Update, March 3, 2008

We’d like to take this opportunity to introduce you to a new effort to rebuild and greatly improve UC Physicians (UCP).

As you are aware, last year we commissioned a comprehensive review of UCP by ECG Management Consultants, Inc., one of the country’s foremost health care consulting firms. After several months of exhaustive work, ECG made several recommendations, including the creation of a more integrated management model for UCP.

Out of that review was born the **UC Physicians Re-engineering Project**. The major goals of this effort are to develop a clinical practice with shared and centralized services to improve patient care and overall operations, allow for greater integration of strategies, enhance cooperation and collaboration, and improve patient access to specialties and services.

To this end, we initially created eight working committees to help plan the path to our goals. These committees and their leaders are:

- Finance and Accounting – Tom Ducro
- Clinical Practice – Dan Gahl
- Governance – David Stern, MD
- Faculty Compensation – David Stern, MD
- Marketing – Chris Ralston
- Compliance / Risk Management – Drew Botschner
- Human Resources – Bill Walker
- Information Technology – Roger Guard

**Moving Toward a Single Corporation**

On Feb. 28, a critical step in this effort was taken when the UC Physicians Board of Directors voted unanimously to start down the pathway to merging the clinical practice corporations that comprise the University of Cincinnati College of Medicine’s faculty practice into a single nonprofit tax-exempt corporation. The motion voted upon was:

> Resolved: We favor consolidation of the fifteen separate clinical practice corporations into one corporation, UC Physicians, Inc. We favor moving down the road toward such consolidation starting today.

As you know, the UCP Board of Directors is composed of the College of Medicine’s clinical department chairs. This action was taken following an extended discussion in which a mood of cautious optimism prevailed; optimism because of the clear advantages of consolidation/centralization for clinical practice and financial management, and caution because of the challenges which these changes entail.

In recognition of these challenges, the appointment of Dr. Tom Boat (former chair of pediatrics and chief medical officer of Cincinnati Children’s Hospital Medical Center and director of Cincinnati Children’s Research Foundation) as executive associate dean was announced. Dr. Boat will play a key role in enhancing our model(s) of clinical practice in the College of Medicine, and in the Re-engineering Project of UCP. In addition, an Implementation Committee to assist and oversee the re-engineering was announced with Dr. Boat serving as chair. There will be more to follow on this in the coming weeks.

This action of the UCP Board of Directors follows a unanimous recommendation Feb. 13 by the Re-engineering Project’s Governance Committee to move down a pathway leading to a single corporation. The Re-engineering Project Management Team – which includes the working committee leaders and UCP senior leadership – also has endorsed this. The plan will next be presented to the University of Cincinnati Board of Trustees, perhaps as early as their March 25 meeting.
Significant work lies ahead of us to complete this effort. Much due diligence is required to ensure that we proceed through this substantial process effectively and accurately.

Let us reassure you that this is a monumental moment in the practice’s history. While we have been an effective faculty practice, the time is right to refine and improve our organization to further enhance our delivery of quality patient care. We will do this carefully and with our physician leadership engaged at every point.

There are many advantages to move in this direction, including:

- Joint managed care contracting;
- Improved and more efficient financial performance;
- Greater ability to finance large projects at lower capital costs;
- Consistent best practices, standards and guidelines throughout the organization; and
- A single point of interaction with potential external partners.

We will thoroughly review with you additional reasons supporting this move as we transition through this process.

Our objective is to create the best possible physician practice delivering the highest quality care to our patients while providing our faculty and staff with opportunities and employment benefits not easily replicated by competing practices in our region, thus making us an employer and caregiver of choice.

The work of the UCP Board of Directors and Governance Committee has just begun. The largest tasks remain ahead, but we are delighted to be moving forward in a manner which should provide a better work environment for our physicians and enhanced care for our patients.

**Updates As News Develops**

There undoubtedly will be many questions about this effort from faculty and staff. While we currently have answers to some questions, we suspect there will be many for which we do not yet have answers. We will, however, do our best to share with you what we know and learn as we proceed through this process. We will communicate with faculty and staff as frequently as news develops. Furthermore, we will soon launch a page on the UC Physicians Web site to provide additional information and a convenient forum for submitting questions.

We understand that change as significant as this can be stressful for everyone. As such, we ask that you focus on the opportunities that this exciting project will bring to everyone and how we will improve the care and service to our patients.

Please contact us if you have any questions or concerns. You also can pose questions to your department chair and business administrator, in addition to Drew Botschner, UCP legal counsel, and Steve Roth, Re-engineering Project facilitator.

We look forward to working closely with you throughout this process. Thank you for your continued help in building a better UC Physicians.

Sincerely,

**David Stern, MD**  
President and Chairman of the Board  
UC Physicians, Inc.  
Vice President for Health Affairs  
Dean, College of Medicine

**Dan Gahl**  
Chief Executive Officer  
UC Physicians, Inc.