

**CO-APPLICANT OPERATIONAL ARRANGEMENT**

**Between the**

**MARICOPA COUNTY SPECIAL HEALTH CARE DISTRICT**

**(“Public Agency”)**

**and the**

**MARICOPA HEALTH CENTERS GOVERNING COUNCIL**

**(“Co-Applicant”)**

This Co-Applicant Operational Arrangement (“Arrangement”) is entered into by and between the Board of Directors for the Maricopa County Special Health Care District (“District” or “District Board”), and the Maricopa Health Centers Governing Council (“Governing Council” or “Co-Applicant”) (collectively “the Parties”).

**WHEREAS**, the Maricopa County Special Health Care District, a political subdivision of the state of Arizona, is statutorily empowered to operate pursuant to Title 48, Chapter 31, of the Arizona Revised Statutes and A.R.S. § 48-5501 et. seq. and acting through its Board of Directors is authorized to accept and utilize federal and state funds and enter into agreements with other entities for the delivery and supervision of health care services at District operated health care facilities; and,

**WHEREAS**, the Co-Applicant, through its Governing Council, is organized to provide governance and oversight of certain clinics owned and operated by the District (the Federally Qualified Health Care Look-Alike clinics or “FQHC Look-Alike clinics”) that provide primary and preventive health care and related services (including, but not limited to, ancillary services), regardless of an individual’s or family’s ability to pay; and,

**WHEREAS**, since 2006, the Parties have co-applied for, and have been awarded by the Health Resources and Services Administration (“HRSA”) within the United States Department of Health and Human Services (“DHHS”), designation to operate a look-alike public center pursuant to Section 330 of the Public Health Service Act, which includes the FQHC Look-Alike clinics (the “Health Center Project”); and,

**WHEREAS**, the Parties agree that the District, having received FQHC Look-Alike designation from HRSA, will serve as the Public Agency and, as applicable, the recipient of federal funding, which may include Section 330 grant funding; and that the Governing Council will serve as the Co-Applicant, consistent with the requirements of Section 330 and applicable HRSA policies and pronouncements; and that the District acting as the Public Agency and the Governing Council acting as the Co-Applicant, together constitute the “Health Center” under HRSA policy; and,

**WHEREAS**, the Parties understand that Section 330, which was enacted by Congress, permits a public entity to operate a public center and to retain general policy-making authority; and,

**WHEREAS**, HRSA policy has stated (i) that a public center may consist of a public entity and a co-applicant which, when combined, meet the Section 330 governance requirements; and (ii) that many public entities are required by law to retain final authority for certain types of activities; and,

**WHEREAS**, in order to accomplish their shared interests, the District and Co-Applicant, acting collectively as the public center, wish to clarify and define their respective roles and responsibilities and their shared duties with regard to the governance and operation of the FQHC Look-Alike clinics in a manner consistent with the requirements of Section 330, its implementing regulations, and HRSA policy.

**NOW THEREFORE**, in consideration of the promises and mutual covenants set forth in this Arrangement, the Parties agree as follows;

**1. Co-Applicant's Role and Responsibilities**

**1.1 Composition of the Co-Applicant's Governing Council**

The composition of the Governing Council, as set forth in the Governing Council's Bylaws, shall comply with the requirements of Section 330, its implementing regulations, and HRSA policies. The Co-Applicant will make its best efforts with the assistance of the District to ensure that each Maricopa County Special Health Care District is represented when recruiting and approving new Governing Council Members and submit a quarterly report to the District Board reflecting the Governing Council's membership structure.

