



# **University of Kentucky**

## **Independent Accountant's Report on Applying Agreed-Upon Procedures Performed on the University of Kentucky Board of Trustees' Agreement with Kentucky Medical Services Foundation, Inc.**

Year Ended June 30, 2025



**University of Kentucky  
Agreed-Upon Procedures  
Contents  
Year Ended June 30, 2025**

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## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Board of Trustees and Management  
University of Kentucky  
Lexington, Kentucky  
and  
Board of Directors and Management  
Kentucky Medical Services Foundation, Inc.  
Lexington, Kentucky

We have performed the procedures enumerated in Attachment A to this report on assessing compliance with certain elements within Sections 5, 6, 7, 8, 9, 10, 11, 18, 19, and 23 of the agreement dated July 1, 2024 (Agreement), between the board of trustees of the University of Kentucky (UK) and Kentucky Medical Services Foundation, Inc. (KMSF) as of and for the year ended June 30, 2025. The management of KMSF is responsible for the aforementioned compliance elements.

UK has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assessing compliance with certain elements of the Agreement as of and for the year ended June 30, 2025. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are described in Attachment A to this report.

We were engaged by UK and KMSF to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the aforementioned compliance elements of the Agreement. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of UK and KMSF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be, and should not be, used by anyone other than these specified parties.

**Forvis Mazars, LLP**

**Louisville, Kentucky  
November 21, 2025**

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Our procedures and findings are described as follows. Management responses were added for context and were not subject to our procedures.

### Section 5 – Payments to University of Kentucky

1. We will obtain a summary of the monthly deposits to the Kentucky Medical Services Foundation, Inc. (KMSF) central business office and agree the total deposits to the approved amount for the contract year.

**Results and Findings:** We performed the procedures; no matters are reportable.

2. We will obtain the quarterly calculations and note if there was a deficit in any calendar quarter and whether the University of Kentucky (UK) funded the deficit within 45 days of the close of the quarter.

**Results and Findings:** We obtained the quarterly calculations and noted there was a deficit in quarter four. The deficit was not reimbursed by UK within 45 days of the close of said quarter.

**Management Response:** Management represented that this deficit did not require a reimbursement due to the surplus from the remaining quarters of the fiscal year

3. We will select two months from the fiscal year ended June 30, 2025 and obtain the entries and calculations for the following as detailed within exhibit A of the agreement between the board of trustees of UK and the board of directors and management of KMSF (Agreement).
  - a. We will obtain and note whether gross revenue and contractual allowances were recorded from EPIC at KMSF at the summary level and at UK at the detail level.
  - b. We will note whether automatic entries were recorded to process month-end reclassification of revenue, accounts receivable, and allowances.
  - c. We will obtain support for the payments posted in SAP from EPIC and the settlement of cash between KMSF and UK.
  - d. We will obtain documentation supporting whether KMSF remitted remaining funds to UK after paying allocations per the Agreement to the central business office and the Dean's Academic Enrichment Fund.

**Results and Findings:** We selected the months of October 2024 and April 2025 from the fiscal year ended June 30, 2025. We obtained the entries and calculations for the procedures noted above as detailed within exhibit A of the Agreement.

- a. We performed the procedures; no matters are reportable.
- b. We noted automatic entries were recorded to process month-end reclassifications of revenues, accounts receivable, and allowances for the selected months.
- c. We performed the procedures; no matters are reportable.
- d. We performed the procedures; no matters are reportable.

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## Section 6 – Reimbursement of KMSF

4. We will obtain summary documentation of actual property management costs for the year ended June 30, 2025 and compare those costs to the negotiated rates paid by UK, as discussed in Item 6G of the Agreement.

**Results and Findings:** We noted formal lease arrangements between UK and KMSF PR: 8409, PR: 8470, and PR 8491 were terminated on December 31, 2024 and replaced by a consolidated lease PR: 8576 which became effective on January 1, 2025. Only PR: 8409 included the negotiated rate from July 1, 2024 through December 31, 2025; the negotiated rate for this period was \$11.00 per square foot, while the actual costs were \$8.34 per square foot for all fiscal year 2025. The newly consolidated lease PR: 8576 did not contain a negotiated rate.

5. We will compare and agree the actual property management costs summary worksheet totals to the recorded general ledger balances.

**Results and Findings:** We performed the procedures; no matters are reportable.

6. We will select a sample of five items from the general ledger and compare and agree those items to supporting documentation, such as invoices or journal vouchers.

**Results and Findings:** We selected a sample of five items (document numbers: 1900764307, 1900764728, 1900764368, 1200001337, and 1900764329) from the general ledger and compared those items to supporting documentation, such as an invoice or journal vouchers, agreeing all items, without exception.

## Section 7 – Cost Settlement

7. We will obtain documentation of the mutual Agreement between KMSF and UK for the cost-sharing arrangement.

**Results and Findings:** We performed the procedures; no matters are reportable.

8. We will obtain the calculations for the cost-sharing arrangement for the year ended June 30, 2025 and the note payment between KMSF and UK.

**Results and Findings:** We performed the procedures; no matters are reportable.

## Section 8 – Academic Enrichment Fund

9. We will obtain a summary of the monthly clinical income deposited into the Dean's Academic Enrichment Fund and note whether \$1,833,333 was deposited monthly.

**Results and Findings:** We noted \$1,833,333 was deposited monthly from July 2024 to December 2024. We noted \$1,833,333 was deposited in January 2025 and refunded in February 2025. From February 2025 to June 2025, we noted no monthly deposits.

**Management Response:** Management represented this activity is consistent with the terms of the Agreement and First Amendment to the Agreement between UK and KMSF. First Amendment put a stop to the monthly deposits effective January 2025.

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10. We will obtain the monthly calculations prepared for the 1.5% of each department's monthly expenses and note whether the amount was transferred to the Dean's Academic Enrichment Fund account.

**Results and Findings:** We obtained the monthly calculation for the 1.5% of each department's monthly expenses and noted the amounts were transferred to the Dean's Academic Enrichment Fund account and noted that 1.5% of the actual clinical income was deposited monthly for the fiscal year ended June 30, 2025.

#### Section 9 – Particular Covenants of KMSF

11. We will inquire of KMSF management as to whether any articles of incorporation were amended, bylaws adopted, or other operating practices adopted that would effectively alter the character of KMSF during the year ended June 30, 2025.

**Results and Findings:** We inquired of KMSF management, who represented that the articles of incorporation were not amended, nor bylaws of KMSF adopted, or other operating practices adopted that would have effectively altered the character of KMSF during the year ended June 30, 2025.

12. We will inquire of KMSF management as to whether KMSF engaged in the practice of medicine, solicited, administered, received, or accepted any gift, grant, devise, or bequest with or from any governmental unit, entity or subdivision or any person, corporation, partnership, association, or other entity whatsoever unless permitted by the Agreement during the year ended June 30, 2025.

**Results and Findings:** We inquired of KMSF management, who represented that KMSF has not engaged in the practice of medicine, solicited, administered, received, or accepted any gift, grant, devise, or bequest with or from any governmental unit, entity, or subdivision or any person, corporation, partnership, association, or other entity whatsoever unless permitted by the Agreement during the year ended June 30, 2025.

