center in Houma.
7. Chairman's Report
8. Adjournment

MEMORANDUM OF UNDERSTANDING

Introduction

This Memorandum of Understanding ("MOU") is made this ___ day of December, 2012 (the "Effective Date"), by and among Louisiana Children's Medical Center, a Louisiana nonprofit corporation ("LCMC"), University Medical Center Management Corporation (A Major Affiliate of LSU Pursuant to La. R.S. 17:3390), a Louisiana nonprofit corporation ("UMCMC"), Board of Supervisors of Louisiana State University and Agricultural and Mechanical College ("LSU"), State of Louisiana, Division of Administration (the "State"), State of Louisiana, Department of Health and Hospitals ("LaDHH"), and Administrators of the Tulane Educational Fund ("Tulane"). LCMC, UMCMC, LSU, the State, LaDHH and Tulane are referred to together as the "Parties," and each, a "Party."

This MOU is designed to set forth the understandings of the Parties with respect to its subject matter, and in particular their collective intentions with respect to a transaction whereby LCMC would become the sole member of UMCMC upon the closing under a Cooperative Endeavor Agreement (the "CEA") for a private/public collaboration whereby UMCMC would assume the responsibility, on terms and conditions agreed by the Parties, for the management and operation of the Interim Louisiana Hospital currently owned and operated by LSU and, upon its completion, the new University Medical Center that is currently under construction in New Orleans (referred to herein as the "Transaction" and more fully addressed infra), all of which would include associated asset and property transfers.

Recitals

WHEREAS, the State and LaDHH, through their public and private educational institutions and health providers, have long endeavored to create and maintain a system of medical education and training of the highest quality while also providing the highest quality of health care services to all their citizens;

WHEREAS, it is a collective goal of the Parties to enhance the stability and competitiveness 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 competitive 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, sustainable partnerships between health providers and LSU and Tulane, as well as other universities and training institutions in Louisiana, are necessary to optimize the medical training resources available in Louisiana and to ensure that sufficient numbers of qualified healthcare professionals exist to address the current and future healthcare needs of Louisiana;

WHEREAS, Louisiana's healthcare reform effort has focused on ways to remodel the delivery of care through partnerships and cooperative efforts between the public and private sectors;

WHEREAS, LSU currently owns and operates the Interim Louisiana Hospital (the “Interim Hospital”) that is experiencing severe financial challenges;

WHEREAS, LCMC, which is currently the sole member of Children’s Hospital New Orleans and Touro Infirmiry, has extensive experience in nonprofit hospital operations and finances, ongoing academic relationships with LSU, Tulane, and other academic and community organizations throughout New Orleans and the State of Louisiana, and is committed to the clinical, research and teaching missions in the communities it serves;

WHEREAS, to maintain the viability of the Interim Hospital, including its role as an Academic Medical Center and the current range of patient care services and programs, the Parties desire to rapidly explore a transaction in which (i) the Interim Hospital, as well as the new University Medical Center that is currently under construction in New Orleans (the “New Hospital”), will be leased, or occupancy thereof will be otherwise granted, to UMCMC, and (ii) LCMC will become the sole member of UMCMC and integrate the Interim Hospital and the New Hospital into the LCMC system (collectively, the “Transaction”);

WHEREAS, among other things, the Transaction will afford LCMC and its affiliates the opportunity to acquire additional hospital facilities, access a Level I Trauma Center and a robust clinic infrastructure, create innovative health care delivery systems (such as accountable care organizations), and facilitate greater clinical integration, all of which will serve to expand and diversify the LCMC system to better serve its patient population;

WHEREAS, LCMC is willing and desires to provide the financial resources and support, operational expertise, and other necessary resources and to take steps to ensure that the Interim Hospital continues to, and the New Hospital will: (i) serve as safety-net hospitals in accordance with applicable law (La. R.S. 17:1519 et seq.), and play a central role in providing healthcare services to the uninsured and high-risk Medicaid populations, (ii) provide Louisiana with tertiary services difficult to sustain in the typical community hospital, (iii) preserve the quality of medical education in Louisiana through medical training partnerships with LSU, Tulane, and other universities and training institutions, and (iv) prevent the major reductions in workforce currently contemplated for the Interim Hospital;

WHEREAS, the Parties recognize that the assumption of the management and operation of the Interim Hospital, and the physical transition to and management and operation of the New Hospital by UMCMC, will include the commitment and the assumption of significant financial and operational investments by LCMC, including without limitation, working capital, transition costs, and funding or financing for certain improvements for the New Hospital, and LCMC desires to assure sustainable reimbursement levels commensurate with such investments;

WHEREAS, the Parties recognize that changes to the composition of the Board of Directors of UMCMC will be required to avoid the impact of Medicare and Medicaid reimbursement rules addressing payments to related party organizations;

WHEREAS, the Parties recognize that consummation of the Transaction may require the approval of each of the members of the UMCMC Board of Directors;

WHEREAS, the Parties desire to engage in good faith discussions and negotiations, and establish the basis for negotiations between the Parties with regard to the Transaction and the development of the CEA contemplated hereby;

WHEREAS, the Parties recognize the CEA shall be subject to presentation and review by, and any required approval of, the Joint Legislative Committee on the Budget (the “JLCB”) in accordance with law;

WHEREAS, the Parties intend the Transaction and subsequent operation of the Interim Hospital and the New Hospital will reduce the need for State General Funds expenditures below those previously contemplated; and

WHEREAS, the Parties will seek to incorporate the Graduate Medical Education provisions included in the Memorandum of Understanding among LSU, the State, LaDHH and Tulane dated August 28, 2009, as amended on March 2, 2010 (the “Original MOU”) into the CEA.

