Maine State Board of Education

Request by Out-of-State Postsecondary Institution

Seeking to Offer Academic Credit Program in Maine

Maine Medical Center-Tufts University School of Medicine
Medical School Program
June 12, 2009

Executive Summary

Tufts University School of Medicine [TUSM] has partnered with Maine Medical Center [MMC], Maine's largest tertiary care and teaching hospital, to provide a unique Medical School Program to enhance access to medical education for Maine students, to address Maine physician workforce needs, and to develop innovative curricula for the future physician. Students will spend the majority of the 1st/2nd years at TUSM, having specific experiences in Maine, and then the 3rd/4th years will be predominantly in Maine. It has been demonstrated, through similar programs such as 5-state "WWAMI" (University of Washington School of Medicine partnership) program in the northwest, that the more students complete their experiences in a specific state the more likely they may consider practicing in that state.

Under the formal Agreement signed by MMC and TUSM on February 5, 2008, up to 36 students per year will be admitted to the "Maine-Track." A Maine-based Admissions Subcommittee will actively participate in the selection of students for the Maine-track. A Maine-based Curriculum Subcommittee has been formed to develop the MMC-TUSM Medical School Program curriculum.

Maine Medical Center has a strong track record in educating medical students, with many years of experience as an outstanding core teaching site affiliated with the University of Vermont [UVM]. Medical students from Dartmouth Medical School and the University of New England College of Medicine also train at MMC. There has been tremendous engagement on the part of the MMC faculty with regards to program planning and curricular development. TUSM and MMC are jointly developing a very exciting component of the Medical School Program that will prepare students for the unique challenges they will face when practicing in an underserved, rural location. This is a need that both MMC and TUSM feel strongly needs to be met.

Introduction: Operating Authorization and Accreditation

1. The institution has legal authorization to operate and grant degrees in its home state, either through a state charter or other statutory provision, and has been in operation in its home state for at least 3 years* prior to the date of application for approval to make offerings in Maine.

The Tufts University School of Medicine [TUSM] has the legal authority to operate and grant the M.D. degree in the state of Massachusetts. TUSM has been in operation in Massachusetts since 1893. Graduates of this medical school program will receive a degree from TUSM.

2. The institution is accredited by a regional accrediting agency or the program to be offered in Maine is nationally accredited by one of the programmatic accrediting agencies recognized by the U.S. Secretary of Education. In the absence of such accreditation, an application to operate in the State of Maine will not be considered.

TUSM is accredited by the Liaison Committee on Medical Education [LCME]. The LCME is the national accrediting body, which accredits all allopathic medical schools in the U.S. Their website is www.lcme.org. The U.S. Department of Education recognizes the LCME for accreditation of programs of medical education leading to the M.D. degree in the United States.

This new Medical School Program would be considered both a Separate Branch Campus and Educational Track by LCME definitions. The LCME has been informed of this new separate track and campus in Maine. The LCME will likely conduct a site visit at Maine Medical Center [MMC] in the summer or fall of 2009.

A. Organization and Governance

1. The institution has a current written document detailing the administrative responsibilities of the governing board, administrators, the faculty, the staff, and the students (if staff and students participate in institutional governance.

MMC and TUSM signed a formal, 10-year Agreement on February 5, 2008. This Agreement specifies the formation of a MMC-TUSM Program Steering Committee. The Medical School Program Steering Committee is comprised of six members of senior management from each institution, co-chaired by the Dean of TUSM and the CEO of MMC. The TUSM Dean has ultimate academic authority for the Medical School Program.

The Agreement also stipulates the formation of a Medical School Program Curriculum Subcommittee and Medical School Program Admissions Subcommittee. Both of the Subcommittees report to their respective TUSM Committees. The Curriculum Subcommittee includes 5 Boston-campus TUSM representatives. All the Subcommittee members have TUSM faculty appointments. Two physicians from MMC also sit on the Boston-campus TUSM Curriculum Committee.

The Agreement outlines the Medical School Program Administration, incorporating a Maine-based Academic Dean. MMC- and other Maine-based faculty will be appointed to the TUSM faculty.

2. Organizational charts clearly showing the lines of authority and the relationships among component units and personnel have been developed with attention given to both on-campus and off-campus operations.

See Attachment A showing the lines of authority.

B. Institutional Objectives

1. The institution has defined its overall educational mission and general purposes or goals, and has included within its statement of purpose such uniqueness or programming and educational philosophy as may be inherent in the proposed degree courses or programs to be offered in Maine.

The Mission of TUSM is described in Attachment B. The MMC-TUSM Medical School Program also developed a Mission Statement by the Medical School Program Steering Committee:

Mission:
Maine Medical Center and Tufts University School of Medicine jointly commit to developing and implementing a unique medical school program, featuring an innovative curriculum that will offer both tertiary-care and rural-based educational experiences in Maine, train exceptional physicians, and encourage graduates to pursue career opportunities in Maine.

Strategic Goals:

*Develop a national model to educate medical students in an outstanding manner.

*Improve access to medical education for qualified Maine students.

*Collaborate in clinical, Graduate Medical Education and research arenas.

*Address Maine physician workforce needs in all specialties and geographic regions.

*Design an innovative, dynamic, and forward-thinking curriculum.

*Improve access to quality medical care for all Maine residents.

2. The institution's statement of purpose is readily identifiable through its course and program offerings.

The 4-year Medical School Program ultimately leads to the M.D. degree. All course and program offerings are geared towards achieving the well-defined educational competencies by the time of graduation.

C. Degree Requirements

1. The institution awards degrees, only upon successful completion of the courses or programs of study, and degree requirements to be met are specified in writing.

The following TUSM degree requirements must be met before the M.D. degree is awarded. These degree requirements must be successfully completed by students in either the Boston-based campus or the Maine-Track.

2008-2009 TUSM GRADUATION REQUIREMENTS

Current requirements for graduation are the following:

- Successful completion of the first two years of medical school.
- Passed Step 1 of the United States Medical Licensure Examination (USMLE).
- Successful completion of the required clerkships in the third year.
- Successful completion of fourth year program, consisting of at least eight fourth year electives of four weeks each, approved by the Dean for Students. It is required that five of these rotations occur in Tufts affiliated hospitals and two of the Tufts electives occur in ward services.
- Successful completion of a Tufts Neurology/Neurosurgery elective in either third or fourth year.
- Successful completion of a Tufts Family Medicine elective by block 5 of fourth year.
- Taking Step 2 CK and CS of the United States Medical Licensure Examination (USMLE).
- Participate in the Observed Structured Clinical Examination (OSCE) before graduation.
- Have paid a minimum of four full years of tuition (eight semesters) plus any additional tuition and fees incurred. Students, who transfer into third year, must pay a minimum of two full years of tuition plus any additional tuition and fees incurred. Students, who transfer into second year, must pay a minimum of three full years of tuition plus any additional tuition and fees incurred. All students must have paid all bills owed to the University.
- Recommended for the degree, Doctor of Medicine, by the Student Evaluation and Promotions Committee and the Executive Council, and approved by the Trustees.