**1.2 Co-Applicant's Governance Authorities and Responsibilities**

The Co-Applicant's Governing Council's governance authorities and responsibilities shall comply with the requirements of Section 330, its implementing regulations, and HRSA policies. The Co-Applicant shall specifically exercise the following authorities and responsibilities with regard to the management and operation of the FQHC Look-Alike clinics:

- 1.2.1** Adopting of health care policies that are supportive of the District's policies regarding the scope, availability, location, and hours of operation provided by the FQHC Look-Alike clinics; however, with regard to location of any new FQHC Look-Alike clinics, Co-Applicant will work with the District to identify new locations that are consistent with the District's Proposition 480 facility, strategic, business, and capital plan;

- 1.2.2** Developing, annually reviewing, and approving fee structures, a sliding fee discount schedule, collections policies and financial policies for the Health Center Project, consistent with Paragraph 2.5;
- 1.2.3** Setting, approving, and recommending for final approval by the District Board the FQHC Look-Alike clinics' operating and capital budgets for the Health Center Project;
- 1.2.4** Reviewing, approving, and recommending for final approval by the District Board any Section 330 and related look-alike and/or grant applications and other HRSA requests regarding scope of project for the Health Center Project;
- 1.2.5** Selecting, evaluating, and dismissing the Executive Director, (synonymous with Co-Applicant's Chief Executive Officer), as set forth in Paragraph 3 below;
- 1.2.6** In collaboration with the District Board, evaluating FQHC Look-Alike clinics activities regarding service utilization patterns, productivity, patient satisfaction, achievement of project objectives and development of a process for hearing and resolving patient grievances;
- 1.2.7** Reviewing the District Board's selection of the District's independent external auditor and reviewing and recommending for approval by the District Board the FQHC Look-Alike clinics' audit report;
- 1.2.8** In collaboration with the District Board, recommending a quality improvement plan for the FQHC Look-Alike clinics and conducting a quality of care audit procedure;
- 1.2.9** In collaboration with the District Board, assuring that the FQHC Look-Alike clinics are operated in compliance with applicable federal, state and local laws, regulations, HRSA requirements and the District's corporate compliance program;
- 1.2.10** Annually evaluating the FQHC Look-Alike clinics' achievements; establishing the FQHC Look-Alike clinics' goals and objectives in collaboration with the District Board; and then approving the FQHC Look-Alike clinics' goals and objectives, including recommending linkages with other health care providers and health care programs;
- 1.2.11** Annually developing a strategic plan based on an assessment of the health care needs of the community served by the FQHC Look-Alike clinics with support from the District and any report, plan, or recommendations related to that process must be preliminarily approved by the District Board prior to the Co-Applicant's final approval.
- 1.2.12** Establishing and maintaining a monthly meeting schedule;
- 1.2.13** Participating in training and developmental programs in furtherance of the services provided at, and operations of, the FQHC Look-Alike clinics;
- 1.2.14** Complying with the District's conflict of interest and gift policy;

- 1.2.15 Exercising other authorities and responsibilities permitted of a co-applicant in a public center relationship, in accordance with Section 330, its implementing regulations, and HRSA policy; and
- 1.2.16 On an annual basis, submitting to the District an attestation that the Governing Council has operated; and each Governing Council Member has performed his/her duties, in a manner that is compliant with the provisions of this Arrangement; and that each Governing Council Member has completed their annual compliance and governance training and sign the Maricopa Integrated Health System Code of Conduct and Ethics attestation form.

### **1.3 Co-Applicant's By-Laws**

- 1.3.1 The Co-Applicant agrees that any proposed amendments to the Co-Applicant By-laws must be consistent with the requirements of Section 330, its implementing regulations, HRSA policies, and the terms of this Arrangement.  
Prior to adopting amendments to the Co-Applicant By-Laws, the Governing Council will provide the District with copies of the proposed amendments with sufficient time to permit the District to review and ensure that any revision is consistent with the requirements of Section 330, its implementing regulations, HRSA policies, and the terms of this Arrangement. The District shall approve the proposed amendments at the next regularly scheduled District Board meeting and thereafter timely notify the Co-Applicant. The District may only disapprove an amendment to the Co-Applicant By-laws if the amendment is inconsistent with the requirements of Section 330, its implementing regulations, HRSA policies, and the terms of this Arrangement and the District will provide the Co-Applicant with reason(s) for such disapproval within seven (7) days after the disapproval.
- 1.3.2 The Co-Applicant's By-laws will include similar language as in the District Board's By-Laws that allow for two or more Governing Council Members to place an item on the Governing Council's meeting agenda.
- 1.3.3 The Co-Applicant's By-laws will include provisions for the filling of vacancies on the Council that arise as a result of retirement, resignation, or the removal of a Member of the Governing Council, where the removal is based upon good cause, including but not limited to, violations of the Code of Conduct and Ethics or actions that are unbecoming of the Member.

