

UNIVERSITY OF LOUISVILLE SCHOOL OF MEDICINE
PROFESSIONAL PRACTICE PLAN

PREAMBLE

A professional practice plan has become important to the School of Medicine in order to maintain a faculty of excellence in teaching, research and patient care, and to provide appropriate monitoring of faculty professional time in order to assure fulfillment of academic responsibilities. The School of Medicine and its faculty have more than 15 years experience utilizing a professional practice plan, and have found that the support of the faculty and the administration of the plan have substantially contributed to achieving the general objectives of the professional practice plan, which are to:

1. Maintain a patient base for teaching and research.
2. Provide the faculty with remuneration commensurate with their academic and professional qualifications and activities.
3. Provide additional financial support for the School of Medicine in the pursuit of excellence.
4. Encourage an appropriate degree of faculty involvement in patient care.
5. Define the role and scope of professional practice activities of the faculty.
6. Strengthen relationships between the faculty and the medical community.

This revision to the Professional Practice Plan originally adopted June 23, 1975, adheres to those general objectives while addressing specific concerns of the University and of the faculty. This plan continues to recognize that the foremost duties of full-time faculty are teaching, scholarly activities and service, and that services rendered to or on behalf of patients are in fulfillment of those duties.

All full-time faculty members of the School of Medicine are required to participate in the Professional Practice Plan as a condition of their full-time appointment and employment with the University of Louisville ("University").

In adopting this revised Professional Practice Plan, the University reiterates and again acknowledges that University salaries for full-time faculty members of the School of Medicine shall not be discriminated against in the allocation of overall University salary increases on account of their having private professional practice income, and future allocation of available University funding to the School of Medicine will not be adversely affected by Plan revenue increases.

For those faculty contributing financial support to the School of Medicine under this Plan, the obligations under this Plan supersede and are in lieu of the obligations of the faculty under (a) Section 4.3.3 of the Redbook (limiting outside employment to an average of one [1] day per week), and (b) the Clinical Services Association ("CSA") Agreement adopted by the Board of Trustees on May 17, 1967.

I. Background of this Plan.

The Professional Practice Plan of the School of Medicine was developed through the cooperative efforts of the physician faculty and the University Administrative Staff and adopted by the Board of Trustees in June, 1975. The Medical School faculty has been supportive of the Plan which has been in continuous effect, with some revisions, until the adoption of this revision.

There have been substantial changes in the University's operations, and in the practice of medicine, since 1975. In September, 1989, the Board of Trustees directed that a review of the Plan be undertaken and in May of 1990, the Board directed that appropriate modifications to the Plan be proposed. A faculty Task Force Committee appointed by the Dean met with the Dean over a nine-month period. Further, there were extended discussions between Administration and the leadership of major clinical departments, and in those discussions the faculty demonstrated their firm commitment to assuring that the School of Medicine continues to develop, excel and attract top quality faculty members in all departments.

In 2009, the process began to create University of Louisville Physicians, an integrated faculty practice arrangement for clinical services. The modifications to the University of Louisville School of Medicine Professional Practice Plan proposed in December, 2010 reflect the integrated faculty practice arrangement for clinical services.

II. Goals of this Plan.

In addition to the general objectives of the Professional Practice Plan noted above, the specific goals of this revised Plan are:

- A. To establish support levels for academic programs from professional practice income.
- B. To increase the discretionary revenue available to the Dean for additional support of the academic programs, and to require the Dean to identify in advance the purposes for which he intends to use those discretionary funds and to retrospectively report to the faculty on the extent to which those purposes were served by those funds.
- C. To simplify the Professional Practice Plan by utilizing formulas based on gross receipts, requiring accountability along lines parallel to the department structures, and discouraging fragmentation of the faculty by formation of new Practice Groups.
- D. To assure appropriate accountability mechanisms through disclosure and audit procedures.
- E. To maintain incentives for recruitment and retention of top quality faculty.
- F. To establish a forum for discussion of clinical practice issues.