2. All degree requirements are clearly stated in writing and include attention to residence requirements if such are necessary for completion of the program.

All TUSM degree requirements are published in the Student Handbook. Maine-Track students are expected to complete the majority of their 3rd and 4th years of medical school in Maine. However, they are not required to obtain legal Maine residence.

3. The institution's semester hour* requirements for degree completion meet the following minimums: **Doctoral Degree** - A Doctoral degree shall require a minimum of 60 semester hours or 90 quarter hours beyond the Baccalaureate in addition to the dissertation.

The TUSM M.D. degree does not require a set number of credit hours. Requirements are met based on number of weeks in the academic years, the required coursework (which have varying course hours associated with them, and the required clinical curriculum.

D. Admission Requirements

1. The institution has written policies defining the minimum requirements for admission into the academic credit courses or program proposed for offering in Maine.

Students will apply specifically to the MMC-TUSM Program. For the academic year 2009-2010, up to 36 will be selected by the Maine Admissions Subcommittee. If there are less than 36 students selected by the Subcommittee in any given year, the remaining students will be recruited from the larger TUSM student class, with some electing to participate in the 4-year curriculum in Maine or only during the clerkship year.
The students admitted to the Maine-Track have the same minimum requirements for admission as outlined in the TUSM policy [see Attachment C].

2. The admission policies include detailed the standards for academic credit given for experience, and the criteria for determining transfer credit.

TUSM participates in the national AMCAS system [American Medical College Application Service]. They allow transfer students from LCME accredited school to transfer by year, usually only into the third year with two years of "advanced standing." There are no actual "credit" transfers. In general, transfers are limited to about two students per year into TUSM's third year.

3. A written refund policy is in evidence detailing the criteria for the refund of tuition and fees.

Please see Attachment D for the TUSM written refund policy.

E. Academic Programs

1. The educational program and curricular to be offered in Maine is reflective of the philosophy, purposes, and objectives of the institution.

The Medical School Program curriculum will train outstanding physicians to be well-prepared to enter residency programs. Achieving the required competencies is a focus for this branch campus/track as well as the main campus. Curricula in the basic sciences will be the same for all students. During the 1st and 2nd years, learning activities in Maine will have similar outcomes-based goals as at TUSM. The clerkship year will be traditional, discipline-specific block rotations. Exploration of a longitudinal, integrated clerkship model is occurring at both MMC as well as in rural sites.

Please see Attachment E, which depicts the 4-year curriculum. After a brief Orientation at the start of medical school, students will start basic science courses in Boston, along with the Boston-based students. In March of the 1st year of medical school, Maine-Track students will be in Maine two days every other week, working with Maine community preceptors, and

completing small-group and skills-based sessions with Maine faculty, in a course called Foundations of Patient Care I [FPC]. Parallel experiences are occurring for the Boston-based students. The 1st year is completed with a month-long course called Scientific Foundation of Social and Behavioral Medicine [SFSBM]. This course will be taught entirely in Maine.

There is an optional summer program between the 1st and 2nd years of medical school. For example, Maine-Track students may complete a required community service project. During the 2nd year of medical school, Maine-Track students will be again in Maine two days every other week for Foundations of Patient Care II. Learning competencies for FPC and SFSBM courses are the same for Boston-based and Maine-Track students.

The 3rd and 4th years of medical school are clinically-focused, and will be completed predominantly in Maine.

2. The institution has a written policy describing its system for evaluating student performance, the minimum performance considered satisfactory, the criteria for academic probation and conditions for dismissal for unsatisfactory performance.

Students in the Maine-Track will have similar methods of evaluation as the Boston-based students. Grading criteria for students in the Maine-Track will be equivalent. Similar use of multiple evaluation tools to assess competency will be used at both campuses [e.g., Objectively Structured Clinical Examinations (OSCE), standardized patient (SP) exams, 360 evaluations, portfolios].

Please see Attachment F for the TUSM written policy on student evaluation.

3. Procedures for evaluation of programs of instruction and specific courses are clearly stated in writing.

Please see Attachment G for the TUSM policy for evaluating courses. The TUSM Curriculum Committee has the responsibility to review all courses on a periodic basis. Students also evaluate courses on an ongoing basis.

4. The institution's programs of study consist of planned educational experiences to meet the stated objectives and includes attention to required prerequisites, required courses, and appropriate progression.

TUSM follows a traditional medical school curriculum, beginning with instruction in the basis sciences. Early in medical school, patient care experiences are introduced, and a focus is on basic clinical skills such as history-taking and physical examination skills. TUSM, like many medical schools, are increasingly integrating the basic sciences and clinical training throughout the 4 years of school. The TUSM program, both in Boston and for the Maine-Track, is a progressive one, with each new experience or activity building upon a broad and in-depth foundation of knowledge and skills.

The MMC-TUSM Medical School Program Curriculum Subcommittee has developed eight Themes, which are deemed important for the training of future physicians. These Theme topics

do not typically fit within a typical time-limited block, and therefore learning activities for each Theme will be integrated throughout the 4 years of medical school. The Themes are:

1. Patient Safety and Quality
2. Rural Medicine
3. Systems-based Practice
4. Public Health and Preventive Medicine
5. Advanced Learning and Thinking
6. Decision-making and Evidence-based Medicine
7. Clinical Skills
8. Team-based Care

5. The materials and equipment necessary for attainment of the objectives of the course or program offerings are available at the Maine site.

MMC is the largest tertiary-care and teaching hospital in Maine. There is a wealth of clinical experiences available for medical students and residents. The facilities [materials and educational equipment] are described below.

6. Off-campus programs are equivalent to those conducted at the home campus.

As noted above, the Maine-Track students will have equivalent experiences as the Boston-based students. Educational competencies are equivalent. The Maine program will be unique and innovative, in addition to the parallel experiences occurring for students at both campuses.

F. Faculty

1. The preponderance of faculty members provide instruction and possess academic, scholarly, and teaching qualifications appropriate to their respective positions and teaching assignments and are distributed in such a way that all Maine students benefit from these qualifications.

There will be a combination of on-site [MMC] and Boston-campus [TUSM] faculty delivering the didactic portions of the curriculum, with a heavier emphasis on on-site faculty for activities in Maine. Use of video-conferencing with Boston-campus faculty will be used if a specific curricular activity cannot be conducted by on-site Maine faculty. Maine faculty will also be involved in teaching at the Boston-campus during all 4 years. All Maine-Track faculty will have TUSM faculty appointments.

The following table describes the number of faculty and their responsibilities for each required course and clerkship offered at MMC:

Course or Clerkship Title	**Number of Staff[1]**	**Instructional Responsibilities for Staff[2]**
Orientation	52 faculty	Small group discussion, precepting, didactics.
Foundations of Patient Care [1st/2nd years]	44 faculty	Small group discussion, precepting, didactics.
Social & Behavioral	To be determined,	Small group discussion, didactics.