### **1.4 Co-Applicant's Duty Regarding Potential Members of Governing Council.**

The Co-Applicant will provide District staff with a fully completed Governing Council membership application (including the name and information about the potential member) with sufficient advance time to permit District staff to review the application to ensure there is no conflict of interest in fact or in appearance. District staff will reply

to the Co-Applicant about any identified conflict of interest with regard to the potential member, in a timely manner, but in no event later than the next regularly scheduled District Board meeting.

The obligations noted in Paragraph 2.14 are incorporated by reference in this Paragraph 1.4.

## **2. District's Governance Authorities and Responsibilities**

The District acting through its Board of Directors, constrained by statutory authority, shall exercise the following governance and operational authorities and responsibilities with respect to the FQHC Look-Alike clinics, which includes but are not limited to:

- 2.1** Approving the District's budget, which includes the budget for the FQHC Look-Alike clinics approved by the Co-Applicant; however, if the District revises the Co-Applicant's budget, the Co-Applicant's budget is to be returned to the Co-Applicant for its subsequent approval;
- 2.2** With input from the Co-Applicant, developing, adopting, and updating policies for the financial management, financial practices and long range financial and capital planning and capital management for the FQHC Look-Alike clinics in accordance with sound financial management procedures;
- 2.3** Performing an annual audit of the Co-Applicant and the FQHC Look-Alike clinics to determine the fiscal integrity of financial transactions and operations of the FQHC Look-Alike clinics to be in compliance with HRSA requirements;
- 2.4** Establishing and employing the procurement and purchasing policies for the FQHC Look-Alike clinics;
- 2.5** Developing and implementing fee structures, a sliding fee discount schedule, collections policies and financial policies for the Health Center Project, consistent with state and federal law and HRSA policy and other billing and collection policies, following consultation with, and approval by, the Co-Applicant;
- 2.6** Developing and implementing all human resource policies and procedures applicable to District employment including District employees assigned to the FQHC Look-Alike clinics, including selection and dismissal procedures, salary and benefit scales, employee grievance procedures and equal opportunity practices;

- 2.7** Developing a strategic plan for the FQHC Look-Alike clinics that is created with input from the Co-Applicant;
- 2.8** Obtaining and maintaining all licenses, permits, certifications and approvals necessary for the operation of the FQHC Look-Alike clinics;
- 2.9** Employing or contracting for professional, health care, financial, managerial and administrative personnel necessary for the efficient operation of the FQHC Look-Alike clinics;
- 2.10** Arranging for the provision of primary, preventative and supplemental health care services in the FQHC Look-Alike clinics as required by Section 330;
- 2.11** Ensuring that clinicians who provide services in the FQHC Look-Alike clinics meet the District's and its Medical Staff's credentialing and privileging requirements and qualifications;
- 2.12** Receiving, managing and disbursing all FQHC Look-Alike clinics revenues, including state or federal funds, but only to the extent any expenditure is consistent with the District's budget;
- 2.13** Preparing annual financial and operational reports for the Co-Applicant, and any other reports reasonably requested by the Co-Applicant, in order to enable the Co-Applicant to fulfill its responsibilities for the efficient operations of the FQHC Look-Alike clinics;
- 2.14** In support of the Co-Applicant's responsibility referenced in Paragraph 1.4 above, the District Board's review of the Governing Council applicant will also include a background check (as per the District's Human Resource Policies), review of the Department of Health and Human Services' Exclusion List, and consideration of any other federal or state regulatory requirements applicable to citizens sitting as Governing Council Members. District staff will inform the Co-Applicant, in a timely manner (see Paragraph 1.4), in situations where a Governing Council applicant be prohibited from serving as a Governing Council member due to the presence or absence of a negative background report, and/or the Governing Council applicant's real or apparent conflict of interest, and/or if there is otherwise a statutory or regulatory requirement. The District Board's approval of the applicant does not constitute a formal endorsement of the applicant as an official member of the Governing Council. The Co-Applicant will formally vet the applicant and the applicant must gain approval by formal vote of the Co-Applicant.