13. We will inquire of KMSF management as to whether KMSF merged with any corporation or conveyed any substantial portion of its assets to another entity, except as permitted by the Agreement, during the year ended June 30, 2025.

**Results and Findings:** We inquired of KMSF management who represented that KMSF did not merge with any corporation or convey any substantial portion of its assets to another entity, except as permitted by the Agreement, during the year ended June 30, 2025

#### Section 10 – Membership and Benefits

14. We will obtain a listing of all UK faculty in a clinical department or unit and select a sample of 25 employees. We will obtain the practice agreements between the employee, UK, and KMSF.

**Results and Findings:** We performed the procedures; no matters are reportable.

15. We will inquire of KMSF management as to whether KMSF billed, collected, or administered any item of income for any person or entity that does not hold membership in the plan during the year ended June 30, 2025.

**Results and Findings:** We inquired of KMSF management who represented that KMSF has not billed, collected, or administered any item of income for any person or entity that does not hold membership in the practice plan during the year ended June 30, 2025, except for clients approved by UK.

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16. We will obtain a listing of all voting board members of KMSF and agree that those members are members of the plan.

**Results and Findings:** We performed the procedures; no matters are reportable.

17. We will inquire of KMSF management whether any billing and collections on behalf of UK for instances which are covered under Section 10 Item D of the Agreement occurred. We will note the total revenue under these agreements. We will also obtain the proposed unified billing arrangements developed and agreed to by the parties and note whether it was reviewed by UK legal counsel.

**Results and Findings:** We inquired of KMSF management who represented that billing and collections on behalf of UK, for instances which are covered under Section 10, Item D of the Agreement, occurred during the year ended June 30, 2025. We noted three unified billing arrangements with the UK College of Health Sciences, UK College of Nursing, and Kentucky Department of Labor, Office of Workers' Claims, which are covered under Section 10, Item D of the Agreement. The total revenue under the unified billing arrangements was \$2,969,535, \$623,602, and \$75,755 for the year ended June 30, 2025, respectively, for the previously mentioned organizations. We noted that each of the unified billing arrangements were reviewed and signed by UK legal counsel, except for the College of Nursing and College of Health Sciences arrangements.

**Management Response:** Management represented the College of Nursing and College of Health Sciences arrangements were prepared by the UK legal department and signed by the UK Executive Vice President for Health Affairs.

18. We will inquire of KMSF management as to whether KMSF assumes responsibility for the costs of drugs and supplies used in patient care programs and clinics. We will also inquire if KMSF bills, collects, and deposits in KMSF accounts revenue from these nonancillary items.

**Results and Findings:** We inquired of KMSF management, who represented that KMSF does not assume responsibility for the costs of drugs and supplies used in patient care programs and clinics. All costs of drugs and supplies are purchased through UK. We also inquired and KMSF management represented that KMSF has not billed, collected, and deposited in KMSF accounts the revenues for these nonancillary items, with the exception of retail revenues, for the year ended June 30, 2025. Collections for these nonancillary items are remitted back to UK at the end of each month.

19. We will inquire of KMSF management as to whether the Practice Agreements and Assignments were strictly enforced during the year ended June 30, 2025. We will inquire if any individual failed or refused to abide thereby and if it was promptly reported to UK.

**Results and Findings:** We inquired of KMSF management, who represented that the Practice Agreements and Assignments were strictly enforced during the year ended June 30, 2025. KMSF management also represented that if any individual failed or refused to abide thereby, he or she would be promptly reported to UK, none of which occurred during the year ended June 30, 2025.

## Section 11 – Personnel

20. We will obtain a listing of the names and job titles of each employee employed under Section 11 Item A of the contract and inquire of KMSF management whether this listing is complete and all inclusive.

**Results and Findings:** We obtained a listing of the names and job titles of each employee employed under Section 11, Item A, of the Agreement from KMSF management, who represented that this listing was complete and all-inclusive for the year ended June 30, 2025.

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21. We will inquire of KMSF staff as to whether they employed any other persons, other than described in Section 11 Item A, to perform services in UK patient care or college programs. We will obtain the name and job title of those individuals and note approval of employment by the Executive Vice President for Health Affairs and the Dean of the College of Medicine.

**Results and Findings:** KMSF's management represented that no employees, other than those described in Section 11 Item A of the Agreement were employed. Therefore, no approval listing of employment by the Executive Vice President for Health Affairs and the Dean of the College of Medicine was obtained.

#### Section 18 – Provision of Professional Liability Insurance

22. We will inquire of KMSF management whether KMSF was required by the Medical Malpractice Claims Committee to deposit funds into a separate bank account within KMSF for the physician's pro-rata share of malpractice claims during the year ended June 30, 2025.

**Results and Findings:** We inquired of KMSF management, who represented that KMSF was required by the Medical Malpractice Claims Committee to deposit funds into a separate bank account within KMSF for the physicians' pro-rata share of malpractice claims for the year ended June 30, 2025.

23. We will obtain the Central Bank KMSF malpractice account reconciliation and account summary and note whether KMSF paid both assessments and contributions of the pro-rata share of the malpractice contributions during the year ended June 30, 2025.

**Results and Findings:** We performed the procedures; no matters are reportable.

#### Section 19 – Administration of Departmental Funds

24. We will obtain documentation and note whether KMSF transferred the accounts, as noted in Section 19 Item A of the contract, to UK and the funding of those accounts is occurring by the University.

**Results and Findings:** We performed the procedures; no matters are reportable.

#### Section 23 – Additional Activities

25. We will inquire of KMSF management as to whether KMSF provided or engaged in the practice of medicine or duplicated other activities of the UK HealthCare Hospital System during the year ended June 30, 2025.

**Results and Findings:** We inquired of KMSF management, who represented that KMSF has not provided or engaged in the practice of medicine or duplicated other activities of the UK HealthCare Hospital System during the year ended June 30, 2025.

THIS AGREEMENT made and entered into as of July 1, 2024 by and between the BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY, a statutory body corporate existing pursuant to Section 164.100 et seq. of the Kentucky Revised Statutes (hereinafter referred to as the University) and KENTUCKY MEDICAL SERVICES FOUNDATION, INC., a non-stock, non-profit corporation formed pursuant to Chapter 273 of the Kentucky Revised Statutes (hereinafter referred to as Foundation).

WITNESSETH:

**Section 1. RECITALS**

A. Foundation is organized for the purposes stated in its Articles of Incorporation as a nonstock, nonprofit corporation and will use and apply the whole or any part of its income and principal exclusively for charitable, scientific, or educational purposes at or for the benefit of the University of Kentucky Medical Center.

B. University faculty in the clinical departments or units of the College of Medicine have heretofore executed agreements with Foundation and University, known as "Practice Agreements and Assignments" whereby said faculty have assigned to Foundation their professionally generated clinical income.

C. The recruitment and retention of the members of the medical faculty of the University will be improved by permitting the said members to supplement, by income from the practice of medicine, the salaries provided by the University.

D. The University recognizes that the medical practice activities of its faculty members can be conducted in a more efficient and economical manner if those faculty members who produce income are permitted, through the medium of Foundation, to exercise a larger voice in the expenditure of the funds so produced.