III. Definitions.

- A. **Academic Program Support.** The amount of money for each Clinical Department that must be collected from Practice Groups to fund a portion of University academic program budgets from practice revenues.
- B. **Base Year Assessment.** A component of the Dean's Fund obligation. The Base Year Assessment is equal to the Dean's share of adjusted CSA equivalent for 1990. Each Department's Base Year Assessment is set forth on Schedule B.
- C. **Base Year Receipts.** The amount of 1990 gross receipts that generated the 1990 Base Year Assessment amount. The Base Year Receipts reported by each Department is listed on Schedule B.
- D. **Basic Science Departments.** The departments of Anatomical Sciences Neurobiology, Biochemistry, Physiology and Biophysics, Microbiology and Immunology, and Pharmacology and Toxicology within the School of Medicine, and any other School of Medicine department designated as a Basic Science Department by the University of Louisville Board of Trustees.
- E. **Basic Science Faculty.** Full-time Faculty with primary appointment in a Basic Science Department.
- F. **Clinical Faculty.** Full-time Faculty with primary appointments in a Clinical Department or, if permitted, any Full-time Faculty with a primary appointment in a Center or Institute who would have had a primary appointment in a Clinical Department but for his or her having received a primary appointment in a Center or Institute.
- G. **Contributing Faculty.** Full-time Faculty who are required to, and who do, contribute (including through their Practice Groups) financial support to the School of Medicine under the terms of this Plan.
- H. **Dean.** The Dean of the University of Louisville School of Medicine as designated by the University of Louisville Board of Trustees.
- I. **Dean's Fund.** Those discretionary funds available to the Dean to provide Additional support for the clinical and academic programs and activities of the School of Medicine, which this Plan obligates the Clinical Faculty to pay through a contribution of a percentage of their professional practice income.
- J. **Department or Clinical Department.** One of the following academic

Departments within the School of Medicine: Anesthesiology; Emergency Medicine; Radiology; Family and Geriatric Medicine; Medicine; Neurology; Neurological Surgery; Obstetrics, Gynecology and Women's Health; Ophthalmology and Visual Sciences; Orthopedic Surgery; Pathology and Laboratory Medicine; Pediatrics; Psychiatry and Behavioral Sciences; Radiation Oncology; Surgery; Urology and any other School of Medicine department designated as a Clinical Department by the University of Louisville Board of Trustees.

- K. Department Chair.** The chief faculty administrative officer within a Department, appointed by the Board of Trustees.
- L. Departmental Entity.** The non-stock, nonprofit tax-exempt umbrella corporation organized by a Clinical Department and responsible for collecting the financial support required by this Plan, disbursing it in accordance with this Plan and accounting for compliance with this Plan by the Practice Groups within the Department.
- M. Division.** An organizational unit within a Department formally recognized by the Dean through appointment of a Division Chief by the Department Chair. The current Divisions of each Department are listed on Schedule A.
- N. Excluded Receipts.** Collections of a Practice Group or, to the extent applicable, Clinical Faculty from:
1. Grants, as defined by the Dean, charitable contributions to tax exempt entities and bequests,
 2. Publications, patent rights, royalties, license fees or the like,
 3. Honoraria for academic presentations and public speaking,
 4. Gross receipts for services rendered by non-faculty, non-physician practitioners on a fee-for-service basis, but only to the extent of the compensation from the Practice Group to the non-faculty, non-physician practitioner rendering the service,
 5. Gross receipts of a Practice Group listed on Schedule E or its successor, for services rendered by physicians who are full-time employees of each Practice Group, or its successor, but who are not Faculty members or who are gratis Faculty members.
 6. Gross receipts from a Staff Service, except that if a Staff Service pays, directly or through University pay supplement, any sum, other than University base pay, to any Faculty member, other than

a gratis Faculty member, the amounts so paid are not Excluded Receipts,

7. Gross receipts from a Staff Service, except that if any Base Year Receipts were generated through the Staff Service, receipts equivalent to the amounts so generated are to be excluded only once and therefore are not considered Excluded Receipts of both the Staff Service and other Practice Groups in the Department, and
 8. Gross receipts of the Practice Group to the extent of the compensation paid by the Practice Group to part-time Faculty whose part-time status under the Plan was approved by the Department Chair, the Dean and the Board of Medical School Fund.
- O. Staff Service.** Services provided to patients who are seen or assigned to faculty on the basis of the attending schedule for a ward or clinic when such patients (i) are not assigned to a designated faculty member by referral or patient request and (ii) do not generate Professional Practice Gross Receipts. The creation of ULP and the amendment of this Plan as a result of such creation will not cause any service that was not a Staff Service prior to the creation of ULP to be a Staff Service following this amendment.
- P. Net Professional Practice Income.** This term applies to professional income of the Basic Science Faculty. Net Professional Practice Income does not include compensation received from the University of Louisville, but does include the gross income of a Basic Science Faculty member from his/her professional activities including undistributed corporate profits, less: (1) ordinary and necessary business expenses recognized as such by the Internal Revenue Service and related to professional income, (2) prizes, royalties, publications, patent rights and honoraria for academic presentations and public speaking, (3) social security assessments paid on the income from professional activity, (4) sums paid into Internal Revenue Service approved and qualified retirement, pension and profit-sharing plans (qualified in that the contributions are tax-deductible by the contributor and not reportable as income to the faculty member); and (5) \$5,000 for the Department Chair or \$10,000 for a full-time administrative appointment (such amounts shall be indexed per the prior plan), but not both, if the faculty member holds the corresponding University appointment during the year in which the income is earned.
- Q. Plan.** The revision of the University of Louisville School of Medicine Professional Practice Plan and any subsequent amendment thereto.
- R. Practice Group.** ULP and a single clinical practice group created for each Clinical Department, which must be a direct subsidiary of ULP, and

the entities listed on Schedule E. Each Practice Group is a private, nonprofit subsidiary of ULP.