**2.15** On an annual basis, the District Board of Directors shall state that it has acted in compliance with the provisions of this Arrangement and that each Director has signed the Maricopa Integrated Health System Code of Conduct and Ethics attestation form.

### **3. Executive Director**

**3.1** The Executive Director (the Co-Applicant's CEO) shall be a full-time District employee. The Executive Director has the responsibility for the general management, supervision, and direction of the FQHC Look-Alike clinics, and must work within the District organizational reporting structure on matters of finance, human resources, strategy, and operations, consistent with policies and programs established by the District.

**3.2** The Executive Director shall report to the Governing Council. As a District employee, the Executive Director shall also report to the District's Chief Operating Officer.

**3.3** The Executive Director shall be selected via a nomination and search process under which the District recruits candidates with input from the Co-Applicant and thereafter provides a recommendation to the Co-Applicant, and the Co-Applicant Governing Council then selects an individual from the list of proposed candidates. If the Co-Applicant Governing Council rejects all individuals from the District's list of proposed candidates, then the District will provide the Co-Applicant with a list of additional proposed candidates. This process shall continue until the Co-Applicant Governing Council approves an individual proposed by the District.

**3.4** The Co-Applicant's Governing Council will annually review and evaluate the Executive Director's performance applicable to the Health Center Project in a quantifiable and transparent manner that is consistent with the District's human resource policies and will report its findings to the District. In addition, the Executive Director, as a District employee will be evaluated by the District in accordance with the District's human resource policies.

#### **3.5 Removal or Reassignment of the Executive Director:**

##### **3.5.1 Removal by Co-Applicant.**

**3.5.1.1** The Co-Applicant shall have independent authority to remove the Executive Director from his or her position as Executive Director of the Health Center Project. Removal of the Executive Director by the Co-Applicant pursuant to this Paragraph shall not constitute a termination of employment of the Executive Director by District or otherwise impede the

continuation of the Executive Director's employment relationship with District in another capacity.

**3.5.1.2** Any personnel action proposed by the Co-Applicant with regard to the Executive Director must be taken consistent with the District's human resource policies.

**3.5.1.3.** The Co-Applicant acknowledges that the District possesses the sole power to terminate the employment of the Co-Applicant's Executive Director

**3.5.2** Removal or Reassignment by District.

**3.5.2.1.** In the event that the District intends to terminate the Executive Director from the position as the Executive Director of the Health Center Project or to reassign him/her to a position other than the Co-Applicant's Executive Director, the District will inform the Co-Applicant and request approval from the Co-Applicant for the termination or reassignment; however, if the termination or reassignment is related to the Executive Director's malfeasance, as referenced in the District's human resource policies, then the District may terminate or reassign the Executive Director immediately and thereafter notify the Co-Applicant of such action.

**3.6** The Co-Applicant and the District will ensure that their conduct under this Paragraph 3 is performed consistent with the terms of this Arrangement and HRSA policies.

#### **4. Coordination of Shared Duties by Parties**

**4.1** The Chair of the Co-Applicant (or the Executive Director on his/her behalf) shall coordinate with the District CEO and/or his/her designee, the Parties' efforts to meet their respective obligations under this Arrangement and shall cooperate with each other to communicate and resolve any issues between the Parties.