Medicine month [1st year]	course still in development	
Internal Medicine clerkship	Outpatient- 75 faculty Inpatient- 75 faculty, 42 residents	Small group discussion, clinical supervision, working with SPs, didactics.
Surgery clerkship	48 faculty, 20 residents	Small group discussion, clinical supervision, working with SPs, didactics.
OB/GYN clerkship	40 faculty, 14 residents	Small group discussion, clinical supervision, working with SPs, didactics.
Pediatrics clerkship	155 faculty, 19 residents	Small group discussion, clinical supervision, working with SPs, didactics.
Psychiatry clerkship	30 faculty, 18 residents	Small group discussion, clinical supervision, working with SPs, didactics.
Family Medicine clerkship	34 faculty, 22 residents	Small group discussion, clinical supervision, working with SPs, didactics.
Integrated clerkship – rural site	20 faculty	Small group discussion, clinical supervision, working with SPs, didactics.
Medicine Acting Internship	Inpatient- 75 faculty, 42 residents	Small group discussion, clinical supervision, working with SPs, didactics.
Neurology	10 faculty	Small group discussion, clinical supervision, working with SPs, didactics.
Emergency Medicine	20 faculty, 24 residents	Small group discussion, clinical supervision, working with SPs, didactics.

[1]Includes full-time, part-time, and community-based (volunteer) faculty, residents, graduate students, and others with teaching responsibilities
[2]SP= Standardized Patient

There will be ample opportunities for faculty development for Maine-based faculty. A combination of on-site [MMC] and Boston-campus [TUSM] faculty development activities will be made available. A separate Faculty Development Committee at MMC, led by Department of Medical Education staff, will oversee the development, implementation, and evaluation of on-site faculty development programs in Maine, based on data collected from faculty through focus groups and needs assessment surveys. Although emphasis will be placed on delivering faculty development programs in Maine, Maine-based faculty also will have full access to TUSM faculty development activities and resources. Selected main-campus [TUSM] programs to be offered on-site in Maine.

Key areas for faculty development will include orienting new faculty; educational skills development; provision of resources (including IT support) to support faculty; monitoring and assessment; career and leadership skills development; educational scholarship; outreach, retention and recognition; and inter-professional faculty development activities provided in collaboration with other health professions – such as nursing and pharmacy – throughout the institution.

Resident physicians at MMC will also serve as faculty for the Maine-Track students. MMC has a long-standing history of high-quality GME programs, and has approximately 210 residents.

Under the MMC Medical Educational Strategic Plan, the number of residents will be expanding to 230 by 2010. There are residency programs in Internal Medicine, Internal Medicine-Pediatrics, Surgery, Pediatrics, Psychiatry, OB/GYN, Radiology, Anesthesiology, Child Psychiatry, Family Medicine, Emergency Medicine. There are fellowship programs in Cardiology, Infectious Diseases, Pulmonary/Critical Care, Nephrology, Sports Medicine, Geriatrics, Integrative Medicine.

2. The institution's system for evaluation of faculty is utilized with the evaluation of all faculty providing instruction at the Maine site.

All of the faculty in Maine will be evaluated in the same manner as Boston-based faculty. Students evaluate faculty teaching on the course and clerkship evaluations. Individualized data is received for all faculty members in the first two years. Clinical faculty evaluations vary depending on department, rotations, and student reports. Aggregate date of overall faculty and housestaff teaching effectiveness is gathered. Students have the opportunity to point out specific faculty members and residents they wish to highlight as role models.

G. Student Services

1. Students are provided with, and have access to, a system of educational, career and personal advising services.

Below is a brief narrative assessment of the capacity of each of the typical medical student services needed to handle the students in the Maine-Track. Some resources will be available on site and/or through the main campus.

Financial aid
This service will be provided by the Department of Financial Aid at the main campus in Boston.

Due to the generosity of the MMC Board of Trustees, half-tuition support will be provided for one year, for up to 20 students in the entering class of 2012. Aggressive efforts continue to seek further philanthropy-based tuition support. The MMC Board of Trustees also approved in June of 2008, a 7-year strategic financial plan, which provides $2.8 million of additional annual operating expenses to support this expanded program at MMC.

The Maine State Appropriations Committee recently approved $3 million for the Doctors for Maine's Future scholarship program, which will provide tuition support for students participating in Maine medical school programs similar to this MMC-TUSM program. The program will be administered through FAME and will be made available in 2009-2011.

Student health
This service is currently provided to UVM medical students through the MMC Family Medicine Center We expect the same of level of service to be provided for MMC-TUSM students by non-faculty primary care providers. In addition, the Tufts Health Plan has developed a PPO plan for students enrolled in this program so they may obtain health care services while in Maine.

Personal counseling

This service is currently provided to UVM medical students through the University of Southern Maine, and we expect the same of level of service to be provided for MMC-TUSM students. Maine-Track students in need of psychiatric care will be referred to non-faculty psychiatrists in Maine.

Tutorial assistance
This is not an issue since first and second year classwork will be done at the main campus in Boston and tutoring will be provided as it is for all students.

Career advising
Longitudinal mentors for students in the MMC-TUSM Track will be identified in the 1st year of school. These Maine-based advisors will be assigned to a student throughout their 4 years. Additional, specialty-specific advisors are typically assigned to students in clinical years as they begin to narrow down a specialty focus. Currently, MMC faculty participate in a program called Careers in Medicine, acting as career advisors for UVM students. Similar career advising activities [e.g., workshops] will be offered at both the Boston and Maine campuses.

H. Library and Learning Resources

1. The institution maintains and provides ready access to library and learning resources, virtual and/or physical, that are adequate and appropriate for student achievement of stated program goals and objectives.

Maine-Track students will have access to the Tisch Library at TUSM through the TUSK online system.

The Maine Medical Center Library supports the clinical, research and educational needs of MMC employees, medical staff, and residents, and medical students. The Library is staffed Monday – Friday, from 7:30 AM – 5:30 PM. During unstaffed hours, employees, students and staff may access the Library by swiping their ID badge on the reader located outside the Library. In addition, many Library resources and services are available on the Library's intranet page throughout the MMC network. From the Library's web site users may also request interlibrary loans, photocopies, and literature searches.

Collections: The Library's collection consists of approximately 6,000 books (print and online), approximately 500 current journal subscriptions (print and online; many more available at no charge via free consortium arrangements), videotapes, slide programs, and numerous other electronic resources. Special Collections include the MMC Archival Collection and the Historical Collection.

The number of electronic resources continues to grow. Many of the major textbooks are available online, as well as an ever-expanding number of journals. Databases include Medline (through Ovid or PubMed), CINAHL, PsychInfo, Evidence Based Medicine, SportsDiscus, Micromedex, and Dynamed. MDConsult and UpToDate can also be accessed through the Library.

