

Office of the President  
April 26, 2024

Members of the Board of Trustees:

APPROVAL OF THE UNIVERSITY OF KENTUCKY'S ACQUISITION OF ST. CLAIRE  
MEDICAL CENTER, INC. AND ALL ITS SUBSIDIARY CORPORATIONS

Recommendation: that the Board of Trustees approve the University of Kentucky's acquisition of St. Claire Medical Center, Inc. and its subsidiary corporation, St. Claire Real Properties, Inc. To accomplish this objective, the Board of Trustees should take the specific actions detailed below.

Background: Since its founding over 60 years ago, the healthcare system at the University of Kentucky has evolved to become an academic health system within a larger university, focused on a shared vision and powerful mission to create and sustain a state that is healthier, wealthier and wiser tomorrow than it is today.

That mission requires UK HealthCare to continue to grow and foster partnerships — smartly and strategically — to meet the health care needs of the state.

At its April 2023 meeting, the University Healthcare Committee reaffirmed three key themes of the UK HealthCare 2025 Strategic Plan, which focused on:

- Enhancing the position of UK HealthCare as the state's premier center for advanced sub-specialty care.
- Expanding UK HealthCare's capacity to care for our community, our people, our partners and our talent.
- Growing an academic health system for Kentucky to meet the health care needs of the state.

In addition to these strategies, the University recognizes the need to grow the availability of the Commonwealth's health care workforce. The University's seven health-related colleges have been exploring the expansion of health education programs, often in collaboration with UK HealthCare affiliates around the state.

Most recently, Ashland-based King's Daughters Health became part of the UK family in December of 2022. This acquisition has already significantly expanded health services offered throughout the tri-state area, with significant investments in people and infrastructure.

UK HealthCare's vision is bold.

Our plans to meet this moment must match that bold vision.

As the next step in achieving this vision, the President recommends the University acquire St. Claire Medical Center, Inc. and its subsidiary corporation, St. Claire Real Properties, Inc. as an expansion of its historical relationship with this critical community health provider.

Indeed, the relationship with St. Claire harkens back to the beginning of this venerable, community-centered hospital more than 60 years ago.

The founding dean of UK's College of Medicine and first vice president of Albert B. Chandler Hospital attended the dedication of St. Claire Medical Center, a stirring testament to what would become a strong and enduring partnership, with a commitment to extend healing and hope to northeastern and eastern Kentucky.

Now, in that same spirit of collaboration — supported by the historic roots of partnership nearly seven decades strong — the University of Kentucky and St. Claire Medical Center are committed, together, to further extending advanced healthcare services to the people of northeastern and eastern Kentucky in ways that will also grow health education efforts and invest in people and infrastructure.

Specifically, the acquisition by the University of Kentucky of St. Claire Medical Center, Inc. and its subsidiary corporation, St. Claire Real Properties, Inc., will improve the health of the region by: (1) strengthening and improving access to high-quality, affordable healthcare services in northeastern Kentucky; (2) ensuring that the health care needs in northeastern Kentucky continue to be met; (3) focusing on health education needs and workforce development in northeastern Kentucky; (4) reducing the costs of providing health care through operational efficiencies; (5) improving care coordination between the two clinical enterprises; (6) developing the capabilities to respond to the evolving healthcare landscape in the Commonwealth; and (7) preserving and growing the abilities to provide sustainable patient-focused care in the Commonwealth.

The University's acquisition of St. Claire Medical Center, Inc. and the subsidiary corporation named below, including assumption of leases, debt instruments and liabilities associated with the acquisition, is authorized by the 2024 Kentucky General Assembly in the 2024-2026 Executive Branch Budget.

### **SPECIFIC ACTIONS:**

To benefit and further the University's clinical mission to increase access to quality health care for the Commonwealth of Kentucky, the Board of Trustees of the University of Kentucky takes the following actions:

1. Authorizes and approves the University's acquisition of St. Claire Medical Center, Inc. and its subsidiary corporation, St. Claire Real Properties, Inc.
2. Authorizes and approves, as part of the acquisition, the assumption of all leases, debt instruments, and liabilities of St. Claire Medical Center, Inc. and its subsidiary corporation, St. Claire Real Properties, Inc.

