1. **Introduction.**

The University of South Florida (USF) and the H. Lee Moffitt Cancer Center and Research Institute (MCC) are separate, collocated, closely affiliated institutions that have collaborated for nearly two decades to carry out common missions in education, research, patient care and community service. The partnership between MCC and USF has been successful in creating a nationally recognized enterprise: since the opening of MCC in 1986, MCC and USF have cooperated under their Affiliation Agreement to build a team of over 180 physicians and researchers who work at MCC and are employed by USF as faculty members, and MCC has achieved, with significant supportive services from USF, designation as the only NCI Comprehensive Cancer Center in Florida.

In 2000 and subsequent years, USF and MCC entered into a series of agreements (collectively, the “DIO Addenda”) to establish the “Interdisciplinary Oncology Program (IOP)” (later renamed “Department of Interdisciplinary Oncology” or “DIO”) as a new vehicle to serve their common missions and support a number of strategic objectives, including: (i) closer alignment of Oncology-related goals of MCC and USF/physician and researcher faculty, and (ii) simplification and revision of inter-institutional financial support arrangements in compliance with current regulatory requirements.

By a Research Agreement dated July 1, 2003 (the “Research Addendum”), USF and MCC established a “separate but affiliated” relationship for research administration. Under this structure, MCC is the grantee (with its own HHS-DCA approved Facilities & Administrative cost rate) for MCC-based grants, and MCC uses USF employees and other resources to perform MCC-based research grants and contracts.

The current MCC/USF Affiliation Agreement was executed on May 18, 1994, and had an initial term of ten years expiring on May 18, 2004; this Affiliation Agreement has been extended by agreement of the parties through May 14, 2005.

MCC and USF desire to enter into a new Affiliation Agreement to provide a framework for the achievement of further excellence and national prominence in their common missions of education, research, patient care and community service over the next decade. To this end, this memorandum provides an outline of basic principles that are endorsed by the MCC/USF Joint Affiliation Committee and are intended to guide the development of the new Affiliation Agreement and modifications in existing Operating Addenda and other agreements between MCC and USF.

II. **Affiliation Governance and Philosophy.**

1. **Joint Affiliation Committee (“JAC”).** The JAC (comprised of the MCC and USF Board Chairs, MCC President/CEO and USF President, two other persons
designated by the USF President, and two other persons designated by the MCC President/CEO) will continue to provide a forum for high level review of the relationship, resolution of issues brought forward by the institutions, and fostering of joint strategic planning and cooperative agreements to protect and enhance the affiliation and the institutions’ missions.

2. **MCC President/CEO and USF HSC VP.** Routine and timely communication and cooperation between the MCC President/CEO and USF HSC VP are essential to maintain a win/win, trusting partnership between the institutions. The MCC President/CEO and USF HSC VP will consult regularly with each other to solve issues, negotiate and execute the necessary and desirable annual amendments to the DIO Addenda and other agreements as authorized by the parties, and annually jointly report to the JAC on all important aspects of the affiliation, including (without limitation): DIO budget and financial performance; annual review of UMSA’s performance of MSO services purchased by DIO; and annual review of DIO facultys’ clinical, educational and research activities (with input from the DIO Chair, MCC Associate Center Director for Research and the USF HSC Associate VP/Vice Dean for Research, as appropriate).

3. **DIO Management Committees.** The DIO will continue as a USF Department created and functioning under the DIO Addenda, subject to the additional principles and agreement modifications outlined in this memorandum. The DIO Addenda will be modified to reflect the creation of the following DIO Management Committees:

   - **DIO Management and Independent Compensation Committee** - a subcommittee of the MCC Lifetime Cancer Screening Center Board of Directors, responsible for DIO practice operations, physician compensation and incentives, business development, front-end revenue cycle, manpower issues, creation of DIO clinical budget, and other functions and services as defined in the Addendum for DIO Support and Administrative Services.

   - **DIO Research Management Committee** – a subcommittee of the MCC Lifetime Cancer Screening Center Board of Directors, responsible for DIO research operations, scientist compensation and incentives, faculty development, research strategy, manpower issues, and creation of DIO research budget.