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

A. Suspension of Reductions of Programs and Services

While the Parties seek to negotiate the CEA, LSU and LaDHH will work together to suspend the anticipated reductions in programs and services at the Interim Hospital now scheduled to go into effect in January 2013.

B. Milestone Payments

In order to preserve the ongoing programs and staffing at the Interim Hospital through the closing under the CEA, and to demonstrate its commitment to the potential Transaction, upon the achievement of certain events outlined below, LCMC will provide milestone payments, which upon closing under the CEA, are agreed to be advance lease or occupancy payments with respect to the Interim Hospital and the New Hospital (“Milestone Payments”) on the terms and conditions set forth herein, and as to be further documented by the Parties in the CEA, and other appropriate documents. The Milestone Payments shall be in accordance with the following terms and conditions:

- (1) Milestone Payments.
 - (a) LCMC will make a Milestone Payment in an amount of Seven Million Dollars (\$7,000,000) upon the execution of this MOU by all Parties;
 - (b) LCMC will make a Milestone Payment in an amount of Six Million Dollars (\$6,000,000) upon execution of the CEA by all Parties, but no later than February 28, 2013; and
 - (c) LCMC will make a Milestone Payment in an amount of Four Million Dollars (\$4,000,000) upon the close of the Transaction.
- (2) The Milestone Payments shall be made to the State, or as the Parties to this MOU may otherwise agree. Upon the closing of the Transaction as set forth in the CEA, Four Million Dollars (\$4,000,000) in Milestone Payments will be applied to

lease or occupancy payments owed to LSU or the State, as applicable, in connection with the lease of the Interim Hospital to UMCMC, and Thirteen Million Dollars (\$13,000,000) in Milestone Payments to lease or occupancy payments owed to LSU or the State, as applicable, will be applied to the lease or occupancy of the New Hospital to UMCMC; and

- (3) The Milestone Payments shall be non-refundable.

C. Cooperative Endeavor Agreement

Following the execution of this MOU, the Parties will seek to negotiate the CEA. The CEA shall contain the full and complete agreement of the Parties with respect to the terms and conditions for completing the Transaction, setting forth their respective rights and obligations, which will result in the final and binding CEA in form and substance satisfactory to the Parties (subject to presentation and review by, and any required approval of, the JLCB). The Parties are prepared to proceed diligently to negotiate such an agreement, which is anticipated to contain commercially reasonable representations and warranties, covenants, indemnifications, closing conditions and other provisions customary in similar transactions. Among other things, the CEA shall address the following:

- (1) The identification of the steps and transaction documents necessary to consummate the Transaction, which may include: (i) an agreement with LSU, the State, and other appropriate parties, which would address, among other things, Graduate Medical Education programs based upon the Original MOU, (ii) the amendment and restatement of UMCMC's Articles of Incorporation and Bylaws, (iii) the financial commitments of LCMC and its affiliates, (iv) Affiliation Agreements to reflect the ongoing commitments between LCMC and its academic partners, and (v) fulfillment of LSU's obligation to provide healthcare to the medically indigent population.
- (2) The appointment of LCMC as the sole member of UMCMC upon closing under the CEA, with certain reserved rights. In addition, the CEA shall contain governance provisions to be agreed upon;
- (3) The creation of appropriate structures (e.g., Academic Councils and Advisory Committees) for UMCMC's academic affiliates, including LSU and Tulane, to provide ongoing input into UMCMC affairs, as well as provide avenues with respect to the ongoing implementation of the teaching and research missions of the Interim Hospital and the New Hospital, and collaboration in the implementation and use of LSU's health information technology and data warehouse services;
- (4) The transfer, by lease or otherwise, of the Interim Hospital and the New Hospital to UMCMC shall be contingent on:
 - (a) Reaching an agreement with the LaDHH with respect to the adequacy of funding;
 - (b) Completion of appropriate due diligence with respect to the transfer of the Interim Hospital and the New Hospital;

- (c) Receipt of all necessary and appropriate governmental and other third party approvals; and
 - (d) With respect to the New Hospital, timely completion and outfitting of the facilities in accordance with the existing plans and specifications, budget and property, plant and equipment specifications, subject to any mutually agreed change orders.
- (5) Agreement with respect to appropriate governance structures for UMCMC and related revision of the Articles, Bylaws and the Original MOU and representation on the LCMC Board of Directors;
 - (6) The circumstances in which LCMC may withdraw, and LSU/State may require the withdrawal of LCMC, as the sole member of UMCMC;
 - (7) Intellectual property rights reasonable and appropriate to the operation of the Interim Hospital and the New Hospital, including the licensing of the names of certain Parties;
 - (8) A timetable regarding the transfer of the Interim Hospital operations to UMCMC, including the termination and potential re-hiring of employees; and
 - (9) Reasonable and necessary agreements and commitments with respect to the relationship between UMCMC and its academic partners, and their affiliates.

