

Proposed Deal Points for Emergency Medicine Support Agreement

1. The Emergency Medicine Support Agreement (“Agreement”) is subject to the following:
 - a. A determination by the Nueces County Hospital District’s (“District”) Board of Managers (“Board”) that, among other things, (i) the provision of support (“Support”) to CHRISTUS Spohn’s (“Spohn”) Emergency Medicine Residency Program (“EM Program”) is in furtherance of the District’s constitutional and statutory mission and purpose to provide or arrange for indigent care to the community; (ii) the public is receiving adequate consideration from the Support; and (iii) there are adequate controls in place to ensure that the Support is, in fact, used in furtherance of the District’s constitutional and statutory mission and purpose.
 - b. Spohn’s provision to the District of a report detailing Spohn’s direct and indirect expenses and revenues attributable to the EM Program.
 - c. A determination that the Support to be provided by the District to Spohn in connection with the EM Program is no more than Spohn’s actual costs (“Actual Costs”), meaning Spohn’s direct expenses, overhead allocations using generally accepted Medicare reimbursement principles, and IME expenses determined as fifty percent (50%) of IME reimbursement.
 - d. Spohn’s commitment to (i) maintain the EM Program ~~and~~; (ii) match at a minimum 12 EM Program Residents for 2024 - 2025 through 2029 - 2030 ~~academic years~~ (“EM Program Commitment Academic Years (i.e., July 1 through June 30th)”), subject to the maintenance of historical qualification and credential standards; (iii) maintain an academic university-based teaching affiliation for EM Program faculty; (iv) provide the level of academic faculty administrative support needed to maintain ACGME accreditation; and (v) provide market-competitive compensation subject to “fair market value” and other requirements of applicable exception under the Physician Self-Referral Law at 42 U.S.C. §§ 1395nn and implementing regulations for EM Program faculty and residents (collectively, the “EM Program Commitment”).
 - e. The District and Spohn’s execution of definitive agreements memorializing the terms and conditions of the Agreement.
2. The Term of the Agreement will be ~~five years~~six years commencing with the 2024 – 2025 academic year and ending following the 2029 – ~~30~~2030 academic year. The Agreement will automatically terminate in the event (i) Spohn is unable to match any ~~additional~~ residents in the EM Program for the 2024 – 2025 ~~academic year~~Academic Year (i.e. Spohn does not match a single resident to its EM Program for the 2024 – 2025 Academic Year), or (ii) ~~Spohn~~the EM Program loses its accreditation as a graduate medical education

(“GME”) program. In the event the Agreement is terminated, Spohn’s obligation to comply with the EM Program ~~Commitments~~Commitment and the District’s obligation to provide Support shall cease. In the event (x) Spohn decides it wants to discontinue the EM Program during the term of the Agreement and the District does not oppose such decision, (y) Spohn decides not to continue the EM Program following termination of the Agreement, or (z) Spohn is unable to meet ACGME Sponsoring Institution requirements during the term of the Agreement, the District may identify an alternate Sponsoring Institution within Nueces County to accept transfer of the EM Program. If the District identifies an alternate Sponsoring Institution within Nueces County willing to accept transfer of the EM Program, Spohn shall timely transfer sponsorship of the EM Program to such alternate Sponsoring Institution within Nueces County in accordance with published ACGME sponsorship guidelines. Neither party shall have any obligation to fund the EM Program if Spohn transfers the EM Program to another Sponsoring Institution as provided herein. Notwithstanding the foregoing, if the District is unable to identify an alternate Sponsoring Institution, Spohn shall have no obligation to transfer the sponsorship of the EM Program.

3. In consideration for Spohn’s EM Program Commitment, the District will provide the following Support to Spohn:
 - a. **2024 – 2025 Academic Year** – The lesser of (i) \$1,402,500 ~~and/or~~ (ii) Spohn’s Actual Costs
 - b. **2025 – 2026 Academic Year** – The lesser of (i) \$2,847,500 ~~and/or~~ (ii) Spohn’s Actual Costs
 - c. **2026 – 2027 Academic Year** – The lesser of (i) \$4,250,000 ~~and/or~~ (ii) Spohn’s Actual Costs
 - d. **2027 – 2028 Academic Year** – The lesser of (i) \$4,250,000 ~~and/or~~ (ii) Spohn’s Actual Costs
 - e. 2028 – 2029 Academic Year – The lesser of (i) \$4,250,000 or (ii) Spohn’s Actual Costs
 - e-f. **2029 – 2030 Academic Year** – The lesser of (i) \$4,250,000 ~~and/or~~ (ii) Spohn’s Actual Costs
4. Each ~~month~~quarter during the applicable Academic Year, the District shall pay Spohn one-fourth (1/4) of the estimated Support for such Academic Year (e.g., \$1,402,500 for the 2024 – 2025 Academic Year). Within five (5) months after the conclusion of Spohn’s Medicare cost reporting year, Spohn shall provide the District with a report reflecting its Actual Costs for the preceding year. In the event that the Actual Costs for such year are less than the estimated Support paid by the District for such year, then Spohn shall refund such surplus within 30 days of its provision of the report to the District.

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5. In the event Spohn is unable to match twelve (12) residents that meet the EREM Program Commitment, Spohn will meet with the District in good faith and apply a proportionate reduction to the Support to ensure the District receives a benefit from program cost savings. By way of illustration, in the event Spohn matches six (6) residents for the 2024 – 2025 Academic Year instead of twelve (12) residents, the District’s Support to Spohn shall be proportionately reduced to the lesser of \$701,250 or Spohn’s Actual Costs (i.e., 50% of the amount set forth in Section 3.a above).
6. In the event Spohn obtains incremental funding from a third-party during the term Agreement beyond the funding it is receiving as of the effective date of the Agreement in support of the EM Program, then the parties agree to reduce the District’s Support by an amount equivalent to such incremental third-party funding. The parties acknowledge that Texas Medicaid has proposed and plans to implement a GME reimbursement program. In calculating a reduction to the District Support attributable to Medicaid GME, (i) only Medicaid GME amounts attributable to periods on or after the 2024-2025 Academic Year will apply to the reduction; and (ii) the reduction will be limited to the federal share of any Medicaid GME payments Spohn receives, multiplied by the number ER residents divided by total residents.
7. The parties agree to conduct a medical needs assessment for the Nueces County community (“Community Needs Assessment”) within one-year of the effective date of the Agreement. The parties agree to meet in good faith within six months of the completion of the Community Needs Assessment to (i) discuss how best to address the medical needs identified by the Community Needs Assessment and (ii) identify resources to address such medical needs. Neither party has any obligation to fund any needs identified through the Community Needs Assessment.

Summary report:	
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