Computers in the Library: In addition to the databases, electronic books and journals, the computers in the Library provide access to office applications such as Word, PowerPoint and Excel as well as internet browsing and e-mail. Clinical applications are available on two designated computers. Wireless access is also available.

Library Services:
Reference services: The Library Staff is available to help locate information in the Library, to assist in using the collection, and to answer questions about the Library and its resources.

Borrowing materials: Books and slides circulate for a period of four weeks, videotapes circulate for one week. These items may be renewed by phone or in person unless someone else has requested them. Journals, with some exceptions, do not circulate.

Interlibrary Loan: If a book, journal, or media item is not available in the MMC collection, Library Staff will obtain a copy through the Interlibrary Loan Service.

Literature Searches: The Library has access to over 600 databases plus expertise in searching authoritative resources on the Internet. Subject coverage includes Medicine, Nursing, Psychiatry and numerous other fields such as education, business, social sciences and law.

Besides the MMC Library, there are multiple study areas and/or smaller libraries in several departments in MMC. The Dept. of Surgery also has a small, low-fidelity skills laboratory.

MMC has been voted one of top 25 "Most Wireless Hospitals" in the country. This is abundant clinical support programs [PACS, Sunrise Clinical Manager for inpatients, Sunrise Record Manager]. MaineHealth, the parent organization of MMC, has invested heavily to roll out the EPIC outpatient EMR. UVM students utilize a web-based system called COMET, which is similar in concept to TUSK [TUSM's online curriculum platform], and have no difficulty accessing COMET while in Maine.

I. Facilities

1. The institution provides and maintains an appropriate learning environment with the necessary supports and technologies sufficient for student achievement of educational objectives. In doing so, industry standards for health, safety, and maintenance are followed.

Maine Medical Center has had a long history of providing outstanding clerkship rotations, and MMC currently has 40 clerkship students, mainly from the University of Vermont College of Medicine, and a smaller number from Dartmouth Medical School and University of New England College of Osteopathic Medicine. MMC has approximately 40-50 4th year students rotating at MMC at any one time doing elective rotations and Acting Internships.

The Dana Educational Center has 14 available classrooms at Maine Medical Center. A strategic plan for a Simulation Center has been developed, and will include an SP Center with 10 exam rooms, 3 high-fidelity simulation rooms, classrooms, and a skills laboratory. The table below describes the seating capacity and use of key educational rooms.

Educational Room	Seating Capacity	Main Educational Use(s)
Dana Ctr. Auditorium	235	Lectures
Dana Ctr. Classrooms – 14 rooms available	10-50 per room	Small group discussions
Falmouth SP Center	6 SP rooms	Objectively Structured Clinical Examinations

A 6-room Standardized Patient Center, located in Falmouth, just north of Portland, currently supports the UVM student and MMC residency OSCE activities. There is a Director for Standardized Patients in the Dept. of Medical Education. As noted above, a new Simulation Center is being proposed for completion in early 2010 at Brighton Medical Center, which is approximately 2 miles from MMC. The Falmouth SP Center will then be relocated there, with an expansion of 4 additional SP exam rooms.

J. Financial Resources

1. The application from an existing degree-granting institution clearly documents that it has the financial resources necessary to support its purposes, implement its Maine program and maintain its continuity for a period of time by providing its most recent audited financial statement, and that evidence exists of long range financial planning and viability.

Both TUSM and MMC are dedicating a significant degree of financial resources to support this program. A ten-year financial strategic plan, which has been approved by the MMC Board of Trustees, is displayed in Attachment H.

The MMC Audited Financial Statements for the year ended September 30, 2008, are included in Attachment I. Also, as a further indication of the institution's financial strength as evaluated by an independent third party, Attachment J contains a copy of the Standard and Poor's Institutional Credit Rating (ICR) re-affirming MMC's AA- rating.

K. Telecommunication Instruction

For this Medical School Program, there are no telecommunication courses offered for credit.

General/Non-discrimination Policy

Please see Attachment K regarding both TUSM's and MMC's non-discrimination policies.

Attachment A

MMC-TUSM Medical School Program Administration

Attachment B

TUSM Mission Statement

Our Mission

Vision Statement

To train, in a spirit of collegiality and with a standard of excellence, outstanding clinicians and innovative and humane leaders in medicine and science

Mission Statement

The mission of Tufts University School of Medicine is to promote human health. We will fulfill our mission by emphasizing rigorous fundamentals while stimulating innovation as we: educate, in a dynamic learning environment, physicians, scientists, and public health professionals to become leaders in their fields; contribute to the advancement of the sciences basic to medicine through discovery, research, scholarship, and communication, and join with our partner institutions to provide the best care to our patients and communities.

Values

* Excellence: to be outstanding at what we choose to do
* Integrity: to be honest and consistent in our actions
* Collaboration: to work together within and across organizational boundaries in pursuit of our common mission
* Compassion: to treat all patients with respect and empathy
* Leadership: to educate physicians, researchers and public health professionals who emulate our faculty in becoming leaders in their fields
* Creativity: to emphasize rigorous fundamentals while stimulating innovation
* Diversity: to live, work and serve in a diverse local, national, and global community
* Life-long learning: to engender a love of learning and provide the skills for life-long learning

Attachment C

TUSM Admissions Requirements

Eligibility Requirements

Tufts School of Medicine requires that students meet certain standards before beginning the application process.

Course Prerequisites

A minimum of three years of college work is required, and strong preference is given to applicants who will earn a bachelor's degree from an American college or university before medical school matriculation. No specific major field of study is required.

Medical College Admission Test (MCAT)

Nearly all U.S. medical schools require applicants to submit MCAT scores. Medical college admission committees consider MCAT scores as part of their admission decision process. The MCAT is given throughout the year from January to September, and is required of all applicants to TUSM. The exam must be taken within the five calendar years preceding enrollment and no later than the September administration one calendar year prior to enrollment.

Technical Standards

The Technical Standards of TUSM define the essential functions that an applicant or medical student must be able to perform in order to be admitted to TUSM, to progress satisfactorily through our program of study, and to graduate.

International Applicants

International applicants are eligible to apply to TUSM, but should be advised that we admit very few international applicants and give strong preference to United States citizens and permanent residents. We also give strong preference to applicants who have (or will have by the time of matriculation) completed their undergraduate work at an American college or university. The international students admitted to TUSM are usually students who have earned Bachelor's degrees in the United States.

"International applicants" in this context means citizens of any foreign country (including Canada) who do not hold a United States permanent resident visa (green card).

Permanent resident visa status (the possession of a U.S. green card) is equivalent to United States citizenship for the purposes of our admission process and U.S. federal student loan programs.

Please note the following:

1) Given the current U.S. shortage of physicians and the uneven advanced training opportunities for non-citizen/non-green card holders, TUSM and the applicant must have a compelling reason for the applicant to study here. This might include a student's interest in a program offered here, that may not be offered elsewhere.

