

FORM APPROVED COUNTY COUNSEL 4/5/16
 BY: GREGORY P. PRIAMOS DATE

Departmental Concurrence

**SUBMITTAL TO THE BOARD OF SUPERVISORS
 COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

221



FROM: Riverside University Health System

SUBMITTAL DATE:
 March 31, 2016

SUBJECT: County's Proposed Membership in University Preferred Health Partners, a California Nonprofit Public Benefit Corporation Established by Loma Linda University Health, a California Nonprofit Religious Corporation; District 5; [1,000,000 from Hospital Enterprise Fund].

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and authorize expenditures not to exceed \$1,000,000 through June 30, 2017, to be paid by reducing by \$1,000,000 the Memorandum of Understanding (MOU) with Inland Empire Health Plan (IEHP) for regional strategic planning (approved as 3-31 of 9/22/15);
2. Approve the attached form of Contribution Agreement by and between Loma Linda University Health (LLUH) as Founder of University Preferred Health Partners (UPHP), and the County on behalf of Riverside University Health System (RUHS), and authorize the Chairman to execute the finalized agreement, subject to approval of County Counsel, on behalf of the County;
3. Authorize the Assistant CEO – Health System to execute a Participation Agreement setting forth the terms of having RUHS-MC become a participating provider in UPHP, subject to no additional expenditure of funds and approval of County Counsel;
4. Authorize the CEO to appoint four (4) County representatives to the UPHP Governing Board, including a representative from the Executive Office as well as representation from the Hospital and Medical Staff. Elected Officials shall not serve on the Governing Board.

Zareh Sarrafian
 Asst. CEO – Health System

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 250,000	\$ 750,000	\$ 1,000,000	\$	Consent <input type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$	\$	\$	\$	
SOURCE OF FUNDS: Hospital Enterprise Fund 40050 from previously approved Epic budget				Budget Adjustment: None	
				For Fiscal Year: 15/16, 16/17	

C.E.O. RECOMMENDATION:

APPROVE

BY: 
 Christopher M. Hans

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- Positions Added
- 4/5 Vote
- Change Order

Prev. Agn. Ref.: 3.60/12-08-15

District: 5

Agenda Number:

3-15

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

FORM 11: County's Proposed Membership in University Preferred Health Partners, a California Nonprofit Public Benefit Corporation Established by Loma Linda University Health, a California Nonprofit Religious Corporation; District 5; [1,000,000 from Hospital Enterprise Fund].

DATE: March 31, 2016

PAGE: 2 of 2

BACKGROUND:

Summary

All funding included in today's Board action is part of the existing Board-approved \$53.1 million Epic budget. One element of the budget is an MOU with IEHP (Item 3-31 of September 22, 2015) approved at \$6.6 million. Recent estimates are that costs associated with this MOU will be less than \$4 million. Therefore, the MOU can be reduced by \$1 million to cover the CIN cost. There is no overall increase to the Epic budget as a result of today's action.

On December 8, 2015, agenda item 3.60, the Board of Supervisors authorized acceptance of the invitation to become a member of University Preferred Health Partners (UPHP), a California nonprofit public benefit corporation founded for the purpose of developing, implementing and managing a clinically integrated network of health care providers serving residents of the Inland Empire and surrounding counties. By forming the clinically integrated network (CIN), UPHP seeks to promote greater accountability for quality, effectiveness and efficiency of health care in the affected communities; to improve the coordination of health care items and services, encourage investment in infrastructure and service delivery and provide for the delivery of higher value care. This is consistent with the RUHS strategic process for implementation of the Epic electronic health record system in conjunction with LLUH.

In addition to LLUH, it is anticipated that there will be up to two (2) additional initial members. It is anticipated that each of the initial members will have four (4) representatives who will serve as Directors of the Governing Board. There will also be up to seven (7) at-large Directors appointed by the Corporate Members (Directors appointed by the 4 initial members).

The \$500,000 contribution toward CIN administration will consist of two installments of \$250,000. The first installment is payable upon the adoption of Amended and Restated Bylaws of UPHP to provide for the governance of the company and for its members, which will include Riverside County. The second installment will be due in December 2016. The additional \$500,000 funding will be reserved and used for future investments in consultant services and necessary infrastructure, on an as-needed and agreed-upon basis, subject to member approval.

Impact on Citizens and Businesses

The membership in UPHP will allow the county as well as the other members to provide better access to higher quality of health care in the Inland Empire based upon availability, safety, effectiveness, patient centered care, patient education; preventative care, timeliness, efficiency and equity.