E. The University has heretofore established, a "geographic full-time medical service plan", the said geographic full-time plan having been adopted on June 20, 1978, as amended on March 3, 1980, September 15, 1981, June 19, 1984, June 13, 1995 and July 1, 2009; said action is hereby incorporated by reference as if set out in full herein.

F. The aforementioned action of University's Board of Trustees authorized the University's President to negotiate and execute a contract, subject to the approval of said Board, with an appropriately qualified entity for carrying out necessary functions and assuming the responsibilities involved in the administration of income for professional services under the plan.

NOW THEREFORE, the parties hereto agree as follows:

**Section 2. DEFINITIONS**

A. "The Plan" means the geographic full-time medical service plan for the University of Kentucky College of Medicine established by action of the Board of Trustees of said University dated June 20, 1978, as amended on March 3, 1980, September 15, 1981, June 19, 1984, June 13, 1995 and July 1, 2009, and such further amendments.

B. "Clinical Income" means the following income attributable to members of the Plan: (1) all compensation, income and payments (direct or in kind and whether characterized as fees, retainers, or otherwise) for professional services rendered or to be rendered, including, but not limited to those relating to the diagnosis, treatment or evaluation of patients or others and consultation; (2) all payments whether direct or in kind (excluding actual travel costs) for providing advice, consultation, serving on boards or committees, overseeing, supervising or other participation with any person or entity involved with (a) health or medical care, (b) evaluation or care of patients, (c) drugs, (d) therapy of any kind, (e) accident or disease prevention, (f) health or medical care facilities, (g) programs involving health or medical care or (h) health or medical care of any other type; (3) witness fees and payments relating to

depositions, testimony or other evaluations in the capacity of a witness; and (4) all other income which relates to or would not exist but for the professional education, experience, or training of members of the Plan. The Dean in his office capacity and through the College of Medicine Practice Plan Addendum (the "Addendum"), as amended from time to time, has the authority to approve exceptions to clinical income and is required to document the nature of the exception and the reason or to so reflect in the Addendum; provided, however, that nothing contained herein shall be deemed to include in the term "clinical income" any item excluded therefrom by paragraph II, B of the plan.

C. "Practice Agreements" means those documents, denominated Practice Agreements and Assignments heretofore executed by certain members of University's faculty, the University, and Foundation.

D. "University" as used herein, whenever approvals or consents are necessary, shall mean the approval or consent of the President, unless the President determines that approval by the Board of Trustees is necessary.

E. "Clinical Investment Reserve" as used herein means the amount of funds needed to be retained by Foundation to fund the costs for clinical projects that have a significant probability to be initiated within this Fiscal Year.

F. "Facility Management Fee" as used herein means the amount of funds needed to be retained by Foundation to pay for the operational and maintenance expenses for FOUNDATION owned and leased properties.

### **Section 3. NATURE OF THE AGREEMENT**

Pursuant to Paragraph III, A. of the aforementioned action of University's Board of Trustees dated June 20, 1978, as amended on March 3, 1980, September 15, 1981, June 19, 1984, June 13, 1995 and July 1, 2009, University hereby recognizes Foundation as an

"appropriately qualified organizational entity" as described therein for carrying out necessary functions and assuming certain responsibilities involved in the administration of income for professional services under University's "geographic full-time medical services plan."

**Section 4. BILLING AND COLLECTION**

Foundation agrees that it will accept, pursuant to practice agreements, the assignment of all clinical income by participants in the plan and, in accordance with such assignment, agrees to bill or cause to be billed for professional services to parties determined to be responsible for payment for such services. The parties agree that Foundation may contract with the University to perform some or all of these functions.

**Section 5. PAYMENTS TO UNIVERSITY**

A. In accord with paragraph II, D. 2 of the plan, the parties recognize that Foundation must reimburse University for projected expenses incurred by it which are attendant to the production of clinical income, including without limitation, salary and benefits expenses of University faculty.

B. Foundation agrees to pay to University, as reimbursement for the expenses attendant to the production of clinical income, University's projected annual costs, as determined by clinical department or unit expenditures as reimbursement of direct clinical personnel expenses and other current operating expenses, in direct support of the operation of the Kentucky Clinics and other healthcare practices.

C. In addition to the above, Foundation agrees that, upon request from University, it will make an unrestricted grant to the University of an amount which is not less than the plan component of income for each member as described in paragraph II, C., 2 of the plan. Said grant will be paid in installments in a manner reasonably acceptable to University, generally monthly unless otherwise agreed.

D. Foundation agrees that, upon request from University, it will make an unrestricted grant to the University for non-clinical expenses as reasonably submitted by the clinical departments such as other department personnel and current department operating expenses as indicated on such submissions.

E. The Foundation shall retain funds equivalent to the Foundation's actual expenses approved budget for the Foundation's Central Business Office (CBO) expenses, eligible leases, benefits, malpractice self-insurance program, which may include other departmental costs, reimbursement for previously paid revenue cycle expenses, an additional one percent (1%) of such expense for emergent matters (Foundation Allowable Expense Account) and an additional point seven five percent (.75%) of professional billing gross charges as a Clinical Investment Reserve . The approved fixed CBO amount for this Contract Year is \$22,000,000 in addition to an additional fixed amount of \$5,000,000 Facility Management Fee, as well as listed variable percentage amounts all of which shall be retained 1/12<sup>th</sup> per month in the appropriate Foundation accounts. The remaining cash collected will be transferred each month to University to fund faculty salaries, benefits, as described above and to fund the Dean's Academic Enrichment Fund as more particularly described in Section 8. In the event Foundation is required to or determines that it is appropriate to make any refunds, University shall remit said refund amount to Foundation upon request. If an excess amount of funds remains at the end of the fiscal year, that amount shall be carried forward and the Foundation Allowable Expense Retention percentage adjusted accordingly for the next contract year. If there is a deficit in any calendar quarter (allowable expenses exceed the amount retained), University shall fund the deficit within forty-five (45) days of the close of said quarter and take said deficit into account in determining the next Foundation Allowable Expense Retention. The Annual Amount of the amount retained by KMSF and its Monthly Amount retained shall be reevaluated six months into the fiscal year. In

order to do this, the parties will review the budgeted amount for operations of the KMSF business office and such other operations as are supported by the amount retained and compared it to the actual financial performance of the first six months of the fiscal year. The Annual Amount and Monthly Amount shall be adjusted upward or downward as the needed.

F. The University has made and continues to make available to Foundation the SAP accounting system. It is understood that the University is a service provider in relation to the provision of the SAP system, and the Foundation's participation in the SAP accounting system will not be construed to cause any Foundation funds to become University or Commonwealth of Kentucky funds. Foundation's use of the SAP accounting system shall not alter or limit Foundation's control of the expenditure of its funds, nor grant University any additional rights with respect thereto. Any consumables (paper supplies, etc.) requested and utilized by Foundation will be paid for or reimbursed by Foundation.

G. Upon request, University shall, as a service provider, make its network domain available to Foundation. The University shall provide Foundation access to technological support for said network domain, as requested by Foundation.

H. University shall provide revenue cycle management services to Foundation so that the University can operate an integrated health care financial system throughout its clinical enterprise.

I. University shall provide certain oversight and management services to Foundation by making both the UK HealthCare Chief Financial Officer ("CFO") and UK HealthCare Controller ("Controller") available to provide services to Foundation.