- S. **Professional Practice Gross Receipts.** Applies to the gross receipts of the Practice Group attributable to Faculty within the Clinical Departments and means total gross collections, before deduction for expenses, of a Practice Group generated directly or indirectly from professional patient care activities (including but not limited to examination of patients, performance and interpretation of clinical test and procedures, expert witness fees, and consultation services or other contracts for professional activities or services, including for administration or supervision of hospital or clinic affairs), less the Practice Group's Base Year Receipts and Excluded Receipts. Base salary paid to Faculty members from the University or paid by the Veterans' Administration is not included in Professional Practice Gross Receipts.
- T. **Non-Practice Group Professional Practice Gross Receipts.** Applies to the gross receipts of Clinical Faculty which are not generated through his or her Practice Group, and means total gross collections, before deduction for expenses, of a Clinical Faculty member generated directly or indirectly from professional patient care activities (including but not limited to examination of patients, performance and interpretation of clinical tests and procedures, expert witness fees, and consultation services or other contracts for professional activities or services, including for administration or supervision of hospital or clinical affairs). Base salary paid to Clinical Faculty from the University or paid by the Veterans Administration is not included in Non-practice Group Professional Practice Gross Receipts.
- U. **Center or Institute.** A multidisciplinary entity with a focus in instruction, research or service, or some combination of these activities, which has been recognized as a Center or an Institute by the University of Louisville.
- V. **ULP.** University of Louisville Physicians, a Kentucky non-stock, nonprofit corporation organized under the laws of the Commonwealth of Kentucky that is exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code or has applied for such exemption.

IV. **Purpose and Authority of Department Entity.**

- A. **Purpose.** Each Department of the School of Medicine must create a Departmental Entity, which shall be a non-stock, nonprofit corporation organized under the laws of Kentucky. The purposes of the Departmental Entity are: (1) to coordinate the collection of financial support from the Practice Groups, (2) to disburse the collected funds as required by this

Plan, and (3) to provide a system of accountability of Practice Groups within that Department.

- B. **Formation.** Each Departmental Entity will be organized for charitable and educational purposes and will qualify for exemption from federal income tax under section 501(c) (3) of the Internal Revenue Code. Each Departmental Entity will be governed by a Board of Directors who are all to be members of the Departmental Faculty, elected as provided in the articles of incorporation and/or bylaws adopted by the Entity. The Department Chair will be the chairman of the board and chief executive officer of the Departmental Entity. Each Entity shall be organized no later than December 31, 1992. The Departmental Entities, once organized, will be listed on Schedule A, attached.

- C. **Contracts with Practice Groups.** Each Departmental Entity will contract with each Practice Group within the Department to agree that the Practice Group, and each Clinical Faculty member within it will pay its share of the financial support required by this Plan and will be accountable to the Departmental Entity through the verification and audit mechanisms set out in the Agreement; provided, however, nothing herein or in the Practice Group Agreement shall, in any way, be deemed to change, obviate or otherwise render inapplicable, the Faculty grievance procedures set out in the Redbook, or its successor. The Agreement will be substantially in the form set out in the Appendix to this Plan and must be signed by the Group and by each Faculty member in the Practice Group. A copy of the Agreement shall be provided to the University Medical School Fund, Inc.

- D. **Collections.** The Departmental Entity will collect from each Practice Group and disburse the Academic Program Support and the Dean's Fund due from the Departmental Faculty. The amount of that financial support, the timing of its collection and its disbursal will be as further set forth below in this Plan.

V. Department Chair.

The Departmental Entity will not replace the Department Chair in his/her traditional role as the managing officer of the Department. The current role of the Department Chair as chief administrative office of the Department will continue; among his/her duties, the Department Chair, consistent with University procedures and policies, will annually set the budget for the Department's academic programs, determine salary increases for Faculty within the Department, and establish the base year and, with the agreement of the affected faculty, adjusted Academic Program Support provided by each Practice Group.

