



UNIVERSITY OF  
**NORTH TEXAS**  
SYSTEM

**Board Briefing**

**Committee:** Finance & Audit

**Date Filed:** August 15, 2006

**Title:** Annual Operating Contract between UNT Health Science Center and UNTHSCFW Health Systems, Inc.

---

**Background:**

This contract is the annual funding mechanism for the continuation of the Master Service Agreement between UNTHSC and UNTHSCFW Health Systems, UNTHSC's affiliated not-for-profit corporation that was approved by the Board of Regents on October 5, 2005. UNTHSCFW Health Systems employs medical professionals and support staff who in turn support UNTHSC in the fulfillment of its contractual obligations with the Tarrant County Hospital District.

This agreement specifically enables the Health Science Center to meet the terms and conditions of its contracts with Tarrant County Hospital District (TCHD) for professional services in orthopedic surgery, podiatry, obstetrics and gynecology, psychiatry, and community health (family practice and internal medicine services in TCHD owned clinics). For FY06-07, these contracts are estimated to generate \$30.8 million in net patient revenue (58.2% from TCHD sponsored patients). For a variety of reasons, 18 physicians and 5 nurse practitioners/physician assistants who were hired in 2005 to support the agreements with TCHD preferred alternative employment options other than with UNTHSC and the State of Texas. Due to the short implementation schedule and the costs associated with recruiting replacement providers, UNTHSC elected to use UNTHSCFW Health Systems, Inc. to hire these health care professionals.

Since UNTHSCFW Health Systems was being used to hire physicians and allied health staff, it was also available as a hiring entity for the clinic and business support staff who were needed. Over the course of FY05-06, additional support personnel were added due to the increased patient volume. As of July 1, 2006, UNTHSCFW Health Systems has 15 physicians and 7 nurse practitioners/physician assistants employed. In addition, it now has 70 support staff members, an increase of 12 staff from the original 58.

Rather than employing in house staff to provide critical administrative functions, UNTHSCFW Health Systems contracted with Administaff, a state-licensed professional employer organization. Administaff provides human resources administration, group health insurance, and payroll administration for UNTHSCFW Health Systems. For FY05-06 (year-to-date) the administrative charge associated with the Administaff contract was 3.61% of total payroll (\$222,727 as of July 1, 2006). UNTHSC provides funding to UNTHSCFW Health Systems for the provision of these contracted services. This agreement assures the continuation of that source of funding.

UNTHSCFW Health Systems carries standard business insurance for directors and officers liability (policy limit, \$2MM with Chubb), general business liability insurance (policy limit, \$1MM per occurrence, \$2MM aggregate with Hartford Fire Insurance Company), and fiduciary liability insurance (policy limit \$1MM per occurrence, \$1MM aggregate with Executive Risk Indemnity, Inc.) at a total cost of \$15,227 per year.

---

**Financial Analysis/History:**

The following information is provided by UNTHSC staff

FY06-07 Budget

<b>REVENUES</b>	<b>\$6,000,000</b>
UMA Payroll Estimates (Salary & Benefits + Administaff Fee)	
Physician/Nurse Practitioner/Physician Assistant	\$3,700,000
Support Staff (Clinics and UNTPG Business Office)	2,100,000
UMA Maintenance & Operations (M&O) Expenses	200,000
Professionals (Legal, Audit, and Banking)	
Retirement Plan Administration	
Business Insurance (GBL, D&O, and Fiduciary)	
Direct Practice Expenses (Dues, CME, Travel, etc.)	
<b>TOTAL EXPENDITURES</b>	<b>\$6,000,000</b>

The proposed budget is based on the actual costs incurred through the first nine months of operation in FY05-06.

Any shortfalls due to unanticipated expenses that are greater than the \$6,000,000 amount will be addressed with a reconciling amendment in July 2007. Any excess funds over expenses will be swept from the UNTHSCFW Health Systems bank account after the final FY06-07 payroll is funded in August 2007 and returned to UNTHSC.

---

Vice Chancellor for Finance

---

**Legal Review:**

This board item has been reviewed by the Office of General Counsel.

---

Vice Chancellor/General Counsel

---

**Schedule:** October 1, 2006

---

**Recommendation:**

Approval of the Annual Operating Contract between the University of North Texas Health Science Center at Fort Worth and the University of North Texas Health Science Center at Fort Worth Health Systems, Inc. dated October 1, 2006 with an estimated value of \$6,000,000.

**Recommended By:** Marc B. Hahn, D.O., Vice President for Health Affairs and Dean, TCOM  
Name and Title

---

President

---

Chancellor



**Title:** Annual Operating Contract between UNT Health Science Center and UNTHSCFW Health Systems, Inc.

---

### **Board of Regents Order 2006-49**

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on September 7, 2006, pursuant to a motion made by Regent Nickell and seconded by Regent Tilley, the Board approved the motion presented below:

---

Whereas, the University of North Texas Health Science Center at Fort Worth has entered into professional service agreements with the Tarrant County Hospital District to provide physician services in family medicine, internal medicine, orthopedic surgery, podiatry, psychiatry, and obstetrics and gynecology, and

Whereas, the University of North Texas Health Science Center at Fort Worth has the business necessity to fulfill some of this Tarrant County Hospital District contract obligations through a subcontract with the not-for-profit corporation, the University of North Texas Health Science Center at Fort Worth Health Systems, Inc., and

Whereas, the University of North Texas Health Science Center at Fort Worth Health Systems, Inc. has a desire to enter into an agreement with the University of North Texas Health Science Center at Fort Worth as a subcontractor for the Tarrant County Hospital District professional services agreements in family medicine, internal medicine, orthopedic surgery, podiatry, psychiatry, and obstetrics and gynecology.

Now, Therefore, The Board of Regents authorizes and approves the following:

1. The Annual Operating Contract between the University of North Texas Health Science Center at Fort Worth and the University of North Texas Health Science Center at Fort Worth Health Systems, Inc. dated October 1, 2006 with an estimated value not to exceed \$6,000,000.

---

VOTE: —8— ayes —0— nays —0— abstentions

**BOARD ACTION:** This item was approved, as presented.

Attested By:

Approved By:

---

Jana Dean, Secretary  
Board of Regents

---

Gayle Strange, Vice Chairman  
Board of Regents