2) Accepted international students must be prepared to absorb the high cost of US medical education, and have a full understanding that international students are not qualified for traditional U.S. educational funding including loans and scholarships. Accepted international students may be asked to deposit the equivalent of 4 years tuition in escrow prior to matriculation.

3) Accepted international students should have a full understanding that they may have limited options in terms of their post-graduate training. This includes limited options geographically and in regards to available specialties. Because of this, students who are not likely to be able to compete for a full range of career training opportunities and programs beyond medical school will only be considered for admission under unique or compelling circumstances.

Attachment D

Tuition Refund Policy

Because procedures for withdrawal and leaves of absence vary from School to School, enrolled students, leaving Tufts, should always make their initial contact with the Dean's Office or Registrar of their specific school.

Tuition Pro-ration Schedule

In the event a registered student leaves the university after the beginning of a semester, tuition charges are prorated as follows:

Withdrawal Date Tuition Pro-ration
lst-l2th calendar day of the semester.....80%
l3th-19th calendar day of the semester.....60%
20th-26th calendar day of the semester.....40%
27th-33rd calendar day of the semester.....20%
34th-calendar day to end of semester.....No refund

Other charges for the term, such as health services fee, activity fee, laboratory fee, technology fee, library fines, disability insurance fee and university traffic fines, are not prorated upon withdrawal during a term. Students who participate in the Tufts Health Plan should contact the Student Advisory and Health Administration Office regarding prorations. Withdrawal prior to the beginning of a term will result in cancellation of all charges except for the dormitory room deposit and any tuition deposit required prior to registration.

Attachment E

Four Year Curriculum

Attachment F

Guidelines for Student Evaluation and Promotion

Coursework - Years 1 and 2

The Student Evaluation and Promotions Committee reviews the coursework in Years 1 and 2 annually in June. The Student Evaluation and Promotions Committee has the authority to determine eligibility of a student to take a make-up examination in a first or second year course. A student may not take a make-up examination prior to the committee meeting in June of each academic year. All make-up examinations must be successfully passed in order for the student to be promoted and be eligible to begin the next academic year.

- Students with **one failure** will be required to successfully pass a make-up examination.
- Students with **two failures** will be required to successfully pass make-up examinations.
- Students with **three failures** will be required to, as determined by the committee:

a) Repeat all courses that have been failed and audit other courses as determined by the committee

b) At the discretion of the committee and in extenuating circumstances, a student may be allowed to take and pass make-up examinations.

- Students with **four failures** will be required to repeat all courses that have been failed
- And audit other courses as determined by the committee.
- Students with **five failures** will be reviewed by the committee to determine whether the student will be required to repeat coursework or will be recommended for dismissal.
- Students with **six or more failures** will be recommended for dismissal.
- Students with three or more failures, who repeat courses in a subsequent academic year, will have a final grade of Failure recorded on their transcript in each failed course.
- All make-up examinations must be successfully passed and results presented to the committee by the stated deadline in order for the student to be promoted and be eligible to begin the next academic year.
- Failure of a make-up examination will result in full repetition of the course and denial of advancement.
- Any failure of a repeated course is grounds for a dismissal.
- All dismissal proceedings will be conducted according to due process guidelines (see index for Student Appeals Committee).

Coursework - Years 3 and 4

All Incomplete, Low Pass and Failure grades in a clerkship/elective are brought before the Student Evaluation and Promotions Committee for review. At that time, the student's entire academic record is reviewed. The committee takes into account maintenance of the school's integrity and the well being of patients under the student's care. Any Low Pass or Failure grade in the clinical years may be grounds for dismissal. After review of the student's academic record, the committee will make a decision which may include, but is not limited to, no action, additional coursework, remedial work, repetition of a clerkship/elective, or dismissal. When the action of the committee may concern dismissal, due process guidelines will be followed (see index for Student Appeals Committee Process).

<u>Attachment G</u>

Course Evaluation

The medical school has an outstanding comprehensive evaluation system that engages students and faculty in continuous and meaningful curricular improvement and change.

Students - Students at every level of their education participate in the on-line, anonymous evaluation of each course and clerkship, providing extensive quantitative and qualitative feedback on all aspects of the course or clerkship, including whether objectives were clear and adequately met. Student evaluation results are reviewed by the dean for educational affairs and the dean for students, and by the course and clerkship directors. They work closely to improve all aspects of each course or clerkship from lecture content and delivery to course scheduling and sequencing, and patient mix. Changes in course content and sequencing are often prompted by student suggestions.

Ongoing feedback is provided by volunteer student representatives for each course who work with the faculty and administration to address issues while each course is in session. In addition, elected student representatives from each class actively participate in the Curriculum Committee, which is responsible for the comprehensive review of all courses and clerkships.

Students also evaluate new educational initiatives and provide feedback on the overall curriculum at key intervals throughout their education and training. Students are often invited to join focus groups or working groups that are charged to address curriculum-specific issues.

Faculty - Teaching faculty are active participants in the systematic approach to curriculum review. Faculty receive ongoing course feedback through student representatives, evaluation summary reports, and peer feedback through the comprehensive review process conducted by the Curriculum Committee.

Course and clerkship directors review and revise evaluation instruments annually to ensure that the instruments adequately assess the overall quality and effectiveness of the course or clerkship, particularly specific changes or initiatives that were introduced during the academic year.

Curriculum Committee - The Curriculum Committee is responsible for the comprehensive review of the overall curriculum, evaluating all preclinical courses and required clerkships in-depth on a three-year cycle. These reviews are part of the Curriculum Committee's monthly agenda and enable continuous improvement at several levels: for individual courses and clerkships, for blocks of courses, for vertical themes, and for the overall curriculum. As part of the comprehensive review, a Curriculum Committee faculty member conducts an in-depth analysis of a course or clerkship using criteria that focus on areas such as course objectives, key concepts, content integration, relevance to the overall curriculum, teaching methods, and faculty development needs.

This multi-level, systematic approach to curricular content review with a continuous feedback loop assures that the TUSM curriculum is of the highest quality, clinically relevant, and innovative.