VI. University Medical School Fund, Inc.

- A. Purpose.** The University Medical School Fund, Inc., a Kentucky nonprofit corporation ("Medical School Fund"), (1) will monitor the collection of the Dean's Fund from the Departmental Entities, (2) will account to the Dean for the Dean's Fund paid to and from the Departmental Entities and pay such funds to the University within thirty (30) days of receipt, (3) will provide a forum for discussing academic practice-related issues common to more than one Department and/or combined, multiple-Department private practice activities, (4) will annually review all part-time Faculty appointments for compliance with the spirit of the Plan, (5) will review any dispensations or other arrangements which impact on the fairness and continuing equitability of this Plan in order to foster an atmosphere of openness and fairness, and (6) will annually report to the Members of the Medical School Fund corporation on the status of the Plan and such other matters as it deems appropriate, or as required by the Members. The Medical School Fund will not have the authority to require a Department, or the Clinical Faculty, to adopt any policy or to take any action not directly related to the collection, disbursement and accounting for the Dean's Fund.
- B. Organization.** The Medical School Fund Corporation will be restructured.
1. The Board of Directors will include as voting members: (1) each clinical Department Chair; (2) the Dean; and (3) three members of the full-time Faculty, elected by the Participating Faculty, including at least one faculty member from the Basic Science Departments and one faculty member who is not a Contributing Member; and (4) up to three additional faculty members selected

by the Dean. In addition, the President of the University will serve as ex-officio on the governing body. The governing body will elect a chairman.

2. The members of the Medical School Fund shall be the members of the Board of Trustees of the University of Louisville. The members shall approve all changes to the bylaws of the corporation and shall meet annually to hear reports on the Plan from the Chairman of the Board of Directors and other officers including the annual audit. The members may meet any other time upon petition of three members to require reports of the Board of Directors or officers, overrule any action of the Directors, or approve new Practice Groups that are not a Staff Service.

VII. The University of Louisville Research Foundation, Inc.

The University of Louisville Research Foundation, Inc., a Kentucky nonprofit corporation, also serves to support the research and teaching activities of the University, including the School of Medicine. The Foundation will receive funds from the Academic Program Support collected by the Departmental Entities and distribute those funds back to the Departments to pay faculty salaries, and other appropriate department expenses.

VIII. Academic Program Support.

The Clinical Faculty, through the Practice Groups or, if applicable, directly will pay from their Professional Practice Gross Receipts sufficient amounts to fund a portion of the academic program budget of the University for each Department. This financial support for each Department is designated Academic Program Support.

The amount of Academic Program Support, determined on a Departmental basis, is based on the historical level of academic funding provided from faculty professional practices. Each Department has agreed upon the amount of academic funding provided in calendar year 1991. This 1991 amount is listed on Schedule B. This 1991 base amount will be adjusted as necessary to take into account reductions or increases in Faculty positions supported by the University and any increases due to salary adjustments

to yield the amount of academic program support for each Department in 1992 and subsequent years. In addition the Department Chair and affected Practice Group may, in a given year, agree on additional financial support above the adjusted base level of Academic Program Support Departmental programs. This additional funding, if any, may be paid by the Departmental Entity to the University of Louisville Research Foundation for administration or retained by the Departmental Entity for administration.

The designated Academic Program Support shall be paid by each Practice Group or, if applicable, by Clinical Faculty directly, to the Departmental Entity in equal payments no later than April 30, July 31, October 31 and January 31, to cover the quarter ending the last day of the preceding month. The Departmental Entity shall promptly pay to the University of Louisville Research Foundation that amount of Academic Program Support it receives from the Practice Groups that the Departmental Entity is required to provide in order to support its academic programs. Notwithstanding the above, if at any time there are insufficient funds on deposit with the University of Louisville Research Foundation to support a Department's academic budget consistent with the Department's required Academic Program Support, then any such Departmental Entity shall make equal monthly payments of the Academic Program Support to the University of Louisville Research Foundation until there is a positive deposit balance with the University of Louisville Research Foundation with respect to that Department's academic program account. The balance of the Academic Program Support in excess of that not paid to the University of Louisville Research Foundation per agreed Schedule B, with annual salary increases, if any, may be retained by the Departmental Entity and used for Department programs.

IX. Dean's Fund.

In addition to the Academic Program Support, the Practice Group or, if applicable, Clinical Faculty will pay from the Professional Practice Gross Receipts of the Clinical Faculty its share of the Dean's Fund, which fund is used by the Dean to provide some of the discretionary funding for certain clinical and academic activities of the School of Medicine. The annual amount to be paid to the Dean's Fund from each Department is the sum of two components: the Base Year Assessment and the Incremental Assessment.

The Base Year Assessment for each Department is set out on Schedule B. The Departmental Chair in consultation with the affected Faculty will allocate the Department's Base Year Assessment between the Practice Groups in their respective Practice Group Agreements. The Department's Base Year Assessment is fixed, however, the allocation to particular Practice Groups may be adjusted from time to time in the discretion of the Department Chair and the affected Practice Groups.