   - Each of the above DIO Management Committees will include one member who shall be a community member (non-USF employee) selected and recommended for appointment by the USF HSC VP in consultation with the MCC President/CEO.

   - The MCC President/CEO, USF HSC VP, DIO Chair, DIO Administrator, UMSA Executive Director, MCC Associate Center Director for Research, and
USF HSC Associate VP/Vice Dean for Research will attend meetings of the DIO Management Committees as non-voting, invited guests.

4. **Academic and USFPG Governance.**

- The USF HSC VP/Dean has ultimate authority and responsibility for the HSC and USF College of Medicine’s (“COM”) undergraduate and graduate education programs and the promotion and tenure of HSC/COM faculty in accordance with USF/COM policies and procedures. The DIO reports through the DIO Chair to the COM Dean with respect to the DIO’s participation in support of the COM’s academic/educational mission.

- The USFPG/UMSA Board will continue to have authority and responsibility for approval and oversight of UMSA’s budget and service functions (e.g. back-end revenue cycle, compliance, manage care contracting for physician/professional services, credentialing, MSO information services, Finance & Accounting, Human Resources for UMSA/MSSC employees), subject to the principles of all applicable MCC/USF agreements regarding the DIO. The MCC President/CEO (or designee), one additional designee of the MCC President/CEO, the DIO Chair, and one Elected Director from the DIO faculty will be included as members of the USFPG/UMSA Boards of Directors.

5. **Other Important Concepts.**

- USF’s cancer strategy at MCC is linked to the DIO.

- The USF/MCC inter– and intra-institutional culture and communication processes will be changed and improved to create a more cooperative and responsive relationship, increase leadership success, and enhance faculty and staff collaboration, productivity, and morale.

- The USF HSC VP/Dean will be an advocate for DIO faculty and supportive resources, both within USF and with the general public. The MCC CEO will be an advocate for USF and supportive resources, both within MCC and with the general public.

- Specific actions that have been or will be taken include (without limitation) the following:

  (i) There will be annual joint leadership retreats for information sharing and strategic planning. This will include a joint retreat of the USF and MCC Boards’ Executive Committee within 6 months to review and re-affirm the collaborative affiliation of the institutions.
(ii) There will be regular meetings of high-level staff to monitor and manage administrative/financial issues.

(iii) There will be joint promotion of the work of the DIO faculty, co-branding, and other collaboration in public affairs, event planning, DIO faculty orientations and leadership development, and outreach activities.

- All transactions between USF and MCC will be “net 30” with immediate resolution of disagreements by the MCC President/CEO and USF HSC VP, and the JAC when necessary.

- USF recognizes MCC’s right and mission to have elective educational courses and experiences for non-USF students. MCC and the DIO recognize their LCME obligation as a primary affiliate for the USF COM to not provide core clerkships for other entities unless approved by the USF HSC VP/COM Dean.

III. Campus Planning

- USF and MCC will cooperate and coordinate with each other in the planning and development of their respective master facility plans on the USF campus. USF and MCC will negotiate in good faith and with due diligence to accomplish mutually desirable goals, arrangements and agreements regarding the development and expansion of facilities and associated campus infrastructure/support. These discussions, negotiations and agreements will be guided by the following general principles:

  (i) Where USF and MCC missions are parallel, they will work collaboratively to develop joint use facilities.

  (ii) In circumstances where USF and MCC agree that MCC’s needs are outside the USF/HSC missions and scope, USF will treat MCC as a USF-affiliated entity in the negotiation of fair market value rates, arrangements and agreements to accommodate MCC’s facility needs as feasible under the USF campus master plan and approved by the USF Board of Trustees. Such arrangements may include (a) USF building the facility on USF land to suit MCC’s needs and leasing space to MCC, and (b) USF leasing land to MCC for MCC’s construction of the MCC facility.

  (iii) MCC 2010 Plan.

    o The Faculty Office/Administrative Building is envisioned as a shared use facility to be built by USF with agreed-upon space to be leased to MCC.
The Parking Garage is envisioned as a shared use facility to be built by USF with agreed-upon space to be leased to MCC.

