

ECR 1

Office of the President
August 23, 2018

Members, Executive Committee of the Board of Trustees:

APPROVAL OF CREATION AND FUNDING OF AN AFFILIATED ENTITY AND PARTICIPATION IN AMBULATORY SURGERY CENTER

Recommendation: that the Executive Committee of the Board of Trustees act on behalf of the Board of Trustees of the University of Kentucky during the period between board meetings as authorized by Kentucky Revised Statute (“KRS”) 164.190 and Governing Regulation II.E.2.a(2) to:

(A) approve the formation of a new affiliated entity wholly owned by the University of Kentucky, to participate in various business transactions for the purpose of improving the quality and accessibility of health care delivered in central Kentucky;

(B) approve the transfer of funds from UK HealthCare to the new affiliated entity, in the amount of \$1,200,295, to permit the new affiliated entity to purchase a 51 percent membership interest in Surgery Center of Lexington, LLC, which in turn owns a majority interest in an ambulatory surgery center partnership with other Lexington community physicians; and

(C) authorize the Executive Vice President for Health Affairs or his designee to execute the documents necessary or required by law to be recorded to effect the transactions described above, including but not limited to a Membership Interest Purchase Agreement and a Third Amended and Restated Operating Agreement of Surgery Center of Lexington, LLC.

Background: UK HealthCare (“UKHC”) and Surgical Care Affiliates (“SCA”) have been in discussions concerning a joint venture to own and operate an ambulatory surgery center (“ASC”) in Lexington, KY. SCA currently owns and operates an ASC joint venture with community physicians; with this action, UKHC will purchase the controlling interest in that ASC. This action is the first step in initiating UKHC’s strategy to expand its ambulatory care to better serve and provide quality healthcare services to the citizens of the Commonwealth of Kentucky in lower cost settings. It also creates needed additional surgical capacity for UKHC surgeons and provides additional revenue to fund UKHC’s mission. SCA is an experienced ambulatory surgery center operator and will continue to manage the ASC on behalf of the joint venture. UKHC will purchase the 51 percent interest for the sum of \$1,200,295, which is fair market value as determined by an experienced third party health care appraiser.

Governing Regulation II.E.2.a(2) authorizes the Executive Committee of the Board to exercise oversight of the financial and business interests of the University and possess the

same powers as the Board of Trustees during periods between meetings of the full Board of Trustees. The Executive Committee will submit a record of this proceeding to the Board of Trustees as a consent agenda item at the Board's September 14, 2018 meeting.

Action taken: Approved Disapproved Other _____