Attachment H

Financial Strategic Plan

Maine Medical Center
centered around you

MMC.TUSM MEDICAL SCHOOL PROGRAM
Revised Strategic Financial Plan
FY08-FY15

(Including Proposal for Enhanced Years 1 & 2 Curriculum)

June 18, 2008

MAINE MED CENTER
MEDICAL SCHOOL PROGRAM-TUSM
REVISED IMPACT ON MMC STRATEGIC FINANCIAL PLAN (SFP)

Fiscal Year (October - September)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SFP Operating Income (Loss) ($000)	18,198	21,381	23,088	23,481	24,746	26,316	27,323	28,569
Incremental Loss due to Expanded Years 1 and 2	(42)	(231)	(516)	(935)	(1,286)	(1,286)	(1,286)	(1,286)
Revised SFP Operating Income (Loss) ($000)	18,156	21,150	22,572	22,546	23,460	25,030	26,037	27,283
SFP Operating Margin	2.57%	2.76%	2.83%	2.74%	2.76%	2.81%	2.65%	2.64%
Incremental Impact Operating Margin due to Expanded Years 1 and 2	-0.01%	-0.03%	-0.06%	-0.11%	-0.14%	-0.14%	-0.12%	-0.12%
Revised SFP Operating Margin	2.56%	2.73%	2.76%	2.63%	2.62%	2.67%	2.53%	2.52%
SFP Rate Changes Hospital Only	7.7%	7.2%	5.2%	4.8%	3.6%	4.0%	4.0%	4.0%
Incremental Impact Rates due to Expanded Years 1 and 2	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Revised SFP Rate Changes Hospital Only	7.7%	7.3%	5.3%	4.9%	3.7%	4.0%	4.0%	4.0%
SFP " Full " CPAD Hospital only	8,780	9,378	9,702	10,026	10,367	10,720	11,086	11,464
Percentage Change from Prior Year	3.8%	6.8%	3.5%	3.3%	3.4%	3.4%	3.4%	3.4%
Incremental Impact Full CPAD due to Expanded Years 1 and 2	1	4	8	14	19	19	19	19
Revised SFP " Full " CPAD Hospital only	8,781	9,382	9,710	10,040	10,386	10,739	11,105	11,483
Percentage Change from Prior Year	3.8%	6.8%	3.5%	3.4%	3.4%	3.4%	3.4%	3.4%

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MAINE MEDICAL CENTER

MMC.TUSM Medical School Program
Revised Strategic Financial Plan: FY08-FY15

At its December, 2007, meeting, the Board of Trustees approved a Medical School Program between the Tufts University School of Medicine (TUSM) and Maine Medical Center (MMC). At the time of approval, the Program envisioned a partnership whereby third and fourth year medical students would receive the majority of their training and education at MMC. Comprehensive planning meetings were held in February, 2008, and in those discussions, it was determined that MMC might also consider playing a larger direct role in the first and second years of a medical student's education. In the intervening time, this opportunity has been explored and found to be very beneficial to all stakeholders. Accordingly, the MMC.TUSM Medical School Program Strategic Financial Plan has been revised to include the additional costs of the Enhanced Years 1 & 2 Curriculum. The incremental loss of operating the program once fully implemented in FY13 increases by $1,286,000 from $2,221,000 to $3,507,000.

MMC has entered into this Medical School Program arrangement to expand its undergraduate medical education (UGME) mission. By partnering with the Tufts University School of Medicine (TUSM), the Medical Center can create an innovative curriculum, which will benefit the State of Maine. This new curriculum will focus on quality, safety, and team based care while providing specific competencies in rural health care and community based medicine. It will also provide advanced skills in applying new science to patient care at large referral hospitals. This MMC.TUSM Medical School will be a strategic alliance focused not only on undergraduate medical education, but one that will also enable collaboration in other areas of mutual interest. Specifically, these opportunities will be to work together in graduate medical education (GME), research, and clinical programs.

The original Medical School Program Strategic Financial Plan was incorporated into the MMC Strategic Financial Plan for FY09-FY17 that was endorsed by the Finance Committee in May, 2008, and approved by the Board of Trustees in June, 2008. This revised MMC.TUSM Medical School Program Strategic Financial Plan for FY08-FY17 incorporates the proposal for the Enhanced Years 1 & 2 Curriculum. These costs were not included for the recently approved MMC Strategic Financial Plan. The planning has been done around the School Year (SY) from July to June, which for financial purposes was then converted into the Medical Center's Fiscal Year (FY) from October to September.

As with the original Strategic Financial Plan, FY07 has been established as the base year. During this year, the Medical Center had an arrangement with the University of Vermont (UVM) whereby UVM sent 48 students to the Medical Center. For this affiliation, UVM paid $871,000, and the Medical Center subsidized UGME by $687,000. As this analysis proceeds across the forecast period, it focuses on the increase in the

program's incremental loss and the impact this has on the Medical Center's Operating Margin, rates, and "full" CPAD. It should be noted that it is anticipated that despite the fact that these are undergraduate medical education costs as opposed to graduate medical education costs, they will be excluded from the "base" CPAD costs based on conversations with the Governor.

The Enhanced Years 1 & 2 Curriculum would add four programmatic features for 36 medical students in Years 1 and 2 as follows: a two week Orientation, a two day every other week Foundation of Patient Care Training, a four week core course on Scientific Foundations of Social and Behavioral Medicine, and an optional summer course. These changes add costs for faculty, student travel, student housing, and the Office of Medical Education.

As originally approved, the program would continue to have 36 third year students from the Maine track, 24 fourth year students at the Portland campus and another 12 fourth year students would be receiving training/education at other sites for which MMC would still be responsible. This would be phased in beginning in SY12. Given the attractiveness of the program, 24 students who are not part of the program are assumed to complete their fourth year of training in Portland in SY12. University of New England as well as the Dartmouth undergraduate students would continue to be trained at the Medical Center at their present levels of participation throughout the forecast period.

In FY13, the first class will have graduated from the program. FY14, which would be the first full year of operation post "implementation", is the year on which to focus regarding the on going impact of the MMC.TUSM Medical School Program. In that year, including the Enhanced Years 1 & 2 Curriculum, the incremental loss will be $3,507,000. This is an increase of $1,286,000 from the original plan. The impact of the increased incremental loss from the original plan that was included in the MMC Strategic Financial Plan will be to reduce the Medical Center's Operating Margin by 0.14% assuming there is no change in rates. Rates would have to be increased minimally to offset this decrease in the Operating Margin because of the rate increases in the four (4) prior years to cover those incremental costs. The increase in Operating Expenses over the original financial plan included in the MMC Strategic Financial Plan would have an additional accumulated incremental impact of $19 on the "full" CPAD. This brings the total accumulated incremental impact of the fully implemented program to $53 on the "full" CPAD. This would not effect the year to year percentage changes currently forecasted in the Medical Center's Strategic Financial Plan.

It is assumed that the revenue from the current relationship with UVM will continue for the next three (3) years through SY11. Beginning in SY12, TUSM would start making base revenue payments on a pro rata basis based on the number of students. At 72 students, this amount would be $1,500,000 or $20,833 per student. There will also be an annual incentive payment of $500,000 based upon criteria developed in collaboration with TUSM. It is expected that the metrics will be items like meeting or exceeding admission goals and student satisfaction survey results. No additional

revenue has been assumed in the revised Strategic Financial Plan due to the Enhanced Curriculum.