D. Financing.

The CEA shall address the federal and state approvals necessary to help ensure that the public/private partnership is financially sustainable and can meet its goals and objectives. LSU and LCMC will work together to optimize the availability of state and federal funds for this collaboration.

- (1) The Parties will seek to maximize funding for services rendered by UMCMC to the extent allowed by federal law, and in amounts that shall be appropriated by the State Legislature involving the use of Medicaid disproportionate share ("DSH") reimbursement, Medicaid reimbursement, and supplemental payments available through upper payment limit funding.
- (2) As a condition of the CEA, LSU will work with LaDHH to ensure that LaDHH has filed a state plan amendment with Centers for Medicare and Medicaid Services ("CMS") amending the Medicaid State Plan provisions governing Medicaid hospital reimbursement to provide that UMCMC shall be reimbursed as set forth herein.
- (3) On an expedited basis, UMCMC and LSU shall urge LaDHH to take all steps necessary and available to obtain CMS approval for the state plan amendment and shall, immediately upon notification of such approval, promulgate an emergency rule to implement the state plan amendment.

- (4) Disproportionate Share Funds. As a condition of the CEA, all federal and state approvals and/or legislation necessary shall have been obtained to make UMCMC eligible for DSH or other Medicaid or State payments.
- (5) Indigent Care. UMCMC and LSU will work cooperatively to secure appropriate funding to reimburse for the costs of professional services, pharmacy, durable medical equipment and other costs for care to indigent and prisoner care patients.
- (6) The Parties will explore shared cost savings models designed to reward efficiency and economy in UMCMC operations and delivery systems.
- (7) Capital Funds. LCMC will provide, subject to mutually agreed upon caps, the necessary working capital for the operation of the Interim Hospital and the New Hospital, the funding of the costs to physically transition the operations from the Interim Hospital to the New Hospital, and funding or financing for certain improvements associated with the New Hospital.

E. Consummation of Transaction

- (1) The Parties acknowledge that the provisions outlined in this MOU are in need of 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 a CEA, 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.
- (2) It is the intention of the Parties to enter into the CEA on or before March 31, 2013 and to close the Transaction on or before July 1, 2013.

F. Confidentiality

The Parties recognize that LCMC and UMCMC are parties to that certain Confidentiality, Non-Use and Non-Disclosure Agreement dated as of October 22, 2012.

G. Termination

The term of this MOU shall be from the Effective Date until the earlier of: (i) the effective date of the CEA between the Parties with respect to the Transaction, or (ii) April 30, 2013. In addition, any Party may terminate its obligations under this MOU, with or without cause, in its sole discretion, by giving at least five (5) days prior written notice of such termination to each of the Parties.

H. Publicity

The Parties shall make a public announcement regarding the subject matter hereof upon execution of this MOU. This MOU will become available to the public when it is circulated for consideration by the members of the Boards of UMCMC and LSU.

I. 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 except for Section B - Milestone Payments. Except for Section B, 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 a CEA has been executed and delivered by all Parties hereto. Unless and until a CEA among the Parties has 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.

J. 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 CEA, as well as the consummation of the Transaction, unless the Parties otherwise agree in writing to share specific expenses between them.

K. 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 LCMC:

[To Be Inserted]

with a copy to:

Richard Guevara, Esq.

If to UMCMC:

[To Be Inserted]

with a copy to:

[To Be Inserted]

If to LSU:

[To Be Inserted]

with a copy to:

[To Be Inserted]

If to the State:

[To Be Inserted]

with a copy to:

[To Be Inserted]

If to LaDHH:

[To Be Inserted]

with a copy to:

[To Be Inserted]

If to Tulane:

[To Be Inserted]

with a copy to:

[To Be Inserted]

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

LOUISIANA CHILDREN'S MEDICAL CENTER

By: _____

Its: _____

UNIVERSITY MEDICAL CENTER MANAGEMENT CORPORATION (A MAJOR AFFILIATE OF LSU PURSUANT TO LA R.S. 17:3390)

By: _____

Its: _____

BOARD OF SUPERVISORS OF LOUISIANA STATE UNIVERSITY AND AGRICULTURAL AND MECHANICAL COLLEGE

By: _____

Its: _____

STATE OF LOUISIANA, DIVISION OF ADMINISTRATION

By: _____

Its: _____

STATE OF LOUISIANA, DEPARTMENT OF HEALTH AND HOSPITALS

By: _____

Its: _____

ADMINISTRATORS OF THE TULANE EDUCATIONAL FUND

By: _____

Its: _____

MEMORANDUM OF UNDERSTANDING

Introduction

This Memorandum of Understanding (“MOU”) is made this ___ day of _____, 20___ (the “Effective Date”), by and among the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (“LSU”), the Louisiana Department of Health and Hospitals (“DHH”) the State of Louisiana, by and through the Division of Administration (the “Division”) and Lafayette General Health System, Inc., a Louisiana nonprofit corporation (“LGHS”). LSU, DHH, the Division and LGHS are referred to together as the “Parties,” and each, a “Party.”

