

## University of Florida Internal Operating Memorandum

No.: 07-21

Date: November 30, 2007 (Supercedes No. 07-21 dated June 15, 2007.)

Subject: Faculty Practice Plans

Authority: Section 1001.74(36), F.S.

Purpose: To establish procedures for the operation of Faculty Practice Plans of the University of Florida J. Hillis Miller Health Center

### I. Preliminary Statement

Florida Statutes Section 1001.74(36) provides that the state university boards of trustees are responsible for supervising the operation of Faculty Practice Plans, including Faculty Practice Plan Corporations, at the state universities. In order to implement this authority, the University of Florida Board of Trustees has adopted this operating memorandum to provide guidance with respect to the creation and operation of Faculty Practice Plans at the University of Florida. These standards are uniform minimum standards for the University's oversight of affiliated organizations and all affiliates should at least meet these standards. The University's Board of Trustees or their designee, the President, may have greater oversight and if there is greater University oversight already, this will not be changed.

### II. Basic Policy

The J. Hillis Miller Health Science Center at the University of Florida provides educationally oriented clinical practice settings and opportunities, through which faculty members provide health, medical and dental care and treatment to patients, including patients at hospitals, clinics, and other facilities as an integral part of their academic activities and their employment as faculty. Such faculty practice activities provide clinical practice opportunities and experiences essential for the training of students and postgraduate health professionals and for enhancing the skills and knowledge of faculty members who must teach and train medical and other health professional students. Participation in such faculty practice activities by members of the faculty of the University's colleges of medicine, dentistry, health professions, pharmacy, nursing, and veterinary medicine is vital to the University's educational mission and the faculty's maintenance of skills in the treatment and diagnosis of disease, patient management, clinical

expertise, and medical judgment. Such participation is a necessary and essential part of their employment as faculty members.

Because faculty practice activities generate income from the cross section of patients served by faculty members, the colleges in the J. Hillis Miller Health Science Center are authorized to regulate and collect fees generated from faculty practice, and to develop and maintain Faculty Practice Plans for the orderly collection and distribution of such fees. The structure and activities of each Faculty Practice Plan must be consistent with, and supportive of, the objectives of the respective health center college, the Health Science Center, and the University. Each college shall have the authority and flexibility to use Faculty Practice Plan funds for the benefit of that respective college in furtherance of its educational, research, and service missions.

### III. **Faculty Practice Plan Requirements**

- A. **BOT Responsibility.** The BOT has an oversight responsibility for Faculty Practice Plans because they are supporting organizations of the University. In order to fulfill this responsibility, the BOT is requiring each Faculty Practice Plan to satisfy the requirements in this operating memorandum.
- B. **Written Plan.** Each Faculty Practice Plan shall have a written document which describes the college's policies and procedures pertaining to faculty practice activities and the resulting professional fees. The Faculty Practice Plan and any changes to the Plan must be approved by the Dean of the college, the Senior Vice President for Health Affairs, and the President of the University. The approval authority granted in this memorandum may be delegated in writing to appropriate University of Florida employees. Any such delegations must be maintained in the Office of the Vice President and General Counsel.
- C. **Incorporation.** A Faculty Practice Plan shall include a Florida not-for-profit corporation incorporated pursuant to Chapter 617 of the Florida Statutes (Faculty Practice Plan Corporation). Each Faculty Practice Plan Corporation acts as an instrumentality of the Board of Trustees for the benefit of the Faculty Practice Plan for the respective college.
- D. **Tax-Exempt Status.** Faculty Practice Plan Corporations must be exempt from federal and state taxes and shall make appropriate application to the Internal Revenue Service and Florida Department of Revenue to be recognized as tax-exempt. Further, the corporation shall not take any action which would cause it to lose its tax-exempt status.

- E. Articles of Incorporation. In order to incorporate, a corporation must prepare and file articles of incorporation with the Florida Secretary of State. The content of the articles of incorporation is prescribed by Florida Statute section 617.0202 but generally must include the name of the organization, its initial street address, the name and address of each incorporator, and, most important, the purposes for which the corporation is organized. A Faculty Practice Plan's purpose must be wholly in support of University of Florida programs. Because the corporation is organized solely to support one or more of the public or charitable purposes of the University, the Faculty Practice Plan should qualify as a not-for-profit corporation under state law as well as be recognized as a tax-exempt charitable organization by the Internal Revenue Service. Faculty Practice Plan articles of organization should be prepared by or in consultation with the Office of the University's Vice President and General Counsel, and must be confirmed by that Office to be consistent with this internal operating memorandum. The Articles and amendments thereto must be ratified by the Dean of the college, the Senior Vice President for Health Affairs and the President of the University.
- F. Bylaws. The day-to-day governance of corporate affairs is provided in the corporation's bylaws. The bylaws must contain provisions dealing with election/appointment of directors, term of office, procedures for calling meetings, quorum requirements, voting, appointment of committees, the establishment and appointment of corporate officers, and indemnification and insurance. The bylaws may not contain any provisions inconsistent with the Faculty Practice Plan statute, rule, or this internal operating memorandum. Faculty Practice Plan bylaws should be prepared by or in consultation with the Office of the Vice President and General Counsel, and must be confirmed by that Office to be consistent with this internal operating memorandum. The Bylaws and amendments thereto must be ratified by the Dean of the college, the Senior Vice President for Health Affairs, and the President of the University.
- G. Specific requirements of Organizational Documents. In addition to general requirements for articles and bylaws each Faculty Practice Plan's articles and/or bylaws must contain the following provisions in addition to satisfying the general requirements set forth above:
1. A provision that the corporation's board of directors shall include the members required under the applicable provision of IOM 01-1 and shall also include the Vice President for Business Affairs or designee, the Senior Vice President for Health Affairs or designee and the Dean of the College or designee .