The Research Building is envisioned as a shared use facility to be built by USF with agreed-upon space to be leased to MCC, or as an independent MCC facility to be built by MCC on land leased by USF for this purpose at a negotiated fair market value rental rate.

IV. Facilities and Services.

1. Prior Year’s Issues.
   - MCC and USF acknowledge their previous resolution and settlement of all financial issues related to the support and operation of the DIO in fiscal years prior to July 1, 2004.
   - MCC and USF will promptly execute the applicable DIO Addenda/amendments (previously negotiated and agreed-in-principle) for FY 2003-2004.
   - MCC and USF will promptly negotiate and execute the applicable DIO Addenda/amendments for FY 2004-2005, and all subsequent years.
   - As recommended by PWC, MCC and USF agree that, in consideration of research support services provided by USF to MCC during the period of July 1, 2004 to December 31, 2004, MCC will pay the sum of $491,062 to USF.
   - If USF decides to not reclassify the retained Moffitt-based research grants as off-campus for purposes of the applicable indirect cost rate, USF agrees to pay MCC an amount equal to 25% of the indirect costs received by USF on the retained Moffitt-based research grants from July 1, 2004 through the life of the grants.

2. Prospective Arrangements.
   - MCC Research Core Facilities will be available for use by USF non-DIO faculty within NCI guidelines and subject to USF’s payment of lease/use costs commensurate with fair market value. USF will administer the research grants/contracts of such non-DIO faculty and negotiate and enter lease/purchase agreements with MCC for the use of MCC Research Core facilities as described in the preceding sentence.
   - MCC and USF agree to invest in the USF HSC through the earmarking of USF’s 17 ½% share of net revenue from intellectual property (received by USF pursuant to Section 4.3 of the Research Addendum). The USF HSC VP will be the accountable officer for these funds which will be deposited to a
discrete account within the USF Research Foundation earmarked for the USF HSC.

- MCC and USF will consult and collaborate in connection with Information Technologies planning, purchases, upgrades, interfaces, etc.

- MCC and USF will collaborate in seeking appropriate recognition in various national rankings, etc. of research grants/contracts performed by USF/DIO faculty and administered by MCC pursuant to the Research Addendum.

- MCC and USF will establish agreements for MCC to purchase and pay for the following research support services provided by USF: USF HR/Payroll; IRB; IBC; Radiation Safety; Hazardous Waste; IACUC; Vivarium; Privacy Services/HIPAA; Visa processing; Environmental Safety; HSC HR; and USF convenience account(s) non-salary transactions. These agreements will provide for mid-year interim payments with year-end reconciliations and final payments based on the agreed-upon unit/transaction costs. New, additional services may be added by written agreement of MCC and USF.

- If USF decides to not reclassify the retained Moffitt-based research grants as off-campus for purposes of the applicable indirect cost rate, USF agrees to pay MCC an amount equal to 25% of the indirect costs received by USF on the retained Moffitt-based research grants after July 1, 2004.

3. MCC Vivarium.

- In consideration of the USF’s use of the MCC Vivarium to support USF research for a term of not less than 20 years, USF will make the following contributions and payments in support of the construction, operation, maintenance and use of the facility:

  (i) **Construction.** To partially defray MCC’s cost to construct the MCC’s Vivarium USF and MCC will negotiate and inter- and intra-agreement for USF to pay $2.0 million over five years to MCC (i.e. $400,00 per year beginning __________). In consideration of this support, MCC will allocate and provide at least 20% of the mouse barrier vivarium space for USF non-DIO faculty use.

  (ii) **Plant, Operations & Maintenance (P, O & M).** USF and MCC will negotiate and enter an agreement for USF to pay an amount equal to 20% of the MCC Vivarium’s direct P, O & M costs plus an appropriate administrative overhead amount, for the period beginning October 1, 2004 and continuing for the life of the federal interest in the Vivarium (20 years).
USF and MCC will negotiate and enter an Operating Agreement for the following purposes:

(i) USF will be engaged to provide accreditation and management services, with MCC’s compensation of USF to be equal to the applicable per diem charges under MCC’s research grants and contracts. It is recognized that by FY 2007, MCC will have the option to pursue independent accreditation and management of the MCC Vivarium.