SUPPLEMENTAL:

Additional Fiscal Information

All funding included in today's Board action is part of the existing Board-approved \$53.1 million Epic budget. One element of the budget is an MOU with IEHP (Item 3-31 of September 22, 2015) approved at \$6.6 million. Recent estimates are that costs associated with this MOU will be less than \$4 million. Therefore, the MOU can be reduced by \$1 million to cover the CIN cost. There is no overall increase to the Epic budget as a result of today's action.

Contract History and Price Reasonableness

NA

CONTRIBUTION AGREEMENT

This Contribution Agreement ("**Agreement**") is made as of _____, 2016, by and among University Preferred Health Partners, a California nonprofit public benefit corporation (the "**Company**"), Loma Linda University Health, a California nonprofit religious corporation ("**Founder**"), and _____, a _____ ("**Contributor**"). The Company, Founder and Contributor may each be referred to herein as a "**Party**" and collectively as the "**Parties**."

RECITALS

WHEREAS, Founder formed the Company for the purpose of developing, operating and managing a clinically integrated network (the "**Network**") of health care providers serving residents of the Inland Empire and surrounding counties (the "**Service Area**"), substantially consistent with the terms and conditions of the Term Sheet attached hereto as Exhibit A (the "**Term Sheet**").

WHEREAS, the Company will be operated as a nonprofit public benefit corporation, and its mission will include the following: (i) development of a comprehensive health care delivery system to meet the needs of the patient population in the Service Area, including Medi-Cal enrollees; (ii) provision of greater access to health care services for the patient population in the Service Area; and (iii) improvement of the health of the patient population within the Service Area.

WHEREAS, in furtherance of the Company's nonprofit mission, Contributor desires to become a corporate member in the Company and become a participating provider in the Network.

WHEREAS, pursuant to this Agreement, Contributor is making a commitment to become a member of the Company and, together with other initial members, to fund a portion of the start-up and development costs of the Network pursuant to the terms and conditions of this Agreement.

AGREEMENT

ARTICLE 1 MEMBERSHIP INTERESTS

1.1 Articles and Bylaws of the Company. On or before the Initial Funding Date (as defined below), the Company will have adopted Amended and Restated Articles of Incorporation and Amended and Restated Bylaws of the Company that will govern the Company and its members.

1.2 Membership Interests. Subject to the terms and conditions hereof, in connection with the Funding (as defined below), Contributor will contribute to the Company the funds set forth on Exhibit B (the "**Funding Contribution**"), and the Company will reflect in its books and records the percentage membership interest in the Company set forth on Exhibit B attached hereto (the "**Membership Interest**").

ARTICLE 2 FUNDING

2.1 Funding Date. Contributor will make one half of its Funding Contribution at [] on April [], 2016 (the “*Initial Funding*”) and will make one half of its Funding Contribution (the “*Second Funding*” and, together with the Initial Funding, the “*Funding*”) at such time and place as shall be determined by the Board of Directors of the Company; provided, however, that the Second Funding shall occur no earlier than September 1, 2016 and no later than December 31, 2016. The date of the Initial Funding is hereinafter referred to as the “*Initial Funding Date*,” and the date of the Second Funding is hereinafter referred to as the “*Second Funding Date*.”

2.2 Deliveries at Funding. At each Funding, the Company will record on its official books and records the portion of the Funding Contribution then made by Contributor and the resulting Membership Interest, in Contributor’s name. In addition, any items required by Article 5 shall be delivered. Documents may be delivered at each Funding by facsimile or other electronic means. All actions to be taken and all documents to be executed or delivered at each Funding shall be deemed to have been taken, executed and delivered simultaneously, and no action shall be deemed taken and no document shall be deemed executed or delivered until all have been taken, delivered and executed.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES BY THE COMPANY AND THE FOUNDER

The Company and the Founder each hereby make the following representations and warranties to Contributor, which shall be true, correct and complete in all material respects on the date hereof and as of the Initial Funding Date:

3.1 Organization and Standing; Governing Documents. The Company is a nonprofit public benefit corporation, duly organized as of November 6, 2015, and existing under, and by virtue of, the laws of the State of California and is in good standing under such laws. The Company has furnished Contributor’s counsel with copies of its organizational documents, which are true, correct and complete and contain all amendments through the Initial Funding Date, if any.

3.2 Sole Member. Prior to the Initial Funding Date, the Founder was the sole member of the Company.

3.3 No Material Contracts or Agreements. The Company is not a party to or bound by any material contract, obligation or commitment that involves a potential material commitment; provided, however, that the Company will be entering into additional contribution agreements and Network participation agreements in connection with the initial development of the Company, consistent with the Term Sheet.

