



# Fairview

## Governor's Task Force on Academic Health at the University of Minnesota

Fairview Health Services

**NOVEMBER 21, 2023**

James Hereford  
Fairview President & Chief Executive Officer



# About Fairview

## 170-year History of Service



### A Full Spectrum of Services:

Based in Minnesota

- 10 hospitals, including an Academic Medical Center
- Urban, Rural, Suburban sites of care
- 40+ clinics
- 30+ pharmacies
- 90+ senior housing facilities
- 100+ specialties
- Largest primary care group statewide
- \$7.0B+ total revenue
- Network of 5,000+ providers
- 31,000+ employees
- 3rd largest employer in Minnesota

### Mission

Fairview is driven to heal, discover, and educate for longer, healthier lives

### Vision

Fairview is driving a healthier future

### Values

Dignity | Integrity | Service |  
Compassion | Innovation

# Fairview

# Our Investment in Community



## \$418 MILLION IN SUPPORT OF ACCESS TO CARE AND SERVICES

- Medical financial assistance
- Medicaid shortfall
- Subsidized healthcare

## \$9.5 MILLION FOR COMMUNITY PROGRAMS, SERVICES, AND OTHER COMMUNITY BENEFITS

- Community health improvement programs and services
- Financial and in-kind contributions to local partners
- Community-building activities

## \$3.1 MILLION FOR HOSPITAL-BASED RESEARCH

## \$118 MILLION FOR EDUCATION AND TRAINING

- Professional training for today's workforce
- Education of future health professionals

## \$685 MILLION IN OTHER COMMUNITY INVESTMENTS

- Care provided without compensation
- Discounts to uninsured patients

# Fairview Community Health and Wellness Hub

## Celebrating one year anniversary

The Fairview Community Health and Wellness Hub is a first-of-its-kind campus that addresses health disparities while providing a range of critical healthcare services and community resources alongside trusted local partners. The hub opened in August 2022 and is designed to have a positive impact on the health and wellbeing of the St. Paul community now and long into the future.

### **Fairview Community Health and Wellness Hub Focus areas:**

- The Center for Community Health Equity is advancing three social determinants of health initiatives: Food is Medicine, Housing is Health, and Connection is Cure
- Providing innovative mental health and addiction care
- Addressing food insecurity
- Advancing equity through research
- Building trust through community-based care
- Care and connection for St. Paul Seniors

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# Key Dates and Facts

## University Sells East Bank Hospital to Fairview, 30-year affiliation

1996

Fairview responded to a partnership request by University leadership and acquired the University of Minnesota Medical Center (UMMC).

- The University sold the East Bank hospital to Fairview and entered into a 30-year Academic Affiliation Agreement (AAA).
- Fairview then combined Fairview Riverside (West Bank) and the East Bank Hospital into a single hospital under one license (split across two campuses).
- Today, the East and West Bank facilities are known as: M Health Fairview University of Minnesota Medical Center (UMMC) and M Health Fairview Masonic Children's Hospital.

## M Health is created

2013

The parties entered into an Agreement where UMMC and select operations were branded "M Health" and were managed within a joint operating model.

## M Health Fairview

2018

The parties created a new series of agreements set to expire in 2026.

- Agreements gave University leaders expanded roles in care system decision making.
- "M Health Fairview" system branding