The Incremental Assessment for each Department is the sum of the Incremental Assessments of each of its Practice Groups. The Incremental Assessment for each Department will be calculated by applying a percentage to the Professional Practice Gross Receipts of the Department's Practice Groups. The percentages for each calendar year will be:

1993	3%
1994	3.5%
1995	3.75%
1996 and thereafter	4.0%

However, if in any year through 1996, the total of Incremental Assessments from all Departments exceeds \$2,214,362, the above schedule of percentages will no longer apply

and a maximum percentage will be set and utilized to calculate the Incremental Assessment for that year and throughout the remaining term of the Plan. The maximum percentage will be the ratio \$2,214,362 bears to the total of Professional Practice Gross Receipts for all Practice Groups in the year the limit is exceeded, expressed to the nearest hundredth of a percent.

Should the total Professional Practice Gross Receipts for all Practice Groups exceed \$80,000,000 in calendar year 1992, the percentages used to calculate the Incremental Assessment may be renegotiated between the Dean and the Medical School Fund governing body.

Each Departmental Entity will collect the Dean's Fund due from each Practice Group or, if applicable, Clinical Faculty directly. The Practice Groups will make estimated payments to the Departmental Entity by the end of the months following the calendar quarters ended March 31, June 30, September 30, and December 31. Unless previously agreed to in writing by the Dean, quarterly estimated payments due by April 30, July 31, and October 31 shall be at least equal to twenty percent (20%) of the total annual assessment hereunder paid by the Practice Group to the Departmental Entity in the preceding calendar year and the quarterly payment due January 31st shall be in an amount equal to the remaining balance due for the Plan year just ended; provided, however, in the event a Practice Group is entitled to a refund, it shall take a credit against the next payment otherwise due, and if no payment is due, it shall be refunded the excess from the University. For the initial calendar year of this Plan, the three 1993 quarterly estimated payments shall be based upon the Practice Groups 1992 gross receipts, and shall be equal to sixty percent of the payments that would have been due if this Plan had been in effect for calendar year 1992. The January 31, 1994 payment shall equal the amount necessary,

after crediting the three 1993 estimated payments, to pay 100% of the Professional Practice Group's 1993 assessment. Promptly upon receipt, the Departmental Entity will remit payments it receives to the Medical School Fund. By April 15 of each year, the Practice Group will submit a report of its Professional Practice Gross Receipts for the year, which must be verified by an independent certified public accountant, who certifies the accuracy of the report using the form set out as Schedule C. Upon a showing of good cause, the Medical School Fund governing body may further extend the time a Practice Group has to submit its report and verification.

X. Adjustment and Appeal of Allocation.

- A. If the proposed allocation of Academic Program Support or Dean's Fund within a Department among or within Practice Groups cannot be resolved by general agreement of the Department Chair and affected faculty, or if there is a dispute as to the appropriate Practice Group to which Clinical Faculty who have a primary appointment in a Center or Institute, if permitted, should be assigned (or whether the individual is Clinical Faculty), then the matter shall be appealed in writing to the Dean, who shall consult with the Department Chair, and, if appropriate, with the director of the Center or Institute, the Division Chief, or any other individual whose input the Dean believes to be helpful, on behalf of the affected faculty. The decision of the Dean in any matter subject to this paragraph shall be binding. Notwithstanding the foregoing, the decision of the Dean may be reviewed by the Executive Vice President for Health Affairs upon petition of an affected party under such procedures as the Executive Vice President for Health Affairs establishes. No decision by the Executive Vice President under the provisions of this paragraph shall have retroactive effect.
- B. If, in any year, the Dean's Fund obligation for any Practice Group becomes unduly burdensome, its obligation may be adjusted with the approval of its Department Chair, the Board of Directors of Medical School Fund, and the Dean.

XI. Basic Science Departments.

The financial obligation for Academic Program Support and Dean's Fund described in Section VIII and IX of this Plan are applicable only to the Clinical

Departments. Other full-time Faculty in the Basic Science Departments have historically contributed to the financial support of the School of Medicine through the former practice plan, and their financial obligation under that plan carries forward unchanged under this Plan.

Each Basic Science Faculty member must report all Net Professional Practice Income received on a calendar year basis or report no such income, not later than the following April 15, to Medical School Fund, together with a copy of any tax return and subsequent amendment thereto affecting Net Professional Practice Income (including any return of a partnership, professional service corporation, or other entity relating to professional practice income of the faculty member) or other documentation acceptable to Medical School Fund. In lieu of submitting that documentation, the faculty member may submit a certification by an independent certified public accountant equivalent to that set out on Schedule C. Each Basic Science Faculty member must also make payment to Medical School Fund by April 15 of his/her financial support obligation for the prior year calculated as set out on Schedule D. Attached to Schedule D is a copy of the Professional Practice Plan ("PPP") in effect prior to the adoption of this revised Plan and, solely for the purpose of defining the obligation of the Basic Science Faculty, the PPP is incorporated herein by reference. In the event of any inconsistency between the provisions of the PPP and this Plan, the provisions of this Plan shall control.