(ii) USF will pay appropriate charges to MCC for MCC Vivarium services to USF researchers (for research grants/contractors administered by USF, not by MCC). The compensation methodology will be a “cost per sq. ft. basis”, to be determined by agreement of the parties.

V. DIO.

1. Financial.

- In accordance with the status of the DIO as a distinct academic/clinical department and physician practice within the COM/USF Physicians Group (“USFPG”), all costs and expenses related to the DIO and its clinical practice and other support (faculty compensation and benefits, administrative overhead, etc.) is the financial responsibility of the DIO to be funded by (i) practice and research revenues generated by the DIO, (ii) funds received from the MCC system pursuant to pertinent USF/MCC Affiliation Agreement Addenda and DIO Faculty Recruitment Letter Agreements, (iii) USF funds appropriated by the Florida Legislature and allocated by the COM to positions held by DIO faculty, and (iv) funds paid, granted, or donated to or for the benefit of the DIO from third party sources (other than the MCC or USF systems).

- Apart from the specific financial support described in the preceding section, the MCC system and USF system (including the COM and its Faculty Practice Plan Organization – UMSA) have no obligation to underwrite or subsidize the DIO’s financial ability to cover its costs and expenses.

- By June 30, 2005, the DIO will achieve reserve funds (aggregate unrestricted funds within UMSA, USF, and USF Foundation available to DIO to pay its operating costs) in an amount equal to two months of DIO expenses. Subsequent to June 30, 2005, in the event the DIO fails to maintain reserve funds equal to at least 98% of this required level for two consecutive months, the DIO’s obligation to make payments to MCC under the Promissory Note dated August 1, 2003 shall be suspended and resume only when the DIO has achieved reserve funds equal to at least 98% of this required level; provided, interest shall continue to accrue on the DIO’s principal obligation under such
Promissory Note, in accordance with the terms thereof, during any such period of suspension of the DIO’s obligation to make payments.

- To minimize MCC/DIO expenditures for purposes other than curing cancer and to support the success of the DIO in a balanced manner recognizing the needs of the COM’s missions and other academic/clinical departments and faculty, the parties will adhere to the following principles:

(i) The DIO (with no “carve-outs” for DIO sub-units except by mutual agreement of the VP/Dean, MCC CEO and the DIO Chair upon reasonable consideration of special situations where UMSA’s performance does not meet the agreed standards and benchmarks relative to a DIO sub-unit) will purchase the following core services from UMSA (provided that UMSA’s performance shall meet or exceed standards and benchmarks to be established by mutual agreement of the COM/DIO/UMSA leadership): managed care contracting; credentialing; back-end patient accounts; information services related to the core MSO functions (including IDX, Cactus [credentialing], CODA [general ledger], CYBORG [physician benefits and personnel]; and excluding Allscripts); human resources; finance & accounting; and compliance. The DIO will not purchase or be required to pay for services/costs not utilized by DIO faculty (currently including: USF Medical Clinic operations; rental of space not utilized by DIO faculty; front-end processes [scheduling, front-desk, charge generation, etc.] of COM departments/faculty other than the DIO). The DIO will continue to participate in the USFPG’s pooling of all COM academic/clinical departments’ clinical space lease costs that determines a common Group-wide lease rate, and the DIO will pay its pro rata share of the Group’s total clinical space lease costs based on the amount of space actually leased for use by DIO faculty.

(ii) The DIO will pay the following compensation amounts for the core services purchased from UMSA:

- FY 2004-05 (7/1/04 – 6/30/05): (i) $3.0 million, and (ii) 5.5% of DIO contract and grant revenues received by UMSA from all sources other than the MCC system.
- FY 2005-06 (7/1/05 – 6/30/06): (i) 11% of gross collections for patient services provided by DIO faculty during the year, and (ii) 5.5% of DIO contract and grant revenues received by UMSA from all sources other than the MCC system.
- FY 2006 - 2007 and subsequent years: (i) 10% of gross collections for patient services provided by DIO faculty during the year, and (ii) 5.5% of DIO contract and grant revenues received by UMSA from all sources other than the MCC system.
(iii) The standards and benchmarks used to measure UMSA’s performance will include (without limitation) the following: (i) days-in-accounts receivable, reasonably based on Medical Group Management Association data, (ii) turn-around time in DIO faculty credentialing, (iii) production of custom reports to better integrate front-end and back-end functions, (iv) DIO participation in USFPG Managed Care Committee oversight of negotiation of managed care contract reimbursement rates, and (v) clarification as related to accrual and cash accounting. If UMSA’s performance does not meet the mutually agreed upon standards and benchmarks, the DIO will have the option to give notice to UMSA describing the non-performance issue and allowing six months to cure the issue. If the non-performance issue is not cured within the six month period, the DIO Management and Independent Compensation Board will have the option to require USF or UMSA (as appropriate) to contract on behalf of the DIO for the subject services with another vendor of the DIO’s choosing.

(iv) The DIO will pay a defined percentage of gross collections to the USF Vice President for Health Sciences/COM Dean’s Academic Enrichment Fund (“Dean’s Fund”). The Dean’s Fund assessment rate applicable to the DIO shall not be greater than the rate applicable to any other COM academic/clinical department (currently 7% of gross collections for patient services provided by Department faculty). The USF Vice President for Health Sciences/COM Dean (“VP/Dean”) shall annually review with the DIO Chair the budgeted uses of the Dean’s Fund receipts paid by the DIO, and shall allocate (on an ongoing monthly basis to a distinct DIO Custodial Fund within UMSA) the following portion of such Dean’s Fund receipts from the DIO for investment in Cancer-related programs and activities as jointly determined by the VP/Dean, MCC CEO and the DIO Chair:

- FY 2004-05: 1% (of 7%, or 14.3% of DIO’s contribution)
- FY 2005-06: 1 ½ % (of 7%, or 21.4% of DIO’s contribution)
- FY 2006-07 and subsequent years: 2% (of 7%, or 28.5% of DIO’s contributions)

(v) When a vacancy occurs in a DIO faculty position that is supported by USF/COM funds appropriated by the Florida Legislature, the VP/Dean shall continue the allocation of such funds to the DIO for use to support the COM/DIO’s employment of additional DIO faculty if such funding is commensurate with the DIO’s participation in support of the COM’s educational mission; provided, such funds may be re-allocated to support the employment of additional faculty in another COM academic/clinical department by mutual agreement of the VP/Dean, MCC CEO and the DIO Chair. It is acknowledged that the DIO’s current participation in support of the COM’s educational mission is at least commensurate with the
amount of the DIO’s allocation of USF/COM funds appropriated by the Florida Legislature.

In addition, when a vacancy occurs in a faculty position in a COM academic/clinical department other than the DIO that is supported by funds appropriated by the Florida Legislature specifically for the support of MCC and allocated to such faculty position with MCC’s concurrence, the VP/Dean shall reallocate such funds to the DIO for use to support the COM/DIO’s employment of additional faculty; provided, such funds may be reallocated to support the employment of additional faculty in another COM academic/clinical department by mutual agreement of the VP/Dean, MCC CEO and the DIO Chair.

It is acknowledged that the amount of USF/COM funds appropriated by the Florida Legislature and allocated to the DIO is subject to increase and decrease commensurate with Legislative actions that increase or decrease the appropriation of funds to USF/COM.

(vi) In recognition of the DIO’s participation in support of the COM’s programs of undergraduate and graduate medical education, the DIO will not be required to make any annual educational grants to the VP/Dean’s Academic Enrichment Fund as previously contemplated by Section 3.6.3 of the USF/MCC Affiliation Agreement Addendum for DIO Creation and Support.

(vii) There are numerous and diverse contractual-financial arrangements between USF and MCC. Each of these arrangements shall be independently negotiated, developed, and managed in a reasonable, good faith manner by the parties without linkage to any other contractual-financial arrangements, negotiations, and issues between the parties.

(viii) There will be no UMSA overhead assessment or tax imposed on any funding paid by the MCC system to UMSA for DIO faculty services and salary/benefits support. However, it is recognized that the DIO will pay for the core services purchased from UMSA as provided in item V 1. (i) above.