J. University shall provide oversight of Foundation's facilities.

K. North Fork Valley will continue to be billed and accounted for as in prior years.

L. The accounting for these billings and payments shall be conducted in accordance with Exhibit A, which is attached hereto and incorporated herein by this reference.

**Section 6. ADDITIONAL REIMBURSEMENT OF FOUNDATION**

A. The parties recognize that University receives certain services from Foundation, for which it is due reimbursement as specified herein below.

B. University and Foundation agree, in order to carry certain functions pursuant to this Agreement, from time to time as needed, Foundation may provide oversight of job responsibilities of certain University staff positions as assigned. In any such instance, the University staff shall be governed by the policies and procedures of University however direct supervision may be provided by Foundation.

C. University agrees to pay to Foundation on behalf of members of the Department of Diagnostic Radiology for the provision of x-ray interpretation services to the University Health Service during the period July 1, 2023 - June 30, 2024. Services will be reimbursed at the current Medicare rate based on specific CPT code.

D. University agrees to pay to Foundation on behalf of the applicable department of the College of Medicine, for provision of specified physical examinations to certain University employees, a fee for each examination.

E. University agrees to pay Foundation on behalf of clinical faculty members of the Department of Pathology and Laboratory Medicine, for provision of pathology services to the University Health Service, a fee of \$15.00 per patient for Pap test reviewed by a pathologist, whether normal or abnormal. All other pathology professional services are to be reimbursed at 50% of the usual and customary charge for each service rendered or such other rate as the parties mutually agree to in a written document for any payments authorized by this Section 6.

F. University will make payment to Foundation monthly, within 30 days of invoice date each month for services described in paragraphs C, D and E.

G. In order equitably to apportion expenses, University agrees to negotiate with Foundation, and execute a lease agreement or otherwise make arrangements for an amount to appropriately offset the property management costs for all real property for which the legal title is owned by the Foundation or which is leased by the Foundation, but which is occupied by the University. The remittance shall be made at the time as more particularly set forth in subparagraph H, below.

H. For the remittance referenced in Paragraph G, above, for any property management not subject to a lease agreement, University and Foundation shall negotiate and determine the property management costs for the fiscal year by July 15. For the fiscal year commencing July 2024, property management costs as agreed by the parties shall be remitted from University to Foundation on a monthly basis, upon presentation of documentation of costs satisfactory to University.

**Section 7. COST SETTLEMENTS**

A. The parties recognize that the provision of medical services in the current competitive environment may at times require a joint effort on the part of the University and University Hospital and Foundation in the formation of new delivery systems. These efforts may at times require the sharing of cost between the parties. Formulas for the sharing will be developed and mutually agreed to by the parties, which may result in payment by the University to the Foundation, or by the Foundation to the University. Parties agree that each of these joint efforts shall be detailed in separate Memorandum of Agreements. Examples of such joint efforts include but are not limited to:

Payment to the UK for services rendered to clinical departments or units of the College of Medicine by members of practice plans of the Colleges of Health Sciences, Dentistry, Nursing, or Pharmacy.

B. Foundation may acquire by purchase, lease, or other means real and/or personal property to be utilized in the production of clinical income resulting from teaching, research and service functions performed by the members of the clinical departments. Acquisition of said real and/or personal property must be authorized by the Board of Directors of Foundation.

**Section 8. ACADEMIC ENRICHMENT FUND**

A. Consonant with Section II, D. 3 of the plan adopted by University's Board of Trustees on June 20, 1978, as amended on March 3, 1980, September 15, 1981, June 19, 1984 June 13, 1995, and July 1, 2009, Foundation agrees that it will from its receipts from billing transfer to Dean's Academic Enrichment Fund (hereinafter DAEF) within KMSF or in a cost center at the University an amount equal to at least \$22,000,000 annually, divided into monthly transfers of \$1,833,333 per month. Such amount shall not be less than this stated amount but shall be evaluated annually to assess for needed increases based on financial needs to sustain a sound program of medical education and accomplish other programmatic and institutional goals. Additionally, an amount equal to 1 1/2% of each department's total monthly expenses, for the most recent month available, shall be transferred to the DAEF within KMSF or in a cost center at the University. One and a half percent of the total amount of each department's monthly expenses shall be determined each month and that calculation will be provided to KMSF as part of month-end processing. KMSF shall add said amounts to the monthly funds transfers described above. From time to time, the Dean, at his or her discretion, may initiate an addendum to this agreement, to be signed by all parties, to implement an additional assessment on the revenue or expenses of departments to support specific missions of the College due to

financial or accreditation issues. Said addendum shall include description of, justification for and defined time period of the assessment. Said funds are to be used by the Dean of the College of Medicine for the enrichment of the programs of the College or for related purposes at his/her sole discretion.

B. The Dean of the College of Medicine may, from time to time, allocate funds from other sources to be deposited into the Dean's Academic Enrichment Fund. Funds deposited will be used to cover expenses incurred by certain College of Medicine departments receiving support for approved academic enrichment activities as approved by the Dean.

**Section 9. PARTICULAR COVENANTS OF THE FOUNDATION**

A. Foundation's Articles of Incorporation, as filed with the Secretary of State of the Commonwealth of Kentucky on June 19, 1978, and as amended on April 4, 2007, have been inspected by the University as a condition precedent to University's entry into this agreement. Foundation covenants that it will not, absent the written agreement of the University, amend or otherwise alter said Articles or adopt any by-law or other operating practice which would effectively alter the character of said Foundation.

B. Foundation covenants it will not engage in the practice of medicine, nor will it without the written consent of the University solicit, administer, receive, perform, or accept any gift, grant, devise or bequest with or from any governmental unit, entity, or subdivision or any person, corporation, partnership, association or other entity whatsoever except as specifically permitted herein or as necessary or appropriate for or in connection with normal business operations. Provided, however, that nothing contained herein shall be construed to prohibit the Foundation (subject to the approval of the Dean of the College of Medicine or the Executive Vice President for Health Affairs) from (a) negotiating and executing contracts providing exclusively for professional services by faculty who have executed practice agreements or (b)

negotiating, entering into and performing agreements with respect to collecting and administering payments related to services or items provided by any person or entity in furtherance of a University program.

C. Foundation covenants that it will not without the written consent of the University merge with any other corporation or convey all or substantially all of its assets to any other corporation, partnership, or other entity except as specifically provided herein and that, in the event of its dissolution its Board of Directors shall cause its assets to be applied and distributed as follows: (a) all liabilities and obligations of the corporation shall be paid, satisfied and discharged, or adequate provisions shall be made therefore; (b) assets held by the corporation upon a condition which occurs by reason of the dissolution, shall be returned, transferred or conveyed in accordance with such requirements; and (c) all of the remaining assets of the corporation shall be transferred or conveyed to the Board of Trustees of the University of Kentucky, or its successor, to be used for medical education and research, if said University or its successor, shall qualify as a public corporation and an instrumentality of the State of Kentucky or as an exempt organization under Section 501(c) (3) of the Internal Revenue Code of 1954, as amended; and if said University or its successor shall not so qualify, then to some other organization or organizations organized and operated exclusively for charitable, educational, or scientific purposes in the field of medicine as shall at the time qualify as an exempt organization or organizations under Section 501(c) (3) of the Internal Revenue Code of 1986, as amended.