XII. Accountability.

This Plan includes the following mechanisms intended to improve and simplify the process of verification of compliance with the financial support obligations in this Plan:

- A. Each Practice Group or, if applicable, Clinical Faculty shall provide the Departmental Entity with verification of the Practice Group's Gross Receipts. The verification shall be in the form set forth on Schedule C and shall be provided by April 15.
- B. On request, the Medical School Fund, or the Dean may annually review the Practice Group Gross Receipts verification and may, together with the Department Chair, discuss the contents thereof with a representative of the Practice Group and/or the accountant who prepared the verification.
- C. The Departmental Entity may, in any year, order an audit of the records of a Practice Group necessary to verify reported Professional Practice Gross Receipts. Medical School Fund or the Dean may review the audit.
- D. The Medical School Fund or the Dean may require an audit of a Departmental Entity and/or one or more, or all, of the Departmental Entity's Practice Groups or, if applicable, Clinical Faculty. However, the Dean may not require an audit of more than four (4) Departments per year. The audit of any Practice Group shall constitute an audit of the Department for the purpose of determining the number of audits per year which the Dean may require.
- E. Regarding the Basic Science Faculty, Medical School Fund shall review the documentation or accountant's verification submitted by each faculty member and may order an audit to verify Net Professional Practice Income.
- F. Any audit of any Practice Group or Basic Science Faculty will be performed by an independent certified public accountant chosen by the party requiring the audit, but who must be reasonably acceptable to Medical School Fund and the Dean. The party requesting the audit will pay the cost for it, unless the audit finds a material underreporting of Professional Practice Gross Receipts or Net Professional Practice Income; in that case, the Practice Group or Basic Science Faculty member audited will pay the cost. For this purpose, a material underreporting is one which results in an underpayment to the Dean's Fund by a Practice Group or of financial support by a Basic Science Faculty member of 10% or more of the amount owed as determined by the audit. Any amount due, as a result of the audit, to the Medical School Fund or the Practice Group, shall be paid immediately with interest at the Annual Long-Term Applicable Federal Rate.
- G. The Dean will, on request, be provided by the Department Chair information as to the net income of the Clinical Faculty which is in addition to the University salary ("Clinical Faculty Net Income"). Such information will be made available for review at the office of the Departmental Entity in such reasonable detail as may be necessary. No

copies or written notes or memorandum of the information may be taken from the office of the Departmental Entity without the prior written consent of the affected faculty member. Information regarding the Clinical Faculty Net Income is confidential and proprietary information to the Clinical Faculty member and shall be treated as such by the Dean.

- H. No later than June 1 of each year, the Dean must report to the Medical School Fund governing body, in writing, his proposed use of the Dean's Fund for the upcoming academic year. At that time he will also report, in writing, to the Medical School Fund governing body on the expenditures of the Dean's Fund for the previous year.
- I. The fragmentation of the faculty into numerous and overlapping Practice Groups complicates verification of Plan compliance, and any further fragmentation would further complicate the process. Accordingly, new Practice Groups will generally not be recognized. No Departmental Entity may contract with a new Practice Group not listed on Schedule A, unless all members of the Department or of a Division of a Department are members of the new Practice Group and the Dean approves the contract or unless the new Practice Group is the result of the combination, in whatever form, of Practice Groups existing at June 24, 1991. Elimination of Practice Groups through dissolution or merger or consolidation with other Practice Groups is encouraged. Establishment of new Practice Groups other than a staff Service shall be approved by the Dean and members of Medical School Fund.
- J. Notwithstanding the above Paragraph XII (I) or any other provision of the Plan, each Practice Group may, with the written concurrence of the Chair of the Clinical Department with which the Practice Group is associated (and, if the primary appointment is permitted and made in a Center or an Institute, rather than a Clinical Department, the Director of the Center or Institute), authorize a Clinical Faculty member to engage in professional practice outside of the Practice Group where 1), such practice is outside the specialty in which the Practice Group is engaged; 2), such practice does not involve direct patient care, and the Practice Group is not equipped to monitor such activity and bill for it; or 3), such practice is outside the geographic area in which the Practice Group does business. Each Clinical Faculty member who has been authorized to engage in the professional practice described herein shall individually make all payments required by the Plan from his or her Non-Practice Group Professional Practice Gross Receipts at the same time and in the same manner as such payments would have been made by the Practice Group if such receipts had been Professional Practice Gross Receipts, and shall be subject to the same verification procedures as would have applied had such receipts been Professional Practice Gross Receipts.