**4.2** The Parties shall collaborate to assure Co-Applicant members and District Board Members are informed as to their respective duties, authority, and obligations under this Arrangement.

#### **5. Record Keeping and Reporting**

**5.1** The Parties shall maintain all financial records, reports, documents, statistical records, books, papers or other records related to this Arrangement that will enable them to meet all state and federal reporting requirements. Such records are to be maintained for a period established by the Arizona State Library, Archives, and Public Records.

5.2 The Parties agree that the District is the legal custodian of all medical records established and maintained relating to diagnosis and treatment of any patients served at any of the FQHC Look-Alike clinics.

**6. Insurance**

For purposes of liability and insurance coverage, both Parties will be deemed to be an agent of the District for any acts arising under the terms of this Arrangement. The scope of such insurance coverage will be governed by the terms of the Amended and Restated Maricopa County Special Health Care District Risk Management Insurance and Self Insurance Plan.

**7. Ownership of Property Acquired with any Grant Funds and Procurement**

Should District receive Federal grant support from HRSA pursuant to Section 330, the District shall be the titleholder to any and all property purchased with Section 330 grant funds, as applicable. The District shall further assure that all contracts procured and executed by the District are done consistent with the District's Procurement Code and applicable state and federal law and regulations.

**8. Applicable Laws, Regulations, and Policies**

This Arrangement shall be governed by and construed in accordance with the laws of the state of Arizona and applicable federal laws, regulations, and HRSA policies, as may be amended.

**9. Non-Discrimination**

Each Party agrees that it will not discriminate on any basis, directly or indirectly, with regard to the provision of health care services under this Arrangement. In addition, each Party and its agents, employees, contractors and subcontractors, will not discriminate against any individual with regard to their application for employment or employment status under the terms of this Arrangement.

**10. Term**

The initial term of this Arrangement shall be from July 1, 2017 to June 30, 2020 ("Initial Term"), unless terminated in accordance with the terms of Paragraph 11 below. Thereafter, this Arrangement may be renewed by the Parties for one additional three (3) year term upon their mutual written agreement; any additional term, is also subject to the termination terms in Paragraph 11 below. In the event that at the end of the Initial Term, the Parties have not been able to finalize the terms of the subsequent Arrangement, the Initial Term may continue

on a month-to-month basis, but not to exceed a period of three (3) months after the last day of the Initial Term.

Subject to any Federal or state regulatory approval which might require the termination or operation of the FQHC Look-Alike clinics, nothing in this Arrangement is intended to require, nor should be construed to require, that the FQHC Look-Alike clinics remain in operation or that the District apply for any grant funding, including Section 330 funding.

## **11. Termination**

- 11.1** Either Party may terminate this Arrangement without cause upon ninety (90) days prior written notice.
- 11.2** The Parties may terminate this Arrangement upon mutual agreement giving thirty (30) days prior written notice.
- 11.3** This Arrangement shall terminate immediately upon the effective date of non-renewal or termination of the Section 330 grant or FQHC Look-Alike award status, as applicable, or upon the loss of any license, permit or other authorization required by law or regulation for operation of the FQHC Look-Alike clinics.
- 11.4** Either Party may terminate this Arrangement for cause in the event that the other Party fails to meet material obligations under this Arrangement. Such for cause termination shall require a thirty (30) days' prior written notice of intent to terminate during which period the Party that has allegedly failed to meet the material obligation may attempt to cure such failure or demonstrate that no such failure has occurred. Any dispute between the Parties regarding whether a breach of a material obligation has occurred, or that such a breach has been satisfactorily cured, will be resolved in accordance with Paragraph 12 of this Arrangement. If the Parties are unable to resolve the dispute through informal negotiations within a reasonable period of time of the commencement of such discussions (not to exceed thirty (30) days), then either Party may terminate this Arrangement.
- 11.5** For cause termination or termination for mutual convenience shall not become effective unless and until the HRSA issues its written approval of such termination, if such notice is required by law or HRSA policy.