This MOU is designed to set forth the understandings of the Parties with respect to its subject matter, and in particular their collective intentions with respect to a Cooperative Endeavor Agreement (the “CEA”) for a private/public collaboration whereby LGHS, or a wholly-owned subsidiary formed by it, would assume the responsibility, on terms and conditions agreed by the Parties, for the management and operation of the hospital facility and associated outpatient clinics known as University Medical Center in Lafayette, Louisiana (“UMC”), currently owned and operated by LSU, all of which would include associated asset and property transfers.

Recitals

WHEREAS, LSU, through its public educational institutions and health providers, has long endeavored to create and maintain a system of medical education and training of the highest quality while also providing the highest quality of health care services to all Louisiana citizens;

WHEREAS, it is a collective goal of the Parties to enhance the stability and competitiveness 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 competitive 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, sustainable partnerships among health providers and LSU and DHH are necessary to optimize the medical training resources available in Louisiana and to ensure that sufficient numbers of qualified healthcare professionals exist to address the current and future healthcare needs of Louisiana;

WHEREAS, Louisiana’s healthcare reform effort has focused on ways to remodel the delivery of care through partnerships and cooperative efforts between the public and private sectors;

WHEREAS, UMC, currently owned and operated by LSU, is experiencing severe financial challenges;

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For Discussion Purposes

WHEREAS, LGHS, a non-profit corporation, owns and operates the largest full-service community hospital in the Acadiana region and is well positioned to partner with LSU and DHH to attain the goals contemplated herein;

WHEREAS, LGHS has extensive experience in nonprofit hospital operations and finances and is committed to supporting LSU's clinical, research and teaching missions in the communities served by UMC;

WHEREAS, to maintain the viability of UMC, including graduate medical education, the Parties desire to rapidly explore a transaction in which (i) the UMC facility will be leased, or occupancy thereof will be otherwise granted, to LGHS or an affiliate formed by it, and (ii) LGHS or its affiliate will assume responsibility for UMC management and operations, all as more thoroughly described and defined in the CEA (collectively, the "Transaction");

WHEREAS, LGHS, through its affiliates and partners, is willing and desires to provide the certain financial resources and support, operational expertise, and other resources and to take steps to allow UMC to continue to: (i) serve as a safety-net hospital in accordance with applicable law (La. R.S. 17:1519 et seq.), and play a central role in providing healthcare services to the uninsured and high-risk Medicaid populations, (ii) provide UMC patients enhanced access to tertiary services, (iii) preserve the quality of medical education in Louisiana through medical training partnerships with LSU, and (iv) limit the reductions in workforce currently contemplated for UMC until operations are transferred to LGHS or its affiliate;

WHEREAS, the Parties recognize that the assumption of the management and operation of UMC, and the physical transition to and management and operation of UMC by LGHS, will include the commitment and the assumption of significant financial and operational investments by LGHS or its affiliate, including without limitation, working capital, transition costs, and funding or financing for certain improvements for UMC, and LGHS desires to assure sustainable reimbursement levels commensurate with such investments;

WHEREAS, the Parties desire to engage in good faith discussions and negotiations with regard to the Transaction and the development of the CEA contemplated hereby;

WHEREAS, the Parties recognize the CEA shall be subject to presentation and review by, and any required approval of, the Joint Legislative Committee on the Budget (the "JLCB") in accordance with law;

WHEREAS, the Parties intend the Transaction and subsequent operation of UMC by LGHS or its affiliate will reduce the need for State General Funds expenditures below those previously contemplated; and

WHEREAS, the Parties intend to incorporate provisions that will protect and enhance the Graduate Medical Education programs at UMC into the CEA.

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

A. Suspension of Reductions of Programs and Services

While the Parties seek to negotiate the CEA, LSU and LGHS will provide milestone payments to LSU to assist LSU in delaying reductions in programs and services at UMC now scheduled to go into effect in January, 2013, and subsequently in State Fiscal Year 2013.