D. Foundation covenants it will utilize its best efforts to maintain a joint integrated revenue program with the University.

**Section 10. MEMBERSHIP AND BENEFITS**

A. University agrees that it will assist the Foundation to enforce the terms of the Practice Agreement and Assignments entered into by members of University's clinical departments of its College of Medicine by requiring adherence to said agreements as a condition of continued employment as a member of University's faculty.

B. University agrees that it will require, as a condition of employment as a member of University's faculty in a clinical department or unit, that members of its faculty execute Practice Agreements and Assignments in the form of same which may be modified by mutual agreement of the parties hereto from time to time.

C. Foundation agrees that it will not, absent the consent of the Dean of the College of Medicine or the Executive Vice President for Health Affairs, (a) bill for, collect or administer any item of income for any person or entity not holding membership in the plan, or (b) provide any benefit or other thing of value to any person or entity not a member of the plan or the University except (1) termination benefits to former members as provided by action of Foundation's Board of Directors; (2) incidental benefits indirectly accruing to employees of the healthcare enterprise by virtue of Foundation's activities; (3) students and residents of University; (4) payment to nurses incident to their recruitment to the University Medical Center; (5) education and technical training costs of persons involved in patient care activities; (6) education and technical training costs of persons indirectly involved in patient care activities, such as persons engaged in clinical management operations; (7) to persons who engage the services of the Foundation pursuant to the provisions of Section 22 - Additional Activities; (8) to persons whose employment is authorized by Section 11.B.; (9) payments in the ordinary course of its business or (10) benefits or other things of value approved or ratified by the Foundation's

Board of Directors but which do not violate any express prohibition in any other section of this Agreement.

D. In certain contractual relationships for the provisions of patient care services it may be necessary or advantageous to present a unified billing, incorporating charges from a University patient care organizational entity(ies) and faculty physicians. In such cases, the Foundation is authorized to bill and collect on behalf of the University patient care organizational entity(ies) provided a proposed unified billing arrangement has been developed and agreed to by the parties and has been reviewed by University legal counsel. Examples of such unified billing include but are not limited to:

1. Charges for hospital and physician services under the terms of agreements with insurance companies or managed care plans for transplantation services, or other services reimbursed on a negotiated global rate basis.
2. University of Kentucky Health Care Plans.

E. Upon request, Foundation shall assume responsibility for the costs of drugs and supplies to be used in the patient care programs in the clinics and is hereby authorized to bill, collect, and deposit in Foundation accounts revenue from these non-ancillary items.

F. Foundation agrees that it will strictly enforce the terms of its Practice Agreements and Assignments, report promptly to University in the event any individual fails or refuses to abide thereby and join with University in any appropriate action, in law or equity, necessary to secure compliance therewith.

### **Section 11. PERSONNEL**

The parties recognize that the Foundation must employ various individuals to carry out its functions.

A. Employee Lease-Back TO KMSF. KMSF has served and the faculty practice plan for UNIVERSITY and performed many related functions (“Functions”) for a number of years. Due to a change in electronic health records and billing systems and other developments, the parties have concluded that it would be more efficient for UNIVERSITY to acquire the employees of KMSF, which occurred in FY 2024. KMSF will continue as a corporation and will continue to perform the Functions which requires personnel in order to do so. UNIVERSITY employs the former employees of KMSF and is willing to lease employees back to KMSF to perform the Functions so long as KMSF reimburses UNIVERSITY for the costs associated therewith, through monthly direct payments monthly or an increase in each monthly amount to be sent to the UNIVERSITY.

To that end, UNIVERSITY leases to KMSF the employees by classification as set forth on Exhibit B (“Employees”), which is attached hereto and incorporated by this reference. The cost for said Employees is set forth in said Exhibit. UNIVERSITY reserves the right to identify the specific employees that will be so leased and to make substitutions and replacements of such employees from time to time. KMSF agrees to make payment to UNIVERSITY of the amount set forth on the exhibit in equal monthly installments or automatic transfers, subject to appropriate adjustments if staffing is modified.

UNIVERSITY shall be responsible for all compensation, benefits (including but not limited workers compensation), and tax withholding for the Employees that are leased to KMSF, hereunder. UNIVERSITY shall make appropriate adjustments to the job descriptions of such Employees to reflect this assignment.

The parties agree that this Paragraph and its supporting exhibit may be modified by mutual agreement during the Term, as needed, to reflect changes in staffing needs.

B. Equal opportunity-affirmative action. The Foundation agrees that it will not discriminate against any employee or applicant for employment because of race, color, ethnic origin, national origin, creed, religion, political belief, sex, sexual orientation, marital status, handicap or disability. The Foundation does not discriminate because of uniform service, veteran status, or physical or mental disability when an individual otherwise meets the minimum qualifications for employment. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other compensation; and selection for training. The Foundation agrees that it will, in all solicitations or advertisements for employees, state that all qualified applicants will receive consideration for employment without regard to race, color, ethnic origin, national origin, creed, religion, political belief, sex, sexual orientation, marital status, handicap or disability. The Foundation agrees that it will indemnify and save harmless the University, the Board of Trustees of the University, including the individual members thereof, officers, agents and employees of the University, by reason of any action by law or equity or by reason of any administrative proceeding initiated by any person arising out of any such employment action or practice of the Foundation, including the payment of attorney fees and other costs of such action or proceeding.

**Section 12. USE OF UNIVERSITY FACILITIES**

The parties recognize that paragraphs III, B. 4, b, d, g and i of the "geographic full-time plan" adopted by University's Board of Trustees on June 20, 1978, as amended on March 3, 1980, September 15, 1981, June 19, 1984, June 13, 1995 and July 1, 2009, require that institutional control be maintained with respect to direction and supervision of institutional activities and programs, assignment and use of space in institutional facilities, determination of

goals, objectives and priorities and the maintenance of balance among programs and their component activities.

Accordingly, Foundation and University agree that University will provide space within the University Hospital, Kentucky Clinic and other space officially designated for the conduct of the patient care operations.

With respect to any other facilities that University may from time to time provide to Foundation (other than Leader Avenue or Gazette Avenue property), Foundation shall be deemed a licensee without any property right whatsoever in said premises or facilities and shall, upon demand of University, vacate same, except as hereafter otherwise provided. All rights of Foundation with respect to 134, 136, 138, 144, 148, and 150 Leader Avenue and any other property it may have previously leased or used or may now or hereafter lease or use on Leader Avenue or Gazette Avenue shall be governed by the separate agreement dated April 20, 2001 as amended and any other agreement(s) executed in the future by the parties hereto. In the event of any conflict between such separate agreement(s) and this agreement such separate agreement(s) shall govern and control whether relating to Leader Avenue property or Gazette Avenue property, the existing Foundation office building, parking lots or any other matter.