## **12. Alternative Dispute Resolution**

The District and the Co-applicant shall use their best efforts to carry out the terms of this Arrangement in a spirit of cooperation and agree to resolve by negotiation any disputes arising hereunder. In the event the Parties are unable to resolve the dispute through informal negotiations within a reasonable period of time of the commencement of such discussions (not to exceed thirty (30) days), the Parties shall attempt formal mediation or arbitration, consistent with the Rules of Procedure for the Maricopa County Superior Court, if they

mutually agree to do so. Any decision by a mediator or arbitrator shall be final and not subject to appeal or legal challenge.

**13. Proprietary Information and Confidentiality**

The Parties shall maintain the confidentiality of all information regarding the health and health care of any patients receiving services in the FQHC Look-Alike clinics in accordance with all applicable state and federal laws, including HIPAA (Health Insurance Portability and Accountability Act) and the HITECH (Health Information Technology for Economic and Clinical Health) Act.

Neither Party shall disclose to any entity any confidential or proprietary information, which it possesses, that is directly or indirectly related to the other Party and which arises under the terms of this Arrangement, without the prior written approval of the other Party or as required by law.

**14. Notices**

All notices permitted or required by this Arrangement shall be in writing and delivered personally or via USPS first class postage prepaid, Certified and Return Receipt Requested, addressed to the other Party at the address set forth below:

For the Co-Applicant Maricopa Health Centers Governing Council:  
Chair, Maricopa Health Centers Governing Council  
2525 E. Roosevelt St  
Phoenix, AZ 85008

For the Maricopa County Special Health Care District:  
Chair, Board of Directors  
Maricopa County Special Health Care District  
2601 E. Roosevelt St.  
Phoenix, AZ 85008

**15. Assignment**

Neither Party shall have the right to assign, delegate or transfer this Arrangement, or any of its rights and obligations hereunder, without the express prior written consent of the other Party.

**16. Severability**

If any provision of this Arrangement or the application of such provision is held to be invalid, the remaining provisions of this Arrangement shall not be affected thereby.

**17. Amendments**

Any amendment to this Arrangement shall be in writing and signed by both Parties.

**18. Waiver**

Waiver by either Party to this Arrangement of any breach or of any provision hereof by either Party shall not operate as a waiver by such Party of any subsequent breach.

**19. No Agency**

Neither Party is, nor shall be deemed to be an employee, agent, or legal representative of the other Party for any purpose. The Co-Applicant may not enter into any contracts in the name of or on behalf of the District.

**20. Third-Party Beneficiaries**

No third party shall obtain any right, debt, liability or obligation under any provision of this Arrangement.

**21. Survival**

Paragraphs 5, 6, 7, 12, 13, 14, 18, 19, 20, and 21, shall survive the termination of this Arrangement without regard to the cause of termination.

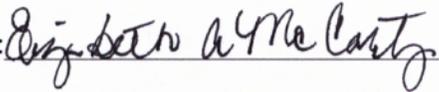
**22. Entire Agreement**

This Arrangement constitutes the entire agreement of the Parties with respect to the Parties' operation of the FQHC Look-Alike clinics as a public center and supersedes all prior oral and unsigned agreements.

***Signatures Appear on the following Page***

IN WITNESS WHEREOF, the Parties have caused this Co-Applicant Operational Arrangement to be executed by their duly authorized representatives.

**Chair**  
**Maricopa Health Centers Governing Council**

By: 

Print: Elizabeth McCarty

Title: Chairman

Date: December 6, 2017

**Chair**  
**Board of Directors**  
**Maricopa County Special Health Care**  
**District**

By: 

Print: Susan Gerard

Title: Chairman

Date: November 29, 2017