B. Milestone Payments

In order to preserve the ongoing programs and staffing at UMC through the closing under the CEA, and to demonstrate its commitment to the potential Transaction, upon the achievement of certain events outlined below, LGHS will provide milestone payments, which upon closing under the CEA, are agreed to be credited to LGHS as advance lease or occupancy payments with respect to UMC ("Milestone Payments") on the terms and conditions set forth herein, and as to be further documented by the Parties in the CEA, and other appropriate documents. The Milestone Payments shall be in accordance with the following terms and conditions:

- (1) Milestone Payments.
 - (a) LGHS will make a Milestone Payment in an amount of Two Million, Six Hundred Thousand Dollars (\$2,600,000.00) within seven (7) days of the execution of this MOU by all Parties;
 - (b) LGHS will make a Milestone Payment in an amount of Two Million, Six Hundred Thousand Dollars (\$2,600,000.00) upon execution of the CEA by all Parties, which the Parties anticipate to be signed no later than March 15, 2013; and
 - (c) LGHS will make a Milestone Payment in an amount of Two Million, Six Hundred Thousand Dollars (\$2,600,000.00) upon the close of the Transaction.
- (2) The Milestone Payments shall be made to LSU, or as the Parties to this MOU may otherwise agree. Upon the closing of the Transaction as set forth in the CEA, the Milestone Payments will be applied to lease or occupancy payments owed to LSU, on such terms as the Parties may agree, in connection with the lease of the UMC facility to LGHS; and
- (3) Except for credit against future lease or occupancy payments to be made pursuant to the CEA, the Milestone Payments, once made, shall be non-refundable.

C. Cooperative Endeavor Agreement

Following the execution of this MOU, the Parties will seek to negotiate the CEA. The CEA shall contain the full and complete agreement of the Parties with respect to the terms and conditions for completing the Transaction, setting forth their respective rights and obligations,

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For Discussion Purposes

which will result in the final and binding CEA in form and substance satisfactory to the Parties (subject to presentation and review by, and any required approval of, the JLCB). The Parties are prepared to proceed diligently to negotiate such an agreement, which is anticipated to contain commercially reasonable representations and warranties, covenants, indemnifications, closing conditions and other provisions customary in similar transactions. Among other things, the CEA shall address the following:

- (1) The identification of the steps and transaction documents necessary to consummate the Transaction, which may include: (i) creation of a new LGHS subsidiary or affiliate (“Newco”) to implement the Transaction; (ii) preparation and submission of a Change of Ownership (“CHOW”) filing; (iii) the financial commitments of LGHS and its affiliates, (iv) Affiliation Agreements to reflect the ongoing commitments between LSU and its academic partners, (v) Physician Services Agreements between to provide for physician staffing of UMC and its outpatient clinics, and (vi) fulfillment of LSU’s obligation to provide healthcare to the medically indigent population.
- (2) The creation of appropriate structures (e.g., Academic Councils and Advisory Committees) for LSU to provide ongoing input into UMC’s medical education and resident training, as well as provide avenues with respect to the ongoing implementation of the teaching and research missions of LSU and UMC, and collaboration in the implementation and use of LSU’s health information technology and data warehouse services;
- (4) The transfer, by lease or otherwise, of UMC to LGHS or Newco shall be contingent on:
 - (a) Reaching an agreement with DHH with respect to the adequacy of funding;
 - (b) Completion of appropriate due diligence with respect to the transfer of UMC; and
 - (c) Receipt of all necessary and appropriate governmental and other third party approvals.
- (5) Intellectual property rights reasonable and appropriate to the operation of UMC, including the licensing of the names of certain Parties;
- (6) A timetable regarding the transfer of the UMC operations to LGHS or Newco, including the termination and discretionary re-hiring of employees;
- (7) Reasonable and necessary agreements and commitments with respect to the relationship between LSU and its academic partners, and their affiliates.
- (8) The circumstances under which the CEA may be terminated and the commitments and obligations of the Parties wound down in an orderly fashion.

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For Discussion Purposes

D. Financing.

The CEA shall address the federal and state approvals necessary to help ensure that the public/private partnership is financially sustainable and can meet its goals and objectives. LSU, DHH and LGHS will work together to optimize the availability of state and federal funds for this collaboration.

- (1) The Parties will seek to maximize funding for services rendered by LGHS and/or Newco to the extent allowed by federal law, and in amounts that shall be appropriated by the State Legislature involving the use of Medicaid disproportionate share ("DSH") reimbursement, Medicaid reimbursement, and supplemental payments available through upper payment limit funding.
- (2) As a condition of the CEA, LGHS will work with DHH to ensure that DHH has filed a state plan amendment with Centers for Medicare and Medicaid Services ("CMS") amending the Medicaid State Plan provisions governing Medicaid hospital reimbursement to provide that LGHS and/or Newco shall be reimbursed as set forth herein.
- (3) On an expedited basis, LSU and the Division shall urge DHH to take all steps necessary and available to obtain CMS approval for the state plan amendment and shall, immediately upon notification of such approval, promulgate an emergency rule to implement the state plan amendment.
- (4) As a condition of the CEA, all federal and state approvals and/or legislation necessary shall have been obtained to make LGHS and/or Newco eligible for DSH or other Medicaid or State payments.
- (5) DHH and LGHS will work cooperatively to secure appropriate funding to reimburse for the costs of professional services, pharmacy, durable medical equipment and other costs for care to indigent and prisoner care patients at UMC.
- (6) The Parties will explore shared cost savings models designed to reward efficiency and economy in UMC operations and delivery systems.
- (7) LGHS will provide, subject to mutually agreed upon caps, the necessary working capital for the operation of UMC and funding or financing for certain improvements to UMC.