## Affiliation Term Date

2026

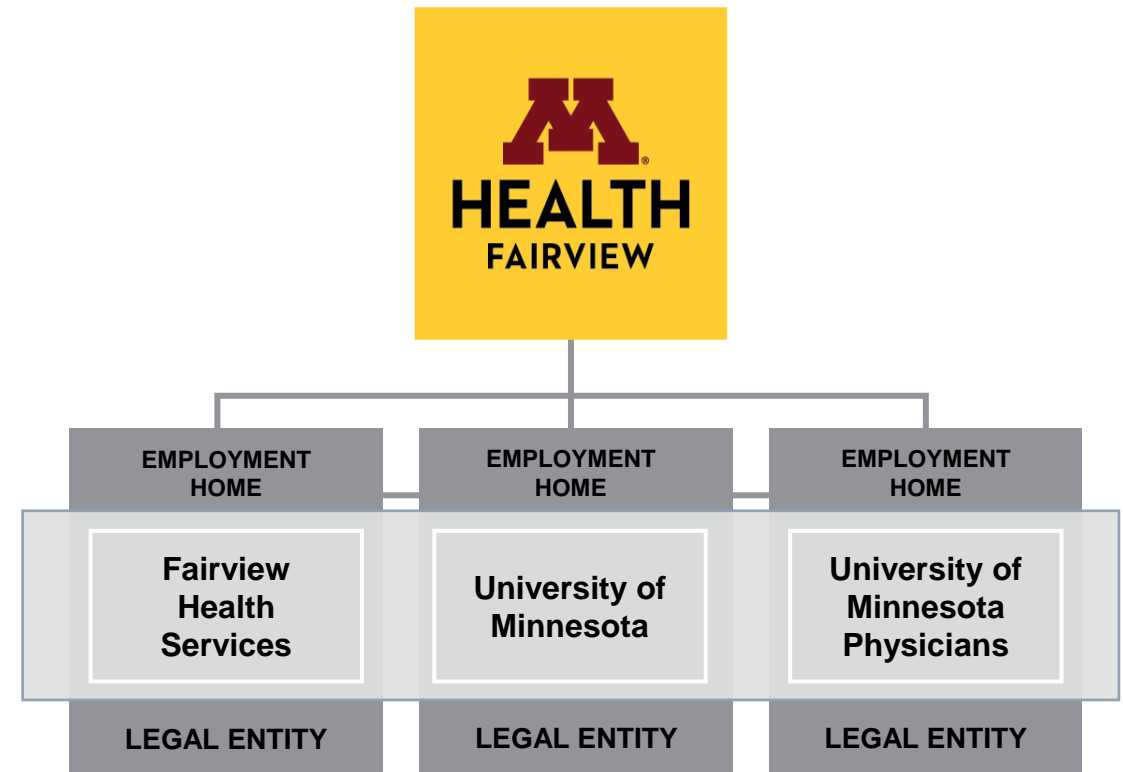
On December 31, 2026, the Academic Affiliation Agreement (AAA) and the 2018 agreements end.

At the end of the agreement, Fairview will maintain ownership of the East Bank Hospital and have the option to renew the East Bank ground lease.

## Fairview

# What is M Health Fairview?

- M Health Fairview is a joint clinical enterprise (JCE), a collaboration among the University of Minnesota, University of Minnesota Physicians, and Fairview Health Services
- The partners aspired to create a top-10 academic health system
  - Creates one system of care focused on all three missions – research, education, care delivery
  - Managed through one integrated leadership structure
  - Creation of a single, strong brand
- Legal entities and legal structures remain the same
- Each organization maintains some separate business operations outside the partnership



A collaboration among the University of Minnesota,  
University of Minnesota Physicians and Fairview Health Services

## Fairview



# M Health Fairview Governance, Leadership & Planning

- The Board of Directors that governs Fairview includes three (3) ex-officio University members. The Medical School Dean serves as Vice-Chair of the Fairview board.
- The Fairview CEO and Medical School Dean co-lead development of one strategic plan that aligns UMPhysicians, University of Minnesota, and Fairview to deliver the care, research, and education missions to improve healthcare in Minnesota.
- The Medical School Dean co-chairs the care system's Executive Leadership Team meeting with the Fairview CEO.
- The University of Minnesota Physician (UMP) CEO serves on the care system's Executive Leadership Team and the care system's Operations Management Team.
- Medical School/UMP faculty physicians hold key leadership roles throughout the care system, including within:
  - The University of Minnesota Medical Center, M Health Fairview Clinic & Surgery Center, Specialty Ambulatory Care
  - Clinical Service Lines: (Heart & Vascular, Cancer Care, Neurosciences, Solid Organ Transplant, Mental Health, Musculoskeletal, Women's & Children's, Medical Specialties, Surgical Specialties)
  - Quality and Safety

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# Notification of Non-Renewal

- **Because the current contract was set to automatically renew in just a few weeks (Dec 31, 2023), on Monday we provided notice to not allow automatic renewal for an additional 10 years. This notice allows us to clearly chart a path towards a reimagined partnership.**
- Fairview sees tremendous value for our patients and our community in a continued partnership with the University.
- This step in no way impacts the delivery of patient care at our hospitals and clinics. Our current agreements and related operations and services remain intact through December 31, 2026, and Fairview and the University of Minnesota will still operate under the M Health Fairview brand and in a joint clinical enterprise.

