

**UNIVERSITY OF SOUTH ALABAMA  
BOARD OF TRUSTEES**

**EXECUTIVE COMMITTEE**

**SEPTEMBER 28, 2015  
7:00 A.M.**

**FREDERICK P. WHIDDON ADMINISTRATION BUILDING  
AD 130, BOARD ROOM**

**AGENDA**

Roll Call

- 1** Approve: Letter of Commitment

**RESOLUTION**  
**APPROVAL OF LETTER OF COMMITMENT**

**WHEREAS**, the University of South Alabama is the sole member of the USA HealthCare Management, LLC, and

**WHEREAS**, the USA HealthCare Management, LLC is the sole member of the Gulf Coast Regional Care Organization, and

**WHEREAS**, in April 2015, the Gulf Coast Regional Care Organization established a Medicaid Health Home program for certain Medicaid patients in southwest Alabama, and

**WHEREAS**, in March 2015, the University of South Alabama Board of Trustees authorized the President to transfer \$2.5 million from the University of South Alabama Health system accounts to the USA HealthCare Management, LLC to meet Alabama Medicaid Agency solvency requirements, and

**WHEREAS**, the Gulf Coast Regional Care Organization is exploring the opportunity to be the capitated Alabama Medicaid Agency provider in the region, and

**WHEREAS**, the Alabama Medicaid Agency has established additional solvency requirements in order for the Gulf Coast Regional Care Organization to become the capitated Medicaid provider in the region, and

**WHEREAS**, the Alabama Medicaid Agency has established a deadline of October 1, 2015, for the Gulf Coast Regional Care Organization to have commitments in place that would meet Medicaid's solvency requirements,

**THEREFORE, BE IT RESOLVED**, the University of South Alabama Board of Trustees, authorizes the University president, who is the Manager of the USA Healthcare management LLC, or his designee, to execute an irrevocable letter of commitment from USA HealthCare Management, LLC to Gulf Coast Regional Care Organization for an amount up to \$6.7 million, with the understanding that fulfilling the commitment is contingent upon the execution of a contract between the Gulf Coast Regional Care Organization and the Alabama Medicaid Agency.

## **Request for Approval to Sign Irrevocable Letter of Commitment**

At the March Board meeting, you approved a transfer of \$2.5 million from the Health System to USA HealthCare Management, LLC (the HCM) to meet the initial requirements related to the Health Home operations of the Gulf Coast Regional Care Organization (the RCO). The purpose of today's meeting is to request approval to sign an irrevocable letter of commitment for additional funding, as discussed in March.

This irrevocable letter of commitment (which is due by September 30) is between the HCM and the RCO and. The HCM is the only member of the RCO and the 20 member Board of Directors has 10 University-related members. The amount being committed is approximately \$6.7 million. Our commitment is that if the RCO moves forward and signs a contract with Alabama Medicaid, the HCM must transfer the \$6.7 million at a later date prior to October 1, 2016. The purpose of this letter is to protect the RCO against any risk-bearing participant that could conceivably decide not to participate, thus leaving the RCO without appropriate funding.

It is possible that the amount of this commitment may increase depending on the actual number of Medicaid patients that are assigned to the RCO. Since, at this point, there is a competing RCO in this region, the calculation is based on the assumption that the Gulf Coast RCO will serve half of the Medicaid patients in the region. The final required reserve amount will be based on the RCO's actual membership in October 2016. Last March, it was estimated that this amount may be as high at \$15 million; however, at this point, we think the maximum amount will be closer to \$12 million. We will come back to you before any additional commitments are made or funds transferred.

There is some risk associated with signing the letter. Medicaid requires that the commitment be irrevocable as long as the RCO enters into a contract with Medicaid. In the unlikely event that the Board of the RCO (again, a total of 20 members, of which USA has 10 seats) were to decide to move forward with the RCO against the University's wishes, we would still be required to fund the \$6.7 million. Our attorneys (both internal and external) have reviewed the letter.

We are requesting today approval to sign an irrevocable letter of commitment from the HCM to the RCO for approximately \$6.7 million.