The Chair of each Clinical Department (and, if appropriate, each Center or Institute Director) shall annually, on or before April 15 of each calendar year, certify to the Board of Directors each Clinical Faculty member who has been authorized to engage in professional practice outside of his or her practice Group, and the reason for such authorization.

XIII. Interpretation.

This Plan is to be liberally construed to accomplish its general objectives and specific goals. Questions of interpretation under this Plan may be resolved through consultation of the relevant Department Chair, the Board of Directors of the Medical School Fund and the Dean. Examples of such questions of interpretation include but are not limited to (1) whether certain revenues qualify as Excluded Receipts, and (2) whether the Dean's Fund obligation for a Practice Group is unduly burdensome, meriting an adjustment. Decisions of such matters may be submitted to the Board of Directors for interpretation and notice thereof shall be written and copies shall be provided to all Department Chairs. Interpretations shall not limit a Faculty member's right to pursue grievance procedures provided to University Faculty.

XIV. Transition and Grandfather.

- A. This Plan will become effective January 1, 2011. The payments for Academic Program Support and the Dean's Fund from the Practice Groups will be due quarterly beginning April 30, 2011. Payments from the faculty under the existing PPP are due after January 1, 2011 as provided by the former plan. The Medical School Fund shall continue in its current role as administrator of the existing PPP during such period as is necessary to transition from the existing PPP to this revised Plan and there will be no change in amounts due for years prior to January 1, 2011 under former Plan provisions.
- B. This revised Plan contemplates, pursuant to Article IV hereof, that the Departmental Entity will contract with existing Practice Groups and that new Practice Groups must be approved in the manner provided in Article XII. Any Practice Group not in place on June 24, 1991 shall, for purposes of this Plan, be a new Practice Group.

XV. Amendments.

- A. As a consequence of its statutory authority this Plan may be modified or rescinded by the Board of Trustees of the University of Louisville on their own initiative or on the recommendation of the Board of Directors of Medical School Fund. Before any modification is made the University administration shall consult with the Contributing Faculty. No modification or rescission shall take place for at least twelve months after its adoption by the Board of Trustees unless a shorter time is acceptable to a majority of the Contributing Faculty.

- B. Notwithstanding the immediately preceding paragraph A, no modification or rescission of this Plan by the Board of Trustees shall be effective prior to January 1, 1996, unless such modification or revision is acceptable to a majority of the Contributing Faculty.

- C. Notwithstanding the preceding Paragraphs A and B, the Plan may be amended by the affirmative vote of the Board of Trustees if the Amendment is necessary or appropriate to meet a requirement, objection, or suggestion by the Internal Revenue Service, or a position, directive or published authority of the Internal Revenue Service to maintain the tax exempt status of the University of Louisville Medical School Fund, Inc., or to establish or maintain the tax exempt status of a departmental entity, or to avoid taxation of any income either to the University of Louisville Medical School Fund, Inc., or to a Departmental Entity, under the Internal Revenue Code. In such case, any such amendment will become effective at the time established by the Board of Trustees.

XVI. Severability.

If any part, term or provision of this revised Plan is unenforceable or prohibited, or cannot be implemented, the rights and obligations under this Plan shall be construed and enforced with that part, term or provision limited so as to make it enforceable or capable of implementation to the greatest extent allowed by law, or, if it is totally unenforceable, or impossible to implement, as if this Revised Plan did not contain that particular part, term or provision.

Approved by the Board of Trustees: _____.

Effective: December 17, 1991.

Approved as amended by the Board of Trustees: November 29, 2007.

Approved as amended by the Board of Trustees: May 8, 2008

Approved as amended by the Board of Trustees: April 14, 2011 effective January 1, 2012.

SCHEDULE A
LIST OF CLINICAL DEPARTMENTS AND DEPARTMENTAL ENTITIES
DIVISIONS AND PRACTICE GROUPS

- ULP and a single clinical practice group created for each Clinical Department, which must be a direct subsidiary of ULP

- Entities listed on Schedule E

SCHEDULE B

**Base Year Assessment and Base
Year Receipts, by Department**

Department	Base Year Academic Program Support	Base Year Assessment	Base Year Receipts
Anesthesiology	1,521,916	113,314	1,133,140
Emergency Medicine	550,000	81,890	818,900
Diagnostic Radiology	334,500	24,000	240,000
Family Practice	3,001	25,000	250,000
Medicine	1,571,660	108,000	1,080,000
Neurology	208,090	20,000	200,000
Obstetrics & Gynecology	1,430,840	82,738	827,380
Ophthalmology and Visual Sciences	1,122,649	18,662	186,620
Orthopedic Surgery	393,000	10,000	100,000
Pathology	575,000	59,750	597,500
Pediatrics	1,046,253	45,876	458,760
Psychiatry and Behavioral Sciences	1,598,635	33,313	333,130
Radiation Oncology	866,400	42,504	425,040
Surgery	2,133,380	120,591*	1,205,910*
Total:	13,355,324.00	785,638.00	7,856,380.00