**Section 13. MEDICAL RECORDS**

The parties agree that all medical records relating to the care of patients in University facilities or as a part of University programs, are and shall remain the property of University and that Foundation has no right or property interest therein, provided, however, that nothing herein shall be construed to limit access to said records by members of University's faculty, staff, and students pursuant to existing University procedures. Further, the University agrees to provide or make available to Foundation such information and data from patient records and program data maintained by University as may be necessary for Foundation or University to perform its billing

and collection functions herein provided, including such information and data as may be necessary to meet the requirements of third-party or other payers as the basis for payment for services. To accommodate this information exchange, the parties have entered into reciprocal Business Associate Agreements, see Exhibit B.

**Section 14. INSPECTION AND AUDIT**

A. Foundation agrees that, in accord with paragraph II, B. 1, of the action of University's Board of Trustees dated June 20, 1978, as amended on March 3, 1980, September 15, 1981, June 19, 1984, June 13, 1995 and July 1, 2009, its books and accounts are open at all reasonable times to inspection and audit by appropriately designated University representatives.

B. The parties agree that the University's Internal Auditors may conduct an audit of Foundation's operations and accounts for the period ending June 30, 2024 and such other audits, including audits to determine compliance with this agreement, the terms of the action of University's Board of Trustees on June 20, 1978, as amended on March 3, 1980, September 15, 1981, June 19, 1984, June 13, 1995 and July 1, 2009, the terms of the departmental agreements referred to in Section 20 hereof, as may be deemed necessary or advisable by the University of Kentucky Treasurer, and that Foundation's agents and employees will cooperate to the fullest extent possible with University's auditors designated to conduct same. Further, the parties agree that a firm of Certified Public Accountants, mutually agreeable to the parties, will be contracted by the Foundation to perform an independent audit of the Foundation's books, records and accounts for the year ended June 30, 2024.

C. The Parties agree that Foundation will be furnished information by University sufficient for Foundation to verify the nature and detail of expenditure of funds paid to University under the provisions of Section 5 B. hereinabove.

D. Foundation agrees that it will furnish to University the following reports.

Annually

Audited Financial Statements to include:

Opinion of Independent Certified Public Accountants

Balance Sheets

Statement of Operations and Changes in Net Assets

Statement of Functional Expenses

Statement of Cash Flows

Supplementary Schedules

SAS 114 Letter – Report to the Board

All reports from any outside auditors, all non-routine correspondence and summaries of any oral communications relating to any potential regulatory or tax issues from the same including but not limited to management letters, reports on internal accounting controls and/or compliance.

Quarterly as requested

Financial statements as requested in writing by University Treasurer including:

Statement of Operations

Gross Billings

Collections

Financial Allowances

Bad Debts Schedule

Trial Balance of Accounts Receivable

Medical Malpractice Fund Balance Performance Report

Such reports as are necessary conduct integrated revenue cycle programs with the University

**Section 15. DEFAULT**

A. In the event of any failure of Foundation to pay any sum due to University hereunder within thirty (30) days after written notice of such default shall have been mailed to Foundation, or any failure to perform any other of the terms, conditions or covenants of this agreement to be observed or performed by Foundation for more than thirty (30) days after written notice of such default shall have been mailed to Foundation, or if Foundation shall become bankrupt or insolvent, or file any debtor proceedings, or take or have taken against Foundation in any court pursuant to any statute either of the United States or of any State a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Foundation's property, or if Foundation makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement therewith, then University may terminate this agreement. Provided however, that should any default occur which cannot

reasonably be corrected within such thirty (30) day period then Foundation shall have such additional time to correct said default as may be reasonably necessary if Foundation promptly initiates, and expeditiously carries out, appropriate action to correct such default.

B. University may at its election terminate this agreement with respect to any department without termination of the entire agreement for the same reasons and in the same manner as provided hereinabove.

**Section 16. PROFESSIONAL LIABILITY**

Nothing contained herein shall be construed to provide that any member of University's clinical faculty, house staff or student body is acting as an agent of Foundation when providing care to patients in University facilities or as a part of an approved University program.

University agrees that, when so acting, said faculty, house staff and students shall be considered agents of said University and that payment of claims or judgments may be made on their behalf from the fund provided pursuant to KRS 164.941 or other University funds.

**Section 17. MANAGEMENT AND INVESTMENT POLICIES**

A. Foundation agrees that funds deposited in a separate account pursuant to Section 8, Academic Enrichment Fund shall be invested consistent with the University Policy for investment of short-term funds.

Foundation shall be entitled to the investment income derived from said account, provided however investment income derived from balances attributed to the academic enrichment fund identified in subparagraph A. and Section 8. hereinabove shall be credited to said account.

B. Foundation agrees that it shall maintain a separate account pursuant to its contributing for self-insurance identified in Section 18B. to be invested consistent with the University's policy for investment of endowed funds with all income to be accumulated in said

separate account. The investment plan of Foundation for said separate account is subject to the approval of the University's Treasurer.

C. Notwithstanding anything contained herein to the contrary, the Dean of the College of Medicine may waive or reduce the charges referred to in Section 8 hereinabove (and elsewhere herein by reference to Section 8) relative to such clinical income as he may from time to time determine.

**Section 18. PROVISION OF PROFESSIONAL LIABILITY INSURANCE**

A. Under the professional liability insurance program, Foundation agrees that it will pay the University, as reimbursement, for the physicians' pro rata share of the malpractice contributions as determined by the Risk Management Committee, of the costs of the following: (i) payments required pursuant to KRS 164.941 in one (1) lump sum payment within thirty (30) working days of receipt of amount due; (ii) cost of claims administration within thirty 30 working days of receipt of quarterly amounts due; and (iii) the physicians' pro rata share of the costs of excess commercial insurance within thirty (30) working days of receipt of amount due.

B. In addition, Foundation has agreed that between July 1, 2024 and June 30, 2025, if required by the Risk Management Committee, it will cause to be deposited in a separate account within the Foundation the physicians' pro rata share of the malpractice contributions as determined by the Risk Management Committee of the additional contributions for self-insurance, said account together with interest accruing thereto to be held solely for the purpose of payment of legal fees, settlements, judgments arising for liabilities defined in KRS 164.941(3) and for lump sum payments referenced in previous paragraph 18A. No monies in said account shall be expended for any other purpose than as provided in this Section without the written agreement of University, nor shall such monies be encumbered, pledged or otherwise hypothecated. The monies in said account shall be invested only as provided in Section 17

hereof. Payment to the separate account may be in equal installments, provided that the full pro rata share of the malpractice contributions as determined by the Risk Management Committee shall be deposited by June 30, 2025.

C. In sum, Foundation agrees to pay in both assessments and contributions of the pro rata share of the malpractice contributions as determined by the Risk Management Committee of the total program costs of 2024-2025 as determined by KRS 164.941 and the Risk Management Committee.