[Note: Each risk-bearing participant contributing cash, capital, or assets must execute a separate irrevocable letter of commitment]

DRAFT 8-21-2015

IRREVOCABLE LETTER OF COMMITMENT TEMPLATE

Date

[Insert Name of Probationary RCO]  
[Address Line 1]  
[Address Line 2]

Acting Commissioner Stephanie Azar  
Alabama Medicaid Agency  
501 Dexter Avenue  
Montgomery, AL 36104

RE: **IRREVOCABLE LETTER OF COMMITMENT PURSUANT TO ALABAMA ADMINISTRATIVE CODE RULE NO. 560-X-62-.16(1)(a) PROBATIONARY REGIONAL CARE ORGANIZATION (PRCO) NAME:** [Name of PRCO]  
**RISK-BEARING PARTICIPANT’S NAME:** [Name of Risk-Bearing Participant; Name must be Participant’s legal name and agree with previous submission(s) to Alabama Medicaid Agency]

This irrevocable letter of commitment is delivered by the risk-bearing participant identified above (the “Risk-Bearing Participant”) to the PRCO identified above pursuant to Alabama Administrative Code Rule No. 560-X-62-.16(1)(a). The Risk-Bearing Participant is or will upon the satisfaction of its commitments under this letter be a risk-bearing participant of the PRCO as described in Section 22-6-151(c)(1)(a) of the Code of Alabama.

The Risk-Bearing Participant hereby irrevocably commits to contribute to the PRCO cash or other assets of character qualifying with the applicable requirements of Alabama Administrative Code Rule No. 560-X-62-.16 and/or to provide the funds, security, and/or other resources necessary for the PRCO to procure a performance bond complying with such rule in the form provided by the Medicaid Agency, in the following amounts:

	Cash or Assets		Performance Bond*	
	\$ _____	____%	\$ _____	____%
Restricted Reserve Requirement (Participant’s Applicable Amount of Total):	\$ _____	____%	\$ _____	____%
Capital or Surplus Requirement (Participant’s Applicable Amount of Total):	\$ _____	____%	\$ _____	____%

\* If the Risk-Bearing Participant will assist with procuring a performance bond, list in the table above the portion and percentage of the principal amount (i.e., penal sum) that the Risk-Bearing Participant is responsible for procuring (by the payment of premium, providing security to the surety, or other assistance). In the following space, describe the assistance the Risk-Bearing Participant will undertake and provide any needed clarification:

The Medicaid Agency and the Risk-Bearing Participant acknowledge the following:

- The Medicaid Agency has the right to request additional documentation to assist with the assessment of the Risk-Bearing Participant’s commitments under this letter, including but not limited to financial statements and other information evidencing the Risk-Bearing Participant’s ability to satisfy the commitments.
- The Medicaid Agency has the sole discretion to determine whether the Risk-Bearing Participant has the ability to provide the funds committed by this letter.
- The irrevocable commitment herein is enforceable only by the PRCO; provided, however, that such enforcement right expires in the event that the PRCO elects not to enter into the RCO Contract with the Alabama Medicaid Agency.

***[ENTITY SIGNATURE BLOCK - If the Risk-Bearing Participant is an entity, include the following and delete the signature option for individuals:]***

The undersigned officer, who signs and delivers this letter by and on behalf of the Risk-Bearing Participant, certifies that (a) the Risk-Bearing Participant has the ability to satisfy the commitments undertaken by this letter, and (b) this letter and the information contained herein is provided in compliance with Sections 22-6-150, *et seq.* of the Code of Alabama and the regulations thereunder.

[ENTITY NAME OF RISK-BEARING PARTICIPANT]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

*Please print or type all entries, except signature(s).*

***[INDIVIDUAL SIGNATURE BLOCK - If the Risk-Bearing Participant is an individual, include the following and delete the signature option for entities:]***

The undersigned Risk-Bearing Participant certifies that (a) he or she has the ability to satisfy the commitments undertaken by this letter, and (b) this letter and the information contained herein is provided in compliance with Sections 22-6-150, *et seq.* of the Code of Alabama and the regulations thereunder.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

*Please print or type all entries, except signature(s).*