Regarding the Operating Expenses, there has been developed a comprehensive model of the infrastructure envisioned to create a very successful educational experience for the students at Maine Medical Center. Included in the salaries are all of the expenses allocated to the UGME program by the Office of Medical Education (OME). It is expected that 6.2 FTEs would be added. This is 2.3 FTEs greater than the original plan. It is anticipated that the existing clerkship and administrative support for the UVM program that is in place now would continue to be needed to support the new relationship. Specific funding made available in the original plan for the initial first and second year students to come to the Medical Center for interdisciplinary workshops in SY10 and SY11 has been used to offset the additional costs of the Enhanced Years 1 & 2 curriculum costs. The faculty teaching costs are by far the largest component of the incremental costs of this new program. This expense will be $2,855,000 starting in SY12, an increase of $351,000 from the original plan, and is built on the assumption that the curriculum will be quite robust and unique. With the need for faculty development given the greater requirements of the Medical Center to support fully the third and fourth year training, there is a one time cost of $201,000 provided in SY08 for curriculum development.

The capital amount of $3,120,000 for space and equipment is unchanged from the original plan. The space would be required for a much larger standardized patient unit, administrative support space, and an expansion of the OME to accommodate the new FTE's and to centralize this function. The yearly depreciation expense associated with the new space and equipment is $187,000.

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MAINE MEDICAL CENTER
MEDICAL SCHOOL PROGRAM-TUSM
REVISED STUDENT ENROLLMENT

	Base Year SY 07 (7/06-6/07)	Planning Year SY 08 (7/07-6/08)	SCHOOL YEAR OF OPERATION SY 09 (7/08-6/09)	SY 10 (7/09-6/10)	SY 11 (7/10-6/11)	SY 12 (7/11-6/12)	SY 13 (7/12-6/13)	SY 14 (7/13-6/14)	SY 15 (7/14-6/15)
UVM Students									
M3	36	36	36	36	24	0	0	0	0
M4	12	12	12	12	0	0	0	0	0
SubTotal	48	48	48	48	24	0	0	0	0
UNE Students									
M3	5	5	5	5	5	5	5	5	5
M4	3	3	3	3	3	3	3	3	3
SubTotal	8	8	8	8	8	8	8	8	8
Dartmouth Students									
M3	2	2	2	2	2	2	2	2	2
M4	3	3	3	3	3	3	3	3	3
SubTotal	5	5	5	5	5	5	5	5	5
Medical School Program - TUSM									
M1	-	-	-	-	-	-	-	-	-
M2	-	-	-	-	-	-	-	-	-
M3 Maine Track	-	-	-	-	-	**36**	**36**	**36**	**36**
M4 Maine Track	-	-	-	-	-	-	**24**	**24**	**24**
M4 Not in Maine Track	-	-	-	-	-	24	-	-	-
SubTotal - Portland Campus	-	-	-	-	-	60	60	60	60
M4 Maine Track Other Training Sites	-	-	-	-	-	-	**12**	**12**	**12**
Total Medical School Program - TUSM	-	-	-	-	-	60	72	72	72
Total Students In Programs									
M1	-	-	-	36	36	36	36	36	36
M2	-	-	-		36	36	36	36	36
M3	43	43	43	43	31	43	43	43	43
M4	18	18	18	18	6	30	42	42	42
Grand Total	**61**	**61**	**61**	**97**	**109**	**145**	**157**	**157**	**157**

MAINE MEDICAL CENTER
MEDICAL SCHOOL PROGRAM-TUSM
REVISED OPERATING PROJECTIONS
CONVERSION TO MMC FISCAL YEAR

Fiscal Year (October - September)	FY 2007 Base Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Total Other Operating Income	871,356	871,356	871,356	871,356	655,339	1,812,500	2,000,000	2,000,000	2,000,000
Total Operating Costs	1,557,969	2,376,814	2,834,634	3,262,405	3,897,079	5,507,414	5,507,414	5,507,414	5,507,414
Operating Income (Loss)	(686,613)	(1,505,458)	(1,963,278)	(2,391,049)	(3,241,740)	(3,694,914)	(3,507,414)	(3,507,414)	(3,507,414)
Incremental Losses		(818,844)	(457,820)	(427,771)	(850,691)	(453,174)	187,500	0	0
Accum. Incremental Losses			(1,276,665)	(1,704,436)	(2,555,127)	(3,008,301)	(2,820,801)	(2,820,801)	(2,820,801)
Impact on Rates		0.2%	0.1%	0.1%	0.2%	0.1%	-0.1%	0.0%	0.0%
Impact on "Full" CPAD	25	36	43	48	57	79	78	77	76
Incremental Impact "Full" CPAD		11	7	5	9	22	(1)	(1)	(1)
Accum. Incremental "Full" CPAD		11	18	23	32	54	53	52	51

Impact of incremental Changes for Expanded Years 1 and 2

Incremental Costs Changes		42,447	231,293	516,430	935,141	1,285,661	1,285,661	1,285,661	1,285,661
Impact on Rates		0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Incremental Impact "Full" CPAD		1	3	4	6	5	0	0	0
Accum. Incremental "Full" CPAD		1	4	8	14	19	19	19	19

MAINE MED CENTER
MEDICAL SCHOOL PROGRAM-TUSM
REVISED OPERATING PROJECTIONS
SCHOOL FISCAL YEAR

School Year (July-June)	SY 2007 Base Year	SY 2008	SY 2009	SY 2010	SY 2011	SY 2012	SY 2013	SY 2014	SY 2015
Other Operating Income									
Tuition -UVM	871,356	871,356	871,356	871,356	435,678	0	0	0	0
Tuition -TUSM									
Base Payment	0	0	0	0	0	1,250,000	1,500,000	1,500,000	1,500,000
Incentive Payment	0	0	0	0	0	500,000	500,000	500,000	500,000
Total Other Operating Income	871,356	871,356	871,356	871,356	435,678	1,750,000	2,000,000	2,000,000	2,000,000
Operating Costs									
Salaries - Office Medical Education	228,986	555,636	927,501	1,007,033	991,937	991,937	991,937	991,937	991,937
Clerkship and Administrative Support	423,264	423,264	423,264	423,264	423,264	423,264	423,264	423,264	423,264
Benefits	43,007	105,231	174,929	189,705	185,531	185,531	185,531	185,531	185,531
Office Supplies	0	3,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Subscriptions	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Travel / Education	0	41,000	46,000	46,000	46,000	46,000	46,000	46,000	46,000
Dues / Fees	0	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Food Service (Catering)	0	2,500	2,500	7,300	9,220	9,220	9,220	9,220	9,220
Printing	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Pagers	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Books	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Animal Lab Fees	0	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Marketing / Student Recruitment	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Standardized Patient Program Costs	0	25,000	25,000	99,700	285,085	285,085	285,085	285,085	285,085
Interdisciplinary Workshops	0	0	0	0	0	0	0	0	0
Travel (Students Years 1 & 2)	0	0	0	56,722	239,976	239,976	239,976	239,976	239,976
Housing (Students Years 1 & 2)	0	0	0	121,824	230,688	230,688	230,688	230,688	230,688
Faculty Teaching Costs	862,712	862,712	862,712	1,037,210	707,585	2,854,698	2,854,698	2,854,698	2,854,698
Program Development	0	200,768	0	0	0	0	0	0	0
Depreciation-Building	0	0	139,300	139,300	139,300	139,300	139,300	139,300	139,300
Depreciation-Equipment	0	0	47,714	47,714	47,714	47,714	47,714	47,714	47,714
Total Operating Costs	1,557,969	2,268,111	2,702,921	3,229,773	3,360,301	5,507,414	5,507,414	5,507,414	5,507,414
Operating Income (Loss)	(686,613)	(1,396,755)	(1,831,565)	(2,358,417)	(2,924,623)	(3,757,414)	(3,507,414)	(3,507,414)	(3,507,414)
Incremental Losses		(710,142)	(434,810)	(526,852)	(566,206)	(832,791)	250,000	0	0
Accum. Incremental Losses			(1,144,952)	(1,671,804)	(2,238,009)	(3,070,801)	(2,820,801)	(2,820,801)	(2,820,801)
Change in Costs for Expanded Years 1 and 2		**0**	**169,788**	**415,806**	**818,301**	**1,285,661**	**1,285,661**	**1,285,661**	**1,285,661**