(ix) There will be no special USF overhead assessment or tax imposed on any funding paid by the MCC system to USF for DIO faculty salary/benefits support. There will be transaction fees for funding paid by the MCC system to USF for other purposes (non-salary/benefits). It is recognized that in situations where MCC desires to engage USF and USF desires to provide MCC support services, the parties will negotiate and enter into operating addenda to define the support services which are to be rendered and a reasonable compensation methodology that considers both the direct
and indirect costs incurred by USF rendering the services and that is based on the full scope of services actually provided by USF.

2. Faculty Affairs.

- USF/Health Sciences Center/COM processes for DIO faculty (clinical and research) recruitment, appointment, and pay will be re-engineered, streamlined, and expedited to minimize financial and procedural obstacles and improve the morale and productivity of DIO faculty, while ensuring adherence to USF Office of Diversity and Equal Opportunity (“USF DEO”) Faculty Recruitment Guidelines and COM Appointment, Promotion and Tenure Guidelines. Specific actions that have been or will be taken include (without limitation) the following:

(i) The DIO Chair will have delegated authority to approve DIO Faculty Recruitment Requests/Funding Plans and initiate recruitments for DIO faculty positions that will be funded fully and solely by DIO practice revenues and/or MCC system funds (as provided pursuant to the applicable USF/MCC Affiliation Agreement Addenda regarding the DIO and/or DIO Faculty Recruitment Letter Agreement). If the DIO faculty position will be funded (in whole or part) by (i) USF funds appropriated by the Florida Legislature and/or (ii) research funding administered by USF, or if subsequent to June 30, 2005, the DIO does not have reserve funds equal to at least 98% of the required level and there is any shortfall in funding for the position as indicated by the Funding Plan, the DIO Faculty Recruitment Request/Funding Plan will be submitted for review and approval by the COM Associate Dean for Business Affairs before the Request to Appoint Form is submitted to the COM Faculty Affairs Office to generate a letter of offer to the selected candidate.

(ii) The DIO Chair will no longer need to send a “letter of intent” to recommend the extension of letters of offer to prospective DIO faculty.

(iii) One letter of offer, jointly signed by the VP/Dean and the DIO Chair, will be given to prospective DIO faculty. The letter of offer will:

- Stipulate that the proposed academic rank is subject to approval by the COM Appointment, Promotion and Tenure Committee.
- Furnish the Parts I/II Credentialing and Billing Packets, and stipulate that the offer is contingent upon successful completion of the COM/USFPG credentialing process and issuance of a Florida medical faculty certificate or license.
- Explain MCC’s obligation with respect to any tenure-earning or tenured portion of the position that is funded or guaranteed by
MCC (“Moffitt Tenure”). (The parties intend to jointly develop a mutually acceptable definition of Moffitt Tenure which shall be reflected in the COM’s policies, procedures, and employment agreements applicable to DIO faculty.)

(iv) The COM will diligently and promptly process salary/bonus payments to DIO faculty as determined under the DIO Compensation Plan, assuming sufficient funds are available in DIO accounts and subject to the approval of the DIO Chair and the USF HSC VP/Dean.

3. **Education.**

   - The quality and quantity of DIO faculty effort in support of undergraduate, graduate, and continuing medical education will be maximized and measured. Specific actions that have been or will be taken include (without limitation) the following:

   (i) The DIO Compensation Plan will provide incentives for DIO faculty participation in educational activities.

   (ii) The DIO faculty will be included in COM communication channels related to educational programs (e.g. access to HSC e-mail and Blackboard systems.).

   (iii) The COM will develop a year 4 clerkship in oncology based at MCC.

   (iv) USF and MCC will collaborate to build a common culture and innovative educational models centered around the education of students earning a Ph.D. and Master’s Degrees.

VI. **Miscellaneous.**

   - The new Affiliation Agreement will have a term of ten years, subject to earlier termination with cause and without cause as provided by the Agreement.

   - Either party shall have the right to terminate their agreements regarding the DIO with cause and without cause as provided by such agreements.