E. Consummation of Transaction

- (1) The Parties acknowledge that the provisions outlined in this MOU are in need of 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 a CEA, 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

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For Discussion Purposes

negotiation and consummation of the Transaction as may be reasonable and necessary.

- (2) It is the intention of the Parties to enter into the CEA on or before March 15, 2013, and to close the Transaction on or before June 23, 2013.

F. Confidentiality

Subject to applicable law, the Parties agree to maintain confidentiality during negotiation of the CEA.

G. Termination

The term of this MOU shall be from the Effective Date until the earlier of: (i) the effective date of the CEA between the Parties with respect to the Transaction, or (ii) March 15, 2013. In addition, any Party may terminate its obligations under this MOU, with or without cause, in its sole discretion, by giving at least five (5) days prior written notice of such termination to each of the Parties.

H. Publicity

The Parties shall make a public announcement regarding the subject matter hereof upon execution of this MOU. This MOU will become available to the public when it is circulated for consideration by the members of the Boards of LSU and LGHS.

I. 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 except for Section B - Milestone Payments. Except for Section B, 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 a CEA has been executed and delivered by all Parties hereto. Unless and until a CEA among the Parties has 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.

J. 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 CEA, as well as the consummation of the Transaction, unless the Parties otherwise agree in writing to share specific expenses between them.

K. Assignment. This MOU may not be assigned by any Party without the written consent of the other Parties; provided, however, that LGHS may assign its rights hereunder to a wholly owned subsidiary or controlled affiliate.

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For Discussion Purposes

L. 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 LGHS: Lafayette General Health System, Inc.
1214 Coolidge Street
Lafayette, LA 70503
Attn: General Counsel**

**With a copy to: Baker Donelson
Chase North Tower
450 Laurel Street
20th Floor
Baton Rouge, LA 70801
Attn: Dickie Patterson**

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For Discussion Purposes

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

[Add signature block for each party]

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MEMORANDUM OF UNDERSTANDING

Introduction

This Memorandum of Understanding (“MOU”) is made this ___ day of _____, 20___ (the “Effective Date”), by and among the Board of Supervisors of Louisiana State University and Agricultural and Mechanical College (“LSU”), the Louisiana Department of Health and Hospitals (“DHH”) the State of Louisiana, by and through the Division of Administration (the “Division”), Ochsner Health System, a Louisiana nonprofit corporation (“Ochsner”), Hospital Service District No. 1 of the Parish of Terrebonne, a political subdivision of the State of Louisiana, as the owner and operator of Terrebonne General Medical Center (“TGMC” and together with Ochsner “Ochsner/TGMC”). LSU, DHH, the Division and Ochsner/TGMC are referred to together as the “Parties,” and each, a “Party.”

This MOU is designed to set forth the understandings of the Parties with respect to its subject matter, and in particular their collective intentions with respect to a Cooperative Endeavor Agreement (the “CEA”) for a private/public collaboration whereby Ochsner/TGMC would assume the responsibility, on terms and conditions agreed by the Parties, for the management and operation of the hospital facility and associated outpatient clinics known as L.J. Chabert Medical Center in Houma, Louisiana (“Chabert”), currently owned and operated by LSU, all of which would include associated asset and property transfers.

Recitals

WHEREAS, LSU, through its public educational institutions and health providers, has long endeavored to create and maintain a system of medical education and training of the highest quality while also providing the highest quality of health care services to all Louisiana citizens;

WHEREAS, it is a collective goal of the Parties to enhance the stability and competitiveness 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 competitive 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, sustainable partnerships among health providers and LSU and DHH are necessary to optimize the medical training resources available in Louisiana and to ensure that sufficient numbers of qualified healthcare professionals exist to address the current and future healthcare needs of Louisiana;

WHEREAS, Louisiana’s healthcare reform effort has focused on ways to remodel the delivery of care through partnerships and cooperative efforts between the public and private sectors;

WHEREAS, Chabert, currently owned and operated by LSU is experiencing severe financial challenges;

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For Discussion Purposes

WHEREAS, Ochsner/TGMC has extensive experience in nonprofit hospital operations and finances and is committed to supporting LSU's clinical, research and teaching missions in the communities served by Chabert;

WHEREAS, to maintain the viability of Chabert, including graduate medical education, the Parties desire to rapidly explore a transaction in which (i) the Chabert facility will be leased, or occupancy thereof will be otherwise granted, to Ochsner/TGMC or an affiliate formed by them, and (ii) Ochsner/TGMC or their affiliate will assume responsibility for Chabert management and operations, all as more thoroughly described and defined in the CEA (collectively, the "Transaction");