**Section 19. ADMINISTRATION OF DEPARTMENTAL FUNDS**

A. Historically, Foundation, as necessary, made provision for (1) the costs of its administration and costs relating to billing and collection; (2) reimbursement of University expenses pursuant to Section 5 hereof; (3) the College of Medicine Academic Enrichment Fund pursuant to Section 8 hereof; (4) provision of professional liability insurance pursuant to Section 18 hereof; (5) provision of payment of actual expenses incurred by it which are attendant to the production of clinical income; (6) such reserves as are reasonably determined by the Foundation's Board of Directors; and (7) other obligations which are agreed to by the Foundation and are made pursuant to any agreement with, at the written request of, approved, or ratified in writing by the University of Kentucky, agrees that it , if necessary and upon request of University, maintained its accounts in such a manner that income attributable to the professional clinical activities of each of the following departments or divisions were shown separately on books maintained by the Foundation from any other fund or funds held by said Foundation to support said Department:

Anesthesiology  
Emergency Medicine  
Family and Community Medicine  
Internal Medicine  
Neurology

Neurosurgery  
Obstetrics and Gynecology  
Ophthalmology  
Orthopaedic Surgery  
Otolaryngology  
Pathology and Laboratory Medicine  
Pediatrics  
Physical Medicine and Rehabilitation  
Psychiatry  
Radiation Medicine  
Radiology  
Surgery  
Urology  
Such other departments as may be designated or established by University from time to time.

These departmental accounts are now maintained by University.

B. Hereafter, University agrees that it will expend the funds maintained by it in the aforementioned accounts only in accord with the departmental or divisional agreement relating to each department or division. Said departmental agreements are recognized as a material portion of this agreement. Therefore, the parties agree that University shall retain custody of all funds accruing to the account of departments for which an approved departmental agreement has not been executed. Said departmental or divisional agreements may be amended from time to time, as provided in said agreements, with the approval of the Dean of the College of Medicine and/or the Executive Vice President for Health Affairs. The Dean and the Executive Vice President for Health Affairs have the authority to approve or disapprove all departmental or divisional agreements as deemed necessary.

C. Notwithstanding anything contained in this or any other agreement to the contrary, the Foundation is hereby granted the right and shall be permitted, if Foundation chooses, (in addition to the matters contemplated by this Agreement) but not obligated to (a) enter into and perform its obligations under such agreement(s), as the Foundation determines

appropriate, with the University's College of Public Health of any physician(s) or other provider(s) now or hereafter assigned to the University's College of Public Health and (b) bill for, collect, administer and distribute funds pursuant to the terms of any existing or future agreement(s) either (i) with the University's College of Public Health or any physician(s) or other provider(s) now or hereafter assigned to the University's College of Public Health or (ii) relating to services provided or supervised by any physician(s) or other provider(s) now or hereafter assigned to the University's College of Public Health.

**Section 20. WAIVER OF SUBROGATION AND RIGHT TO ASSERT CERTAIN**

**CLAIMS**

Subject to the proviso in this sentence, (a) University and Foundation agree that each shall look first to any insurance in its favor before making any claim against the other party and (b) to the extent that such insurance is in force and collectible and to the extent permitted by law, University and Foundation each hereby releases and waives all right of recovery against the other and against the agents and employees of the other, whether such right of recovery may be asserted by or on behalf of either of them or any person, insurance company or other entity claiming through or under either of them by way of subrogation or otherwise; provided, however, the provisions of this Section 20 shall not be applicable to the extent they would invalidate any insurance coverage or otherwise cause any insurance coverage not to be applicable.

**Section 21. NOTICES**

All notices, demands and requests hereunder shall be in writing and shall be given by United States Registered or Certified Mail or by messenger delivery, in the case of University to:

Dean of the College of Medicine  
800 Rose Street, MN 150  
Lexington, Kentucky 40536-0298

Copy to:

Executive Director for Strategic Healthcare Contract Initiatives  
University of Kentucky  
2333 Alumni Park Plaza, Suite 300  
Lexington, KY 40517

In the case of Foundation to:

President  
Kentucky Medical Services Foundation, Inc.  
2333 Alumni Park Plaza  
Suite 400  
Lexington, Kentucky 40517

Each party may from time to time change its address for purposes of notice by giving to the other party notice of such change of address. Any notice, demand or request given by United States Registered or Certified Mail, as provided herein, shall be deemed served on the date it is deposited in the United States mail properly addressed and with postage fully prepaid.

**Section 22. RECORDS ACCESS**

Pursuant to Public Law 96-499, Section 952, the Foundation agrees to make available upon written request from the Secretary of Health and Human Resources, the Comptroller General, or the Department of Human Services of the State of Kentucky or any of their duly authorized representatives, access to this contract and all other service agreements written or oral entered into or renewed since December 5, 1980, and access to books, documents, and records necessary to verify costs of services provided by such arrangements exceeding \$10,000 in a 12-month period. Access will be permitted until four years have expired after completion of services furnished, and in accordance with the applicable federal regulations.

If the Foundation carries out any of the duties under this contract through a sub-contract with a related organization, with a value or cost of \$10,000 or more over a 12-month period, such

sub-contract shall contain a clause to the effect that until the expiration of four years after the furnishing of such services pursuant to the subcontract, the related organization shall make available, upon written request from the Secretary or Comptroller General, or any of their duly authorized representatives, the sub-contract, books, documents and records of such organization that are necessary to verify the nature and extent of such costs.

**Section 23. ADDITIONAL ACTIVITIES**

The University recognizes that in the changing health care delivery environment, the future condition of the University of Kentucky Medical Center and the University of Kentucky College of Medicine will depend on adjusting to those changes. The Foundation recognizes that it can assist the University to make these adjustments and that it should do so when such assistance can be provided without having a material negative impact on the Foundation's primary duty to bill and collect on behalf of faculty members who have executed practice agreements and assignments. Thus, subject only to the limitation that the Foundation not engage in the practice of medicine or duplicate other activities of the University of Kentucky Medical Center, the Foundation with the prior written approval of the Dean of the College of Medicine or the Executive Vice President for Health Affairs shall be entitled and is authorized to engage in and pay for the expenses of business activities of any and/or all types, (directly or indirectly, as an owner, investor or through a wholly or partly owned subsidiary, pursuant to a contract and/or joint venture and/or in any other manner) including but not limited to the provision of administrative services, a Management Services Organization (MSO), and other services to individuals and entities within and/or outside the Plan. It is also authorized with prior written approval of the Dean of the College of Medicine or the Executive Vice President for Health Affairs to incur obligations in connection therewith, as contemplated by or authorized pursuant to this Agreement. The Dean of the College of Medicine or the Executive Vice President for

Health Affairs shall determine whether duplication of activities exists and a means for resolution of same.

**Section 24. CORPORATE COMPLIANCE**

Foundation affirms that it is not excluded from participation, and is not otherwise ineligible to participate in a "Federal health care program" as defined in 42 U.S.C. section 1320a-7b(f) or in any other state or federal government payment program. In the event that Foundation is excluded from participation, or becomes otherwise ineligible to participate in any such program, during the term of this agreement, Foundation will notify the University of Kentucky Chandler Medical Center, hereinafter "UKCMC," Office of Compliance, 2333 Alumni Park Plaza, Suite 100 Lexington, Kentucky 40517 in writing, by certified mail within 48 hours after said event, and upon the occurrence of any such event, whether or not appropriate notice is given, the University of Kentucky, shall have the right to terminate this Agreement upon written notice if such matter is not cured within a reasonable timeframe as determined at the sole discretion of the University.