**Fairview**



# The Uncertain Future of Nonprofit Healthcare

In 2022 the combined revenue of the nine biggest **middlemen**—call them **big health**—equated to around **45% of America's health-care bill**, up from 25% in 2013. Big health accounts for eight of the top 25 companies by revenue in the S&P 500 index of America's leading stocks, compared with four for big tech and none for big pharma.  
- The Economist, 10/8/23

HEALTH TECH, SYN

## 2022 Was Hospitals' Worst Financial Year in Decades, But 2023 Won't Be Much Better

Financial analysts have said that 2022 may have been the worst year for hospital finances in decades. This year looks like it will be yet another year of financial underperformance, with rural providers in especially dire circumstances.

By KATIE ADAMS

Post a comment / Jan 2, 2023 at 9:09 AM

## Hospitals across Minnesota report more financial stress

Beyond rising labor expenses, one-third of hospitals surveyed said supply and service costs are growing by more than 10%.

By Christopher Snowbeck Star Tribune | NOVEMBER 13, 2023 — 11:26AM



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Business | Really big health

## Who profits most from America's baffling health-care system?

Financial Management

## Hospital sector will face sustained challenges in 2023; bankruptcies likely: 5 things to know

Nick Thomas (Twitter) - Friday, January 13th, 2023



KARE-TV Minneapolis-St. Paul

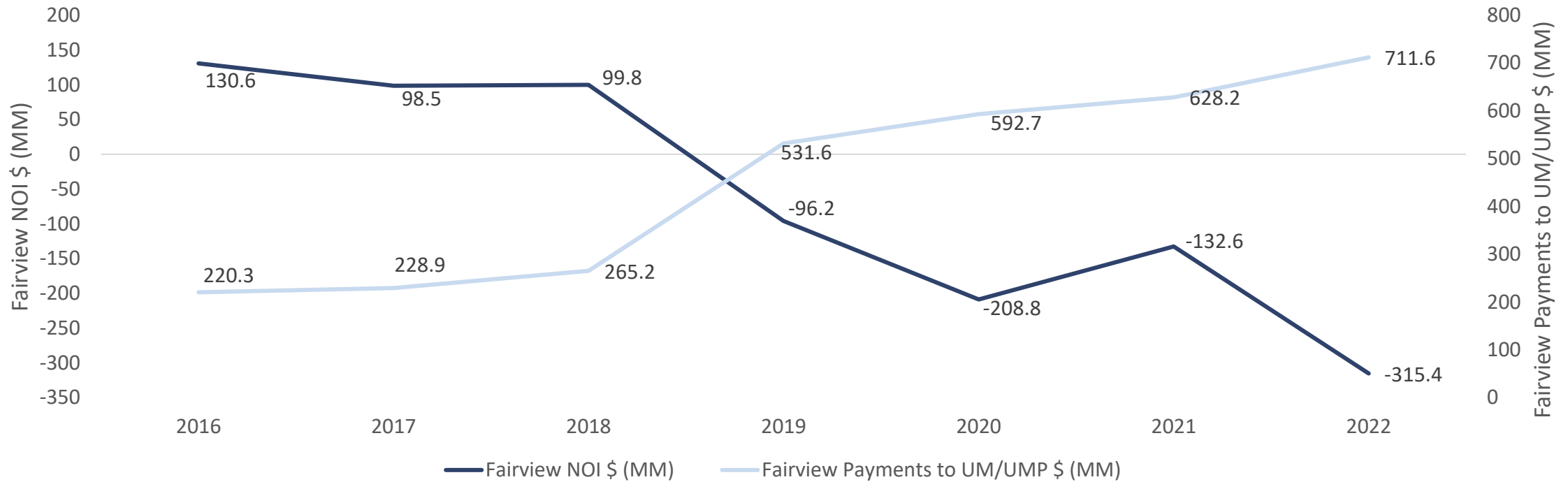
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## Minnesota Hospital Association CEO says the state's hospitals are in a financial 'crisis'