WHEREAS, Ochsner/TGMC, through its affiliates and partners, is willing and desires to provide the certain financial resources and support, operational expertise, and other resources and to take steps to allow Chabert to continue to: (i) serve as a safety-net hospital in accordance with applicable law (La. R.S. 17:1519 et seq.), and play a central role in providing healthcare services to the uninsured and high-risk Medicaid populations, (ii) provide Chabert patients enhanced access to tertiary services, (iii) preserve the quality of medical education in Louisiana through medical training partnerships with LSU, and (iv) limit the reductions in workforce currently contemplated for Chabert until operations are transferred to Ochsner/TGMC or its affiliate;

WHEREAS, the Parties recognize that the assumption of the management and operation of Chabert and the physical transition to and management and operation of Chabert by Ochsner/TGMC or their affiliate will include the commitment and the assumption of significant financial and operational investments by Ochsner/TGMC, including without limitation, working capital, transition costs, and funding or financing for certain improvements for Chabert, and Ochsner/TGMC desires to assure sustainable reimbursement levels commensurate with such investments;

WHEREAS, the Parties desire to engage in good faith discussions and negotiations with regard to the Transaction and the development of the CEA contemplated hereby;

WHEREAS, the Parties recognize the CEA shall be subject to presentation and review by, and any required approval of, the Joint Legislative Committee on the Budget (the "JLCB") in accordance with law;

WHEREAS, the Parties intend the Transaction and subsequent operation of Chabert by Ochsner/TGMC or its affiliate will reduce the need for State General Funds expenditures below those previously contemplated; and

WHEREAS, the Parties intend to incorporate provisions that will protect and enhance the Graduate Medical Education programs at Chabert into the CEA.

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

A. Suspension of Reductions of Programs and Services

While the Parties seek to negotiate the CEA, Ochsner or Ochsner/TGMC will provide milestone payments to LSU to assist LSU in delaying reductions in programs and services at Chabert now scheduled to go into effect in January, 2013, and subsequently in State Fiscal Year 2013.

B. Milestone Payments

In order to preserve the ongoing programs and staffing at Chabert through the closing under the CEA, and to demonstrate its commitment to the potential Transaction, upon the achievement of certain events outlined below, Ochsner/TGMC will provide milestone payments, which upon closing under the CEA, are agreed to be credited to Ochsner/TGMC as advance lease or occupancy payments with respect to Chabert (“Milestone Payments”) on the terms and conditions set forth herein, and as to be further documented by the Parties in the CEA, and other appropriate documents. The Milestone Payments shall be in accordance with the following terms and conditions:

- (1) Milestone Payments.
 - (a) Ochsner will make a Milestone Payment in an amount of Two Million Five Hundred Thousand Dollars (\$2,500,000.00) within seven (7) days of the execution of this MOU by all Parties;
 - (b) Ochsner or Ochsner/TGMC will make a Milestone Payment in an amount of One Million, Three Hundred Thousand Dollars (\$1,300,000.00) upon execution of the CEA by all Parties, which the Parties anticipate to be signed no later than March 15, 2013; and
 - (c) Ochsner or Ochsner/TGMC will make a Milestone Payment in an amount of One Million, Three Hundred Thousand Dollars (\$1,300,000.00) upon the close of the Transaction.
- (2) The Milestone Payments shall be made to LSU, or as the Parties to this MOU may otherwise agree. Upon the closing of the Transaction as set forth in the CEA, the Milestone Payments will be applied to lease or occupancy payments owed to LSU, on such terms as the Parties may agree, in connection with the lease of the Chabert facility to Ochsner/TGMC; and
- (3) Except for credit against future lease or occupancy payments to be made pursuant to the CEA, the Milestone Payments, once made, shall be non-refundable.

C. Cooperative Endeavor Agreement

Following the execution of this MOU, the Parties will seek to negotiate the CEA. The CEA shall contain the full and complete agreement of the Parties with respect to the terms and conditions for completing the Transaction, setting forth their respective rights and obligations, which will result in the final and binding CEA in form and substance satisfactory to the Parties (subject to presentation and review by, and any required approval of, the JLCB). The Parties are prepared to proceed diligently to negotiate such an agreement, which is anticipated to contain commercially reasonable representations and warranties, covenants, indemnifications, closing conditions and other provisions customary in similar transactions. Among other things, the CEA shall address the following:

- (1) The identification of the steps and transaction documents necessary to consummate the Transaction, which may include: (i) creation of a new Ochsner/TGMC affiliate (“Newco”) to implement the Transaction; (ii) preparation and submission of a Change of Ownership (“CHOW”) filing; (iii) the financial commitments of Ochsner/TGMC and its affiliates, (iv) Affiliation Agreements to reflect the ongoing commitments between LSU and its academic partners, (v) Physician Services Agreements to provide for physician staffing of Chabert and its outpatient clinics, and (vi) fulfillment of LSU’s obligation to provide healthcare to the medically indigent population.
- (2) The creation of appropriate structures (e.g., Academic Councils and Advisory Committees) for LSU to provide ongoing input into Chabert’s medical education and resident training, as well as provide avenues with respect to the ongoing implementation of the teaching and research missions of LSU and Chabert, and collaboration in the implementation and use of LSU’s health information technology and data warehouse services;
- (4) The transfer, by lease or otherwise, of Chabert to Ochsner/TGMC or Newco shall be contingent on:
 - (a) Reaching an agreement with DHH with respect to the adequacy of funding;
 - (b) Completion of appropriate due diligence with respect to the transfer of Chabert; and
 - (c) Receipt of all necessary and appropriate governmental and other third party approvals.
- (5) Intellectual property rights reasonable and appropriate to the operation of Chabert, including the licensing of the names of certain Parties;
- (6) A timetable regarding the transfer of the Chabert operations to Ochsner/TGMC or Newco, including the termination and discretionary re-hiring of employees;

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For Discussion Purposes

- (7) Reasonable and necessary agreements and commitments with respect to the relationship between LSU and its academic partners, and their affiliates.
- (8) The circumstances under which the CEA may be terminated and the commitments and obligations of the Parties wound down in an orderly fashion.

D. Financing.

The CEA shall address the federal and state approvals necessary to help ensure that the public/private partnership is financially sustainable and can meet its goals and objectives. LSU, DHH and Ochsner/TGMC will work together to optimize the availability of state and federal funds for this collaboration.

- (1) The Parties will seek to maximize funding for services rendered by Ochsner/TGMC and/or Newco to the extent allowed by federal law, and in amounts that shall be appropriated by the State Legislature involving the use of Medicaid disproportionate share ("DSH") reimbursement, Medicaid reimbursement, and supplemental payments available through upper payment limit funding.
- (2) As a condition of the CEA, Ochsner/TGMC will work with DHH to ensure that DHH has filed a state plan amendment with Centers for Medicare and Medicaid Services ("CMS") amending the Medicaid State Plan provisions governing Medicaid hospital reimbursement to provide that Ochsner/TGMC and/or Newco shall be reimbursed as set forth herein.
- (3) On an expedited basis, LSU and the Division shall urge DHH to take all steps necessary and available to obtain CMS approval for the state plan amendment and shall, immediately upon notification of such approval, promulgate an emergency rule to implement the state plan amendment.
- (4) As a condition of the CEA, all federal and state approvals and/or legislation necessary shall have been obtained to make Ochsner/TGMC and/or Newco eligible for DSH or other Medicaid or State payments.
- (5) DHH and Ochsner/TGMC will work cooperatively to secure appropriate funding to reimburse for the costs of professional services, pharmacy, durable medical equipment and other costs for care to indigent and prisoner care patients at Chabert.
- (6) The Parties will explore shared cost savings models designed to reward efficiency and economy in Chabert operations and delivery systems.
- (7) Ochsner/TGMC will provide, subject to mutually agreed upon caps, the necessary working capital for the operation of Chabert and funding or financing for certain improvements to Chabert.

E. Consummation of Transaction

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- (1) The Parties acknowledge that the provisions outlined in this MOU are in need of 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 a CEA, 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.
- (2) It is the intention of the Parties to enter into the CEA on or before March 15, 2013, and to close the Transaction on or before June 23, 2013.

F. Confidentiality

Subject to applicable law, the Parties agree to maintain confidentiality during negotiation of the CEA.

G. Termination

The term of this MOU shall be from the Effective Date until the earlier of: (i) the effective date of the CEA between the Parties with respect to the Transaction, or (ii) March 31, 2013. In addition, any Party may terminate its obligations under this MOU, with or without cause, in its sole discretion, by giving at least five (5) days prior written notice of such termination to each of the Parties.

H. Publicity

The Parties shall make a public announcement regarding the subject matter hereof upon execution of this MOU. This MOU will become available to the public when it is circulated for consideration by the members of the Boards of LSU and Ochsner/TGMC.

I. 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 except for Section B - Milestone Payments. Except for Section B, 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 a CEA has been executed and delivered by all Parties hereto. Unless and until a CEA among the Parties has 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.

J. 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

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For Discussion Purposes

Transaction and the development of the CEA, as well as the consummation of the Transaction, unless the Parties otherwise agree in writing to share specific expenses between them.

K. 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 Ochsner: **Ochsner Health System**
1514 Jefferson Highway
New Orleans, LA 70121-2483
Attn: General Counsel

With a copy to: **Baker Donelson**
Chase North Tower
450 Laurel Street
20th Floor
Baton Rouge, LA 70801
Attn: Dickie Patterson

If to TGMC: **Terrebonne General Medical Center**
8166 Main Street
Houma, LA 70360
Attn: _____

With a copy to: **Watkins, Walker & Eroche**
501 Roussell Street
Houma, LA 70361
Attn: Daniel J. Walker

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

Terrebonne General Medical Center

By: _____
Phyllis Peoples
President and Chief Executive Officer

Date: _____

Ochsner Health System

By: _____
Warner Thomas
President and Chief Executive Officer

Date: _____

[Add signature block for LSU, DHH and DOA]

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