

February 10, 2023

## **Statement from Board of Regents Chair Ken Powell regarding the proposed Fairview/Sanford merger and MPact Health Care Innovation vision**

Since my remarks at our December Board meeting about what is at stake for the University and the State of Minnesota over the merger proposed by Sanford Health and Fairview, much has happened. I offer my own further assessment this morning:

The future of the Medical School and its role of service to patients and the public health of Minnesota is on the line with the proposed merger. Minnesota should know that its Medical School is a crown jewel and an essential public good. The Medical School is soaring. The Medical School is on track to become a top 20 program in the nation, a status it has not held since 1990. That expertise trains 70% of the doctors in Minnesota -- no surprise, as we are number 2 in the country for primary care training. Those doctors, in turn, serve in hospitals and clinics in all corners of this great state. The University's faculty -- organized as University of Minnesota Physicians -- touch over a million Minnesota patients every year. That teaching and clinical care benefits from what is learned through ongoing medical research, topping \$340 million in NIH funding in 2022, with even higher expectations in 2023.

Fairview's CEO recently characterized the University as an "ivory tower". If you want to characterize what the University means for Minnesota, you need look no farther than this week's Board of Regents agenda. The University is arm-and-arm with CentraCare to bring a new medical education program to Greater Minnesota and expand the reach of our residency program to serve rural communities. Saint Cloud State is home to a nursing school collaboration with the University. And it takes a public university to bring multiple healthcare disciplines -- Nursing, Public Health, Science and Engineering, Dental, and Medical, to name a few -- to bear on the health issues facing Minnesotans. That is just a modest set of reminders of how the University faculty are on the front lines of healthcare, alongside University-trained nurses, M Health Fairview employees, University-trained pharmacists, and School of Public Health researchers -- working in emergency rooms, operating rooms and University laboratories, making rounds and doing everything humanly possible to save lives and treat illness. That is no "ivory tower". Put another way, the money the University and UMP receive from Fairview is money we earn, and Fairview profits from our public healthcare delivery teamwork.

That is what is at stake, and why the University has seized an opportunity that only comes to us once every half-century or more. We are at a crossroads. It is incumbent upon Minnesota and this University to do this right. That means rising above a focus on Fairview's financial condition which has opened the door to Sanford Health's business interest in expanding into the metropolitan marketplace. The University's five-point vision -- shared privately with Fairview and Sanford on January 6 and publicly at the first Attorney General session on January 10 -- calls for (1) a world-class academic medical center integrating teaching and research with top notch clinical care; (2) University governance and control of its campus facilities to ensure that those public obligations of this University are never compromised; (3) a strong affiliation with health partners throughout the state, ideally including building upon the M Health joint clinical enterprise reformed in 2018; (4) planning for a state-of-the-art hospital with the

concurrence and support of the legislature; and (5) addressing the campus facilities needs in the meantime. That is the makings of a system that will stand the test of time.

The strategic, business, and policy planning required to re-orient the future of M Health around that five-point vision for an academic medical center takes time. Having spent my career constructing complex business combinations, I can tell you that if you rush them, you regret it. If you try to plow forward without including your key partners, you will fail. Here, if this merger proceeds without recognizing and assuring the centrality of the University to Minnesota's public health, the people who depend on us will be hurt.

I am especially concerned over the posture of Fairview and Sanford that finds them clinging to a March 31 deadline and repeating that they intend to proceed "with or without the University". All that does is underscore an effort to squeeze out the University and thereby squeeze out the public interests at stake.

I call upon Sanford Health and Fairview to publicly endorse the University's five-point vision and disclaim its line-in-the-sand deadline of March 31 and disclaim its intent to proceed "with or without the University".

Let me explain why, especially why those steps are needed to protect the public interest. They are not business demands, they are a public call for an assurance of good faith and a commitment to put the public first.

The current merger proposal was negotiated between Fairview and Sanford beginning in May 2022 without University involvement. Fairview did not tell anyone at the University about their merger plans and resulting Letter of Intent, or LOI, until August 7. It provided that document to the three University representatives on the Fairview Board in the lead-up to its early September board meeting. By that point, it was a "fait accompli". Having no role in creating it, and being rebuffed on their call for time to evaluate it, all those three University board members could do is vote "no". As you know, Fairview went ahead without us. That way of doing business is not in the public interest. It is not what the University expects of a joint clinical partner. M Health is part of M Health Fairview for reasons more than branding buildings. Squeezing out the Block M is squeezing out the public interest.

Fairview and Sanford are repeating the same conduct now: Approve a merger by Fairview and Sanford's March 31 deadline. Don't slow down to coordinate with the University and public interest. Proceed "with or without the University". That is not the position of partners who are looking out for the public interest. Given what we know (or more appropriately, what we don't know) about the LOI, it would be a fool's errand to approve the merger and rest on the hope that the merged entity will slow down for the University and public interests thereafter. That sequencing would leave the University as an afterthought, just as it was at that September Fairview board meeting, left to be a cost center in the Sanford system once the current Fairview affiliation agreement ends in 2026.

What is also missing from the public conversation is a diagnosis of why non-profit Fairview is losing so much money. As a business person, public consideration of any merger should require a turnaround plan that ensures that a non-profit accountable to the Attorney General, and thus to Minnesota, is on a path to good financial health.

The time is now. Having spent September through December discussing a Sanford-centric model based upon an LOI the University had no role in drafting, the University advanced its vision at the start of 2023. We have the expertise at our disposal to work hard to turn that vision into a defined plan. We have been

working tirelessly to advance a system built on teaching and research as well as clinical care -- but we cannot do it alone. We need the public's help and the help of our public officials to make sure the public interest has a place at the table. The current MHealth Fairview system is well equipped to provide top-notch healthcare before, during, and after those discussions. Let me emphasize that the University has nothing but praise for the Fairview employees caring for patients. The issue is whether the governance, leadership, and organizational structure can be re-formed around public values to assure Minnesotans that they will be able to count on the excellent clinical care they rightfully expect from the University and its Medical School. The ingredients are at hand for a bright future. Top-of-class healthcare cannot be accomplished piecemeal or by deadlines that do not make business or public policy sense. It requires working together to build it right.