MAINE MED[illegible] CENTER
MEDICAL SCHOOL PARTNERSHIP -TUSM
NEW INCREMENTAL COSTS EXPANDED YEARS 1 AND 2
SCHOOL FISCAL YEAR
(In Thousands)

School Year (July-June)	SY 09	SY 10	SY 11	SY 12	SY 13	SY 14	SY 15
Operating Costs							
Office of Medical Education	170	222	204	204	204	204	204
Faculty Teaching Costs	0	174	351	351	351	351	351
Student Travel	0	57	240	240	240	240	240
Student Housing	0	122	231	231	231	231	231
Standardized Patient Program	0	75	260	260	260	260	260
Interdisciplinary Workshop (In Approved Plan) (A)	0	(234)	(467)	0	0	0	0
Total	170	416	819	1,286	1,286	1,286	1,286

(A) This cost was included in the "Approved Plan" but is being replaced in the new plan.

MAINE MEDICAL CENTER
MEDICAL SCHOOL PROGRAM-TUSM
REVISED OFFICE MEDICAL EDUCATION COSTS

	Revised	Timing	%Time with Medical Students	FTEs	Salary	FICA	Total
Staffing Costs							
Current Staffing							
MMC Sch Of Med COO/ MMC AVPME		School Year 1	50.00%	0.35	105,674	8,084	113,758
Director of Medical Education		School Year 1	50.00%	0.50	55,000	4,208	59,208
IT Program Analyst		School Year 1	10.00%	0.10	6,000	459	6,459
Educational Instructional Designer		School Year 1	25.00%	0.25	17,750	1,358	19,108
Medical Education Coordinator		School Year 1	50.00%	0.50	19,000	1,454	20,454
Admin. Assoc.1		School Year 1	50.00%	1.00	34,000	2,601	36,601
New Staff Medical School							
MMC Dean		School Year 1	100.00%	0.90	271,733	10,016	281,749
Admin. Assoc.1		School Year 1	100.00%	0.50	17,000	1,301	18,301
Director Foundations Patient Care	SFSBM	School Year 2	100.00%	0.25	75,491	5,775	81,266
Director Scientific Foundations of Social & Behavioral	SFSBM	School Year 2	100.00%	0.05	15,096	1,155	16,251
Admin. Assoc.2	SFSBM	School Year 2	100.00%	1.00	36,940	2,826	39,766
Asst. Dean Student Affairs/Admissions		School Year 2	100.00%	0.50	150,963	8,265	159,227
Standardized Patient Educator		School Year 2	100.00%	1.00	70,000	5,355	75,355
Admin. Assoc.2		School Year 3	100.00%	1.00	36,940	2,826	39,766
Admin. Assoc.2	SFSBM	School Year 3	100.00%	1.00	36,940	2,826	39,766
Total Request				8.90	948,526	58,507	1,007,033
Allocation by School Year							
SY 08				4.10	526,156	29,480	555,636
SY 09				2.80	348,490	23,376	371,865
SY 10				2.00	73,880	5,652	79,532
Total Staffing Costs Full Operations				8.90	948,526	58,507	1,007,033

Impact of Incremental Changes in Costs for Expanded Years 1 and 2	SFY 08	SFY 09 SFSBM	SFY 10 SFSBM	SFY 11 SFSBM
Salary & Benefits	0	127,527	36,940	0
FICA	0	9,756	2,826	
Benefits		25,505	7,388	
Total Incremental Salary & Benefits		162,788	47,154	0
Non-Salary Costs				
Office Supplies	3,000	2,000		
Subscriptions	5,000			
Travel / Education	41,000	5,000		
Dues / Fees	7,000			
Food Service (Catering)	2,500	0	4,800	1,920
Printing	2,000			
Pagers	5,000			
Books	10,000			
Animal Lab	18,000			
Marketing / Student Recruitment	2,000			
Standardized Patient Program	25,000		74,700	185,385
Total Annual Non-Salary Costs	120,500	7,000	79,500	187,305
Total Incremental Costs for Expanded Years 1 and 2		**169,788**	**126,654**	**187,305**

N.B. Revised to include costs for Expanded Years 1 and 2 (Scientific Foundation of Social and Behavioral Medicine Program - SFSBM).

MAINE MEDICAL CENTER
MEDICAL SCHOOL PROGRAM- TUSM
REVISED CLERKSHIP AND ADMINISTRATIVE SUPPORT COSTS

	Student Year	Salary/Fees	FICA	Total	Clerkship Director	Others
Pediatrics						
Clerkship Director	3	34,060	2,606	36,666	36,666	
Clerkship Coordinator	3	10,228	782	11,010		11,010
Secretary II	3	6,819	522	7,340		7,340
Clerkship Director	4	10,927	0	10,927	10,927	
Clerkship Coordinator	4	10,927	0	10,927		10,927
OBS/GYN						
Clerkship Director	3	41,524	0	41,524	41,524	
Clerkship Coordinator	3	30,411	0	30,411		30,411
Family Medicine						
Clerkship Director	3	34,174	2,614	36,788	36,788	
Clerkship Coordinator	3	12,894	986	13,881		13,881
Clerkship Coordinator	4	4,917	376	5,293		5,293
Medicine						
Clerkship Director	3	16,391	1,254	17,645	17,645	
Clerkship Coordinator	3	17,484	1,337	18,821		18,821
Clerkship Director Outpatient'	3	14,205	1,087	15,292	15,292	
Clerkship Coordinator Bridge		26,225	2,006	28,232		28,232
Surgery						
Clerkship Director	3	38,245	2,926	41,171	41,171	
Clerkship Coordinator	3	34,342	2,627	36,969		36,969
Psychiatry						
Clerkship Director	