*Revised 1/1/94:

Neurological Surgery	9,726	97,260
Surgery	110,865	1,108,650

SCHEDULE C

**Form of Independent CPA Verification
of Professional Practice Gross Receipts***

The undersigned certifies that it has examined the Federal Income Tax return of _____ Practice Group for the period ended _____ and that \$ _____ are Gross Receipts as reported on said Federal Income Tax return with the exception of the Following items:

<u>Item</u>	<u>\$</u>
_____	\$ _____
_____	\$ _____
_____	\$ _____

Under the Plan, Professional Practice Income is defined as follows: Professional Practice Gross Receipts. Applies to the gross receipts of the Practice Group attributable to Faculty within the Clinical Departments and means total gross collections, before deduction for expenses, of a Practice Group generated directly or indirectly from professional patient care activities (including but not limited to examination of patients, performance and interpretation of clinical tests and procedures, and consultation services or other contracts for professional activities or services, including for administration or supervision of hospital or clinic affairs), less the Practice Group's Base Year Receipts and Excluded Receipts. Base salary paid to Faculty members from the University or paid by the Veteran's Administration is not included in Professional Practice Gross Receipts.

Under the Plan, Excluded Receipts are defined as follows:

Excluded Receipts. Collections of a Practice Group from:

1. Grants, as defined by the Dean charitable contributions to tax exempt activities and bequests,
2. Publications, patent rights, royalties, license fees or the like,

3. Honoraria for academic presentations and public speaking,
4. Gross receipts for services rendered by non-faculty, non-physician practitioners on a fee-for-service basis, but only to the extent of the compensation from the Practice Group to the non-faculty, non-physician practitioner rendering the service,
5. Gross receipts of a Practice Group listed on Schedule E, or its successor, for services, rendered by physicians who are full-time employees of each Practice Group, or its successor, but who are not Faculty members or who are gratis Faculty members,
6. Gross receipts from a Staff Service, except that if the Staff Service pays, directly or through University pay supplement, any sum, other than University base pay, to any Faculty member, other than a gratis Faculty member, the amounts so paid are not Excluded Receipts,
7. Gross receipts from a Staff Service, except that if any Departmental Base Year Receipts were generated through a Staff Service, receipts equivalent to the amounts so generated are to be excluded only once and therefore are not considered Excluded Receipts of both the Staff Service and other Practice Groups in the Department, and
8. Gross receipts of the Practice Group to the extent of the compensation paid to part-time Faculty whose part-time status was approved by the Department Chair, the Dean and the Medical School Fund, Inc.

This Practice Group's Base Year Receipts are \$_____.

*This certificate, with appropriate modifications, may also be used to verify the report of Net Professional Practice Income by a Basic Science Faculty member.

SCHEDULE D

Basic Science Departments **Formula for Financial Support**

The financial support obligation for Basic Science Faculty under Section IX of the Plan is the sum of the Following:

- 0% of the first \$1,975 of Net Professional Practice Income
- 5% of the next \$7,898 of Net Professional Practice Income
- 10% of the next \$19,745 of Net Professional Practice Income
- 15% of the next \$19,745 of Net Professional Practice Income
- 20% of the next \$19,745 of Net Professional Practice Income
- 25% of the next \$29,618 of Net Professional Practice Income
- 35% of the next \$49,366 of Net Professional Practice Income
- 45% of any additional Net Professional Practice Income

If the amount due from a contributing member, computed in accordance with the above, would, but for this paragraph, exceed that Contributing Member's Base University Salary, his or her payments shall instead be computed as follows: His or her payments to the Fund shall be the sum of two parts. "Part One" shall be computed at the rate or rates set out above on that portion of his or her Net Professional Practice Income that will cause Part One of his or her contribution to equal that contributing member's Base Salary. "Part Two" of his or her contribution shall be computed at the rate of five percent (5%) on all Net Professional Practice Income in excess of the Net Professional Practice Income used in determining Part One of his or her payment to the Fund.

SCHEDULE E*

Practice Groups whose Gross Receipts from services of non-faculty members or gratis faculty members constitute Excluded Receipts. There shall be no Practice Groups added to this Schedule E.

<u>Department:</u>	<u>Practice Group:</u>
Medicine	Associates in Dermatology, PLLC
Orthopedic Surgery	Raymond G. Shea, MD, PSC Spine Institute, PSC
Pediatrics	Pediatric and Perinatal Pathology Associates, PSC

* Revised 3/17/2008

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