Story by Danny Spewak • 4d

# Unsustainable Financial Trajectories

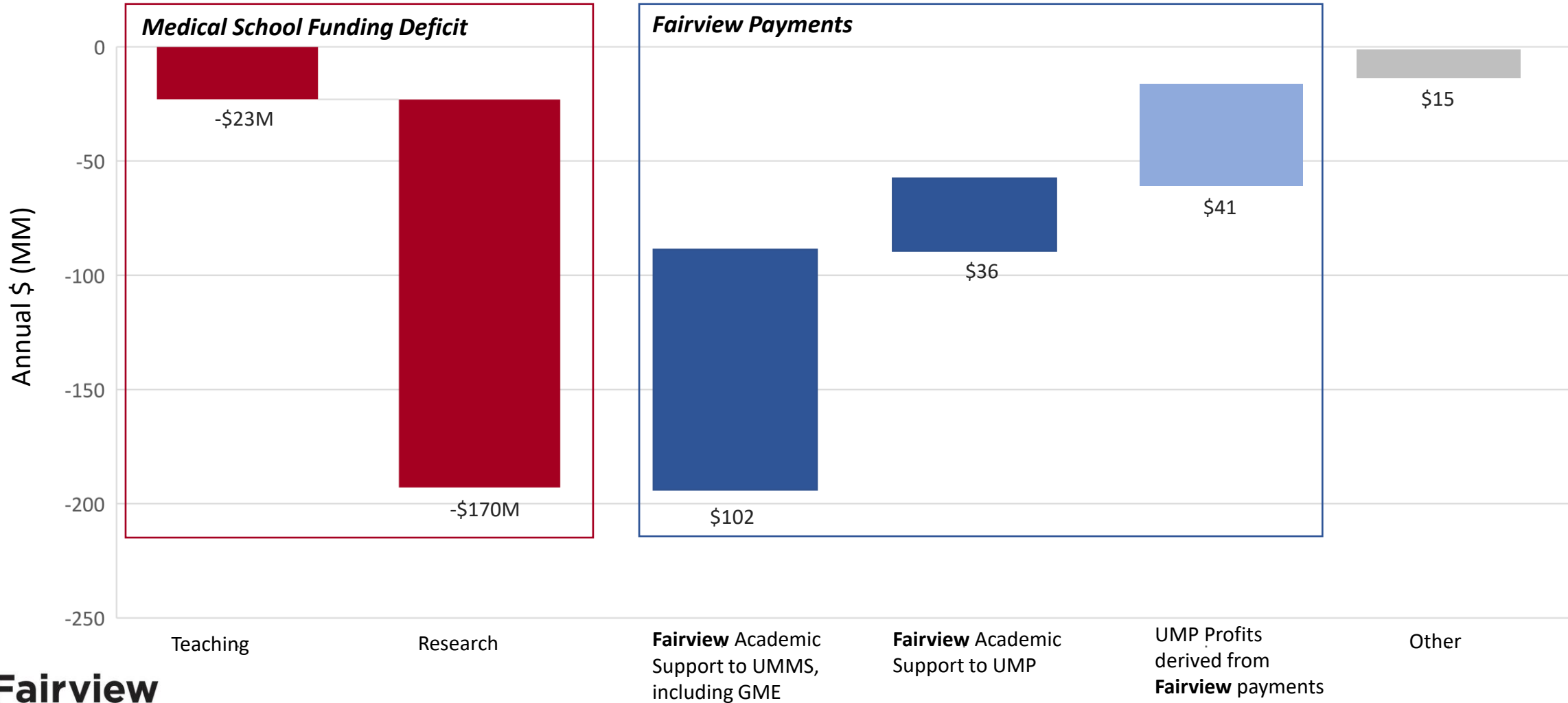
Fairview Net Operating Income (NOI) \$ (MM) vs.  
Fairview Payments to the University and UMP \$ (MM)



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# Fairview payments to the Medical School and UMP to support research and education

## Medical School Funding Deficit vs. Fairview Payments



# State Support

## What Can the State do to Support the University and Academic Health?

1. Increase Academic Support to fund the deficit to support research and education at the Medical and other Health Science Schools. The benefits of the impacts of these schools accrue to the entire health care ecosystem and all of Minnesota.
2. Improve Medicaid rates for academic healthcare. The Academic Medical Center should not be penalized for the cost the training and provision tertiary and quaternary care for all of the people of Minnesota.