Additionally, Foundation affirms that it is aware that UKCMC operates in accordance with a corporate compliance program, employs a Corporate Compliance Officer and operates a 24-hour, seven day a week compliance Comply-line. Foundation has been informed that a copy of the UKCMC compliance plan is on file in the purchasing office and that it is encouraged to review the plan during normal business hours. It is understood that should Foundation be found to have violated the UKCMC compliance plan, UKCMC can, at its sole discretion, terminate this Agreement upon written notice if such matter is not cured within a reasonable timeframe as determined at the sole discretion of the University. Foundation recognizes that it is under an affirmative obligation to immediately report to UKCMC's Corporate Compliance Officer through the comply-line 1-877-898-6072, in writing, or directly (859) 323-8002 any actions by

an agent or employee of UKCMC which Foundation believes, in good faith, violates an ethical, professional or legal standard.

Nothing in this Agreement contemplates or requires that any party act in violation of federal or state law. Nonetheless, should any term or condition set forth in this Agreement later be creditably alleged, suspected or determined to be illegal, the parties agree to immediately cease the questioned activity and negotiate modification to the effected portion of the Agreement for a thirty (30) day period. If at the end of this period, no compromise can be reached, the Agreement will terminate.

**Section 25. NO THIRD-PARTY BENEFICIARIES**

This Agreement shall not confer any right, remedy or benefit upon any employee of the University or the Foundation or any other person or entity other than the University and the Foundation.

**Section 26. BUSINESS ASSOCIATE AGREEMENT**

As Foundation and University, in the opinion of their legal counsel have been determined to be business associates under the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) or any of its regulations, the parties have entered into the appropriate business associate agreements incorporated herein as Exhibit C. University shall provide privacy/security office functions for both entities.

In the event University or Foundation enters into an agreement with a third party which necessitates a business associate agreement be executed, University and Foundation shall cooperate in determining if a three-party business associate agreement would be appropriate. If it is deemed appropriate, the parties will enter into said business associate agreement.

**Section 27. TERM**

The term of this agreement shall be as described in the first paragraph and begin fully on July 1, 2024 and end on June 30, 2025.

IN WITNESS WHEREOF, the parties hereto have executed this agreement, pursuant to proper authorization of their respective governing boards, as of the day and year first above written.

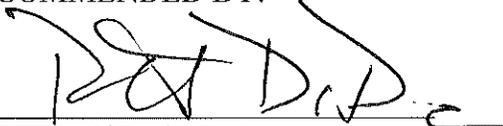
BOARD OF TRUSTEES OF  
THE UNIVERSITY OF KENTUCKY

BY:   
Eli Capilouto  
President  
University of Kentucky

KENTUCKY MEDICAL SERVICES  
FOUNDATION, INC.

BY:   
Jay Grider, DO, PhD  
President

RECOMMENDED BY:

  
Robert S. DiPaola, MD  
Co- Executive Vice President for Health Affairs

  
Eric Monday, PhD  
Co- Executive Vice President for Health Affairs

Exhibit A  
Accounting Methodology

Gross revenue and contractual allowances will be booked from EPIC at KMSF at the Summary Level and at UK at the Detail Level (eliminated at consolidation).

Automatic SAP entries will process at month-end to reclass the Revenue/AR and Revenue Allowances.

Payments will be posted in SAP from EPIC with a month-end settlement of cash between the two entities.

At month-end, KMSF will satisfy allocations to Central Business Office and Dean's Academic Enrichment per this agreement and remit remaining funds to the University.

Exhibit B  
Employee Function Listing

Functions	\$	FTEs
<b>Accounting</b>	<b>1,372,000</b>	<b>13.00</b>
General Accounting in support of KMSF functions, MG		
Accounts Payable		
Special services		
Property Accounting		
External CPAs relationship		
Document management / retention		
<b>Contracting</b>	<b>32,500</b>	<b>0.10</b>
Existing contract management		
New contracts RFP, negotiation, review		
Vendor management		
<b>HR</b>	<b>27,000</b>	<b>0.25</b>
Physicians' benefits		
Tuition Support Program		
<b>Administration</b>		
Main contact phone answer/triage	<b>30,000</b>	<b>0.50</b>
Mail sorting / forwarding		
Courier / interoffice mail		
Open record requests		
Legal matters		
<b>IT</b>	<b>74,000</b>	<b>1.00</b>
Support of KMSF servers		
Maintaining network printers/copier/personal printers		
AP Checks printer		
BNA - Fixed Assets inventory		
Docuware		
Retail Home grown POS		
<b>Security/Privacy Officer</b>	<b>51,000</b>	<b>0.25</b>
<b>Total</b>	<b>\$ 1,586,500</b>	<b>15.10</b>

Exhibit C  
Business Associate Agreement

FIRST AMENDMENT TO  
ANNUAL AGREEMENT

A certain Agreement was entered into between the BOARD OF TRUSTEES OF THE UNIVERSITY OF KENTUCKY hereinafter known as UNIVERSITY, and KENTUCKY MEDICAL SERVICES FOUNDATION, INC., hereinafter known as FOUNDATION, as of the first day of July, 2024 (the "Agreement"). This First Amendment made and entered into this first day of January, 2025 amends that certain agreement between the parties.

WITNESSETH:

WHEREAS, the relationship between UNIVERSITY and FOUNDATION is governed by an Annual Agreement that is revised as necessary and executed between the parties each year; and

WHEREAS, the parties originally concluded that FOUNDATION would retain funds equivalent to Foundation's actual expenses and such other amounts as set forth in Section 5. (Payments to University) of the Annual Agreement; with said funds to be retained in equal monthly installments; and

WHEREAS, as a result of enterprise funds transfers, efficiencies and consolidation, by the end of 2024, it became apparent that FOUNDATION had sufficient funds and that this amount was in excess of what would be needed for FOUNDATION debt service and operations; and

WHEREAS, in order to accomplish an adjustment, a written amendment to the Annual Agreement is necessary.

NOW THEREFOR, the parties agree as follows:

1. Beginning January 1, 2025, the monthly retention of funds by FOUNDATION as referenced in Section 5, Paragraph E. of the Annual Agreement shall be amended to suspend the following line items:
  - a. an additional point seven five percent (.75%) of professional billing gross charges as a Clinical Investment Reserve.
  - b. an additional fixed amount of \$5,000,000 Facility Management Fee.
2. Beginning January 1, 2025, the monthly transfer of funds by FOUNDATION as referenced in Section 8, Paragraph E. of the Annual Agreement shall be amended to suspend the following line item:
  - a. transfer to Dean's Academic Enrichment Fund within KMSF an amount equal to at least \$22,000,000.
3. A new amount of funds needed to remain at FOUNDATION for operations, planned projects and debt services shall be determined and included in the Annual Agreement for Fiscal Year 2026.

4. All other terms of the Annual Agreement not specifically modified by this First Amendment shall remain in full force and effect.

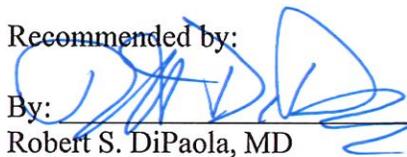
IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date written above.

UNIVERSITY of KENTUCKY

KENTUCKY MEDICAL  
SERVICES FOUNDATION, INC.

By:   
Eli Capilouto  
President

By:   
Jay Grider, D.O., PhD, MBA  
President

Recommended by:  
By:  3-4-25  
Robert S. DiPaola, MD  
Co-Executive Vice President for Health Affairs

By:  030525  
Eric Monday  
Co-Executive Vice President for Health Affairs