3.4 Compliance with Laws. To the best of Company’s and Founder’s knowledge, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the provisions hereof violates any statute,

ordinance, bylaw, code, rule, regulation, restriction, order, judgment, writ, injunction, decree, determination or award of any governmental authority having jurisdiction over Company and/or Founder or any of Company's or Founder's assets or businesses.

3.5 No Conflict. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the provisions hereof conflicts with, or results in, a breach of Company's corporate or governing documents

3.6 Authorization. This Agreement and the transactions contemplated hereby have been duly authorized by the Company and the Founder, and when executed and delivered by the Company and the Founder will constitute legal, valid and binding obligations of each of the Company and the Founder, enforceable against each in accordance with its terms.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE CONTRIBUTOR

Contributor hereby makes the following representations and warranties to the Company and to the Founder, which shall be true, correct and complete in all material respects on the date hereof and as of the Initial Funding Date:

4.1 Contributor Expectations.

(a) Contributor acknowledges that the Company is a California nonprofit public benefit corporation that, by law, may not make any distributions to its corporate members.

(b) Contributor has engaged such experts as it deems to be reasonably necessary to advise it in connection with the entry by Contributor into this Agreement, its funding commitment hereunder and the transactions contemplated hereby, such that Contributor is capable of evaluating the merits and risks of making the Funding Contribution and becoming a corporate member in the Company.

(c) Contributor understands that the Membership Interest will not be transferable or subject to sale, pledge, or otherwise disposed of except in accordance with the Bylaws of the Company.

(d) Contributor (i) has received all information that Contributor deems necessary to make an informed funding decision with respect to its acquisition of the Membership Interests in the Company, and (ii) has had the unrestricted opportunity to make such investigation as Contributor desires pertaining to the Company to verify any information furnished to Contributor.

4.2 Financial Ability. Contributor has, and will have on each of the Initial Funding Date and the Second Funding Date, sufficient cash on hand from Contributor's immediately available internal organization funds or available under a currently established committed credit facility or unutilized lines of credit with financial institutions to consummate the transactions contemplated by this Agreement and perform its obligations hereunder.

4.3 Compliance with Laws. To the best of Contributor's knowledge, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the provisions hereof violates any statute, ordinance, bylaw, code, rule, regulation, restriction, order, judgment, writ, injunction, decree, determination or award of any governmental authority having jurisdiction over Contributor or any of Contributor's assets or businesses.

4.4 No Conflict. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby nor compliance with any of the provisions hereof conflicts with, or results in, a breach of Contributor's corporate or governing documents

4.5 Authorization. *[All corporate action on the part of Contributor necessary for the authorization, execution, delivery and performance of this Agreement and the transactions contemplated hereby by Contributor has been taken.] [Contributor, County of Riverside, is a political subdivision of the State of California. This Agreement, as well as any funding contemplated by this agreement is subject to approval of the Riverside County Board of Supervisors, which approval has been obtained.]* This Agreement, when executed and delivered by Contributor, will constitute legal, valid and binding obligations of Contributor, enforceable in accordance with its terms.

ARTICLE 5 CONDITIONS TO FUNDING

5.1 Conditions to Contributor's Funding Obligation. The obligation of Contributor to take the actions contemplated hereby is subject to the fulfillment of the following conditions, any of which may be waived in writing by Contributor:

(a) Representations and Warranties Correct. The representations and warranties made by the Company and the Founder set forth in Section 3 hereof shall be true and correct in all material respects on the Initial Funding Date, with the same effect as though made on and as of such date, except for representations and warranties made as of a specific date, which shall be true and correct in all material respects as of such date.

(b) Covenants. All covenants, agreements and conditions contained in this Agreement to be performed by the Company or the Founder on or prior to the Initial Funding Date or Second Funding Date, as applicable, shall have been performed or complied with in all material respects, and all consents and any and all regulatory authorizations, approvals, orders, certifications, licenses, approvals, notices, filings or submissions which are required to be obtained or furnished by the Company to lawfully consummate and perform this Agreement and the transactions contemplated shall have been obtained, furnished.

(c) Amended Charter Documents. The Company's Articles of Incorporation and Bylaws shall have been amended and restated as necessary to consummate the transactions contemplated by this Agreement to the reasonable satisfaction of Contributor.

(d) Additional Contributions. The Company shall have binding funding commitments from each of the members in an amount and on substantially the same terms as set forth herein.

5.2 Conditions to Company's Obligation The obligation of Company to take the actions contemplated hereby is subject to the fulfillment of the following conditions, any of which may be waived in writing by Company:

(a) Representations. The representations made by Contributor hereof shall be true and correct in all material respects on the Funding Date.