2. A provision that a director, other than an ex officio director, may be removed for any reason by a vote of at least a majority of the corporation's board of directors and any director may be removed for cause by the President of the University after consultation with the corporation's board of directors.
3. A provision that any committee member may be removed for any reason by a vote of at least a majority of the corporation's board of directors, and that any committee member may be removed for cause by the President of the University after consultation with the conflict-free members of the corporation's board of directors.
4. A provision that the board of directors shall appoint an Audit Committee and shall, in conjunction with the Audit Committee, adopt an Audit Committee Charter, which shall be approved by the President of the University, to provide for oversight of the integrity of financial reporting, internal controls and the independence and performance of the audit function by the corporation's independent auditors.
5. A provision that the corporation's chief executive officer (regardless of actual title) shall be selected by (or appointed only after approval of) the President of the University after consultation with the corporation's board of directors, and that the chief executive officer shall report to the President of the University or his/her designee and the corporation's board of directors.
6. A provision that the corporation's chief executive officer (regardless of actual title) may be removed for any reason by a vote of at least a majority of the board of directors and may be removed for cause or unacceptable performance by the President of the University after consulting with the corporation's board of directors.
7. A provision that as used in the bylaws:
  - (a) "For Cause" shall mean actions or omissions that may adversely affect or reflect on the interest and/or reputation of the corporation or the University of Florida, as determined by the President of the University after consulting with the corporation's directors. Any such determination may be made by the President of the University and need not depend on the conclusion of any external determination or process.

(b) “Unacceptable Performance” means a persistent failure to fulfill duties of the position to high standards and in a manner that serves the best interest of the corporation and the University of Florida, as determined by the President of the University after consulting with the corporation’s board of director’s.

8. A provision that amendments to the articles of incorporation and/or bylaws require a vote of at least a majority of the members of the corporation (if entitled to vote) or of the members of the board of directors and that any such amendments shall not become effective until ratified by the President of the University as the designee of the Board of Trustees.
9. A provision that the President of the University or his/her designee confirms that the corporation’s mission is to support one or more of the purposes of the University.
10. A provision that the President of the University shall have the power to: monitor and control the use of University resources by the Faculty Practice Plan Corporation; control the use of the University name by the corporation; and monitor the corporation’s compliance with federal and state laws and rules. The Faculty Practice Plan Corporation must also have a policy on ethics and conflicts of interest.
11. A provision that the corporation shall comply with IOM 07-21 and any amendment thereto.
12. The foregoing provisions shall apply to all existing Faculty Practice Plan Corporations as well as any new Faculty Practice Plan Corporation.

#### IV. Operations

- A. Bank Account. Each Faculty Practice Plan Corporation must maintain a separate bank account into which all faculty practice fees are to be deposited, which shall be held and administered by the University or the Faculty Practice Plan Corporation.
- B. Budgets. Each Faculty Practice Plan Corporation shall adopt an annual budget which shall be recommended by the Dean of the college and the Senior Vice President for Health Affairs and approved by the University President or his/her designee not later than 60 days after the first day of the fiscal year. The President or his/her designee shall

periodically, but not less than annually, make a report concerning the Faculty Practice Plans' approved budgets and financial performance to the BOT.

- C. Audits. Each Faculty Practice Plan Corporation shall annually have a financial audit of its accounts and records conducted by an independent certified public accountant. The audit shall be completed and, together with management's responses, shall be submitted to the President of the University or his/her designee for review not later than 3 months after the close of the corporation's fiscal year. The President or his/her designee shall periodically, but not less than annually, make a report concerning material results of the Faculty Practice Plans' audits to the BOT.
- D. Personnel Policies. Faculty Practice Plan Corporations with employees must have appropriate written personnel policies, including discrimination and sexual harassment policies.
- E. Purchasing. Faculty Practice Plan Corporations must adopt purchasing policies that establish good business practices and ensure that appropriate internal control over procurement activities is in effect. Thresholds should be established by policy that agree with the University's limits requiring quotes, bids, and other forms of competitive purchasing practices.
- F. Leasing. Any leases of real property entered into by a Faculty Practice Plan Corporation must be approved by University's Office of the General Counsel prior to execution. Any subleases of real property by the Faculty Practice Plan Corporation to the University must utilize a sublease agreement approved by University's Office of the General Counsel.
- G. Construction.
  - 1) All construction funded by the Faculty Practice Plan Corporation on the University campus in Gainesville, including new facilities, renovations, remodeling and repairs, must comply with University of Florida policies and rules.
  - 2) Construction of new facility or that adds square footage to an existing facility on the University campus in Gainesville, or any construction of a facility or additional square footage to an existing facility off-campus, for which plant operations and maintenance funding will be requested from the state, shall not be funded by the Faculty Practice Plan Corporation without the prior approval of the University's Board of Trustees.

History: New 9-11-2004. Revised 6-15-2007; 11-30-2007  
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