3. Instructs the President to direct the Board of Directors of Beyond Blue Corporation, an affiliated corporation of the University, to take whatever steps are necessary to:
  - (1) create a new wholly owned subsidiary corporation, Claire Blue Health LLC; and
  - (2) acquire all assets and liabilities of St. Claire Medical Center, Inc. and its subsidiary corporation, St. Claire Real Properties, Inc. by having Claire Blue Health LLC become the sole member of St. Claire Medical Center, Inc.
4. Exercises its powers under K.R.S. § 164A.610 and designates Claire Blue Health LLC as an affiliated corporation of the University to assist the University in carrying out its programs, missions or other functions. As such, Claire Blue Health LLC is an alter ego of the University of Kentucky as of the date of incorporation.
5. Exercises its powers under K.R.S. § 164A.610 and designates of St. Claire Medical Center, Inc. and its wholly owned subsidiary, St. Claire Real Properties, Inc., to be affiliated corporations of the University to assist the University in carrying out its programs, missions or other functions. As such, both St. Claire Medical Center, Inc. and St. Claire Real Properties, Inc. are an alter ego of the University of Kentucky as of the Acquisition Date. Specifically, the following corporations are now affiliated corporations of the University: (1) St. Claire Medical Center, Inc; and (2) St. Claire Real Properties, Inc.
6. Appoints the following individuals to serve on the Board of Governors of Claire Blue Health LLC: (1) the Executive Vice President for Finance and Administration; (2) the Executive Vice President for Health Affairs;<sup>1</sup> (3) the Senior Vice President for Finance and Administration; (4) the Treasurer of the University; (5) the Senior Vice President and Chief Administrative Officer for UK HealthCare; (6) the Senior Vice President and Chief Financial Officer for UK HealthCare; (7); William H. Redwine; (8) Shelly Irving, PA-C; (9) Aaron P. Banks, DO; and (10) John P. Northcutt. The individuals who are University of Kentucky senior administrators will serve by virtue of their position. Should any of the University of Kentucky senior administrators leave their position, they will no longer serve on the Board of Governors, and their successor in their senior administrative position will be appointed to the Board of Governors without further action by the University of Kentucky Board of Trustees. Otherwise, all individuals will serve at the pleasure of the University of Kentucky Board of Trustees and can be removed at any time for any reason.

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<sup>1</sup> The University currently has two Co-Executive Vice Presidents for Health Affairs. One of the Co-Executive Vice Presidents for Health Affairs, Eric Monday, also serves as Executive Vice President for Finance and Administration. By virtue of holding that office, Dr. Monday is a member of the Claire Blue Health LLC Board. Accordingly, the Board intends for Co-Executive Vice President for Health Affairs Robert DiPaola to fill the Executive Vice President for Health Affairs seat on the Claire Blue Health LLC Board.

7. Instructs the President to direct the Board of Directors of Beyond Blue Corporation, as the parent corporation of Claire Blue Health LLC, to appoint appropriate individuals to the boards of the following: (1) St. Claire Medical Center, Inc.; and (2) St. Claire Real Properties, Inc. The individuals appointed by the Board of Beyond Blue Corporation will serve at the pleasure of the President or the University of Kentucky Board of Trustees. The Board of Beyond Blue Corporation, the President, or the Board of Trustees can remove any individual from these boards at any time for any reason.
8. Instructs the President to direct the members of his Cabinet to ensure Claire Blue Health LLC complies with all state and federal constitutional provisions, laws and regulations applicable to the University of Kentucky and/or public entities operating within the Commonwealth of Kentucky.
9. Declares that all hospital staff, nurses, nurses' aides, volunteer workers, employees and students and all other persons involved in furnishing health care within the scope of their duties or courses of study in connection with Claire Blue Health LLC are agents of the University of Kentucky for purposes of University of Kentucky Medical Center Malpractice Insurance Act, KRS §§ 164.939, *et seq.* as of the Acquisition Date.
10. Declares that all employees of Claire Blue Health LLC and its wholly owned subsidiaries are public employees as of the Acquisition Date. However, unless otherwise designated by the President, the employees of Claire Blue Health LLC and its wholly owned subsidiaries are not employees of the University of Kentucky. Rather, the employees of Claire Blue Health LLC are employees of an affiliated corporation of the University of Kentucky.

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Action taken:     Approved     Disapproved     Other \_\_\_\_\_