(b) Additional Contributions. The Company shall have binding funding commitments from each of the members in an amount and on substantially the same terms as set forth herein.

ARTICLE 6 MISCELLANEOUS

6.1 Survival. The representations and warranties contained herein or made pursuant to this Agreement shall survive the Initial Funding Date for a period of twelve (12) months and shall in no way be affected by any investigation made by or on behalf of a Contributor or the Company. The covenants, agreements and obligations contained herein or made pursuant to this Agreement that by their terms apply or are to be performed in whole on or prior to the Initial Funding Date or the Second Funding Date, as applicable, shall survive until thirty (30) days following the expiration of the statute of limitations with respect to such covenant, agreement or obligation; and the covenants, agreements and obligations that by their terms apply or are to be performed in whole or in part after the Initial Funding Date or the Second Funding Date, as applicable, shall survive until the later of the date such covenant, agreement or obligation is fully performed or thirty (30) days following the expiration of the statute of limitations with respect to such covenant or agreement.

6.2 Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors, assigns and administrators of the Parties hereto.

6.3 Entire Agreement; Amendment. This Agreement and the schedules and exhibits hereto, and the other documents delivered pursuant hereto at each Funding constitute the full and entire understanding and agreement between the Parties with regard to the subjects hereof and thereof and no Party shall be liable or bound to any other Party in any manner by any representations, warranties or covenants except as specifically set forth herein or therein. This Agreement may be amended or modified only upon the written consent of the Company and Contributor. Any amendment effected in accordance with this Section will be binding upon the Company, Contributor, and each of their respective successors and assigns.

6.4 Notices. All notices or other communications required under this Agreement or given in connection herewith shall be in writing and shall either be delivered (a) personally, in which event the effective date shall be the date of delivery, (b) by a nationally recognized overnight courier service, in which event the effective date shall be the next business day

following the day such communication is delivered to the courier service, or (c) by United States mail addressed as hereinafter set forth, postage pre-paid, registered or certified, return receipt requested, in which event the effective date shall be the earlier of three business days after the date of mailing or the delivery or refusal date as specified on the return receipt. Unless otherwise directed by notice in writing, all notices and other communications shall be addressed as follows:

if to the Company:

University Preferred Health Partners
11234 Anderson Street
Loma Linda, CA 92354
Attention:

if to Founder:

Loma Linda University Health
11234 Anderson Street
Loma Linda, CA 92354
Attention:

if to Contributor:

Attention:

6.5 Delays or Omissions. Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to any holder of any Membership Interest upon any breach or default of the Company under this Agreement shall impair any such right, power or remedy of such holder, nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Except as provided in this Section, any waiver, permit, consent or approval of any kind or character on the part of any holder of Membership Interest of any breach or default under this Agreement, or any waiver on the part of any holder of Membership Interest of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any such holder, shall be cumulative and not alternative.

6.6 Expenses. Each Party shall bear their own expenses incurred on their behalf with respect to this Agreement and the transactions contemplated hereby.

6.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the Parties actually executing such counterparts and all of which together shall constitute one instrument.

6.8 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not considered in construing or interpreting this Agreement.

6.9 Severability. If any provision of this Agreement or the application thereof becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the Parties hereto. The Parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

6.10 Other Remedies. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy.

6.11 Rules of Construction. The Parties agree that they have participated equally in the negotiation and drafting of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

6.12 Publicity. To the extent permitted by law, each Party hereto agrees that it shall not make any public announcement about the existence or performance of this Agreement or any of the transactions contemplated hereunder, whether in the form of a press release or otherwise, without first obtaining the other Party's prior written consent as to the timing and content of such press release or other public announcement. In addition, no Party may use the name, logo, trade name, trademarks or service marks of any other Party in any manner whatsoever without the express prior written consent of the other Party. To the extent permitted by law, the Parties shall mutually agree on the timing and content of any press release or other public announcement.

6.13 Governing Law. This Agreement and any claim under or in connection with it or its subject matter (whether sounding in contract, tort or otherwise) shall be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to any conflicts of law provisions.

IN WITNESS WHEREOF, the Parties have caused their duly authorized officers to execute or have personally executed this Contribution Agreement as of the date first above written.

UNIVERSITY PREFERRED HEALTH PARTNERS

By: _____
Name: _____
Its: _____

LOMA LINDA UNIVERSITY HEALTH

By: _____
Name: _____
Its: _____

[Contributor]

By: _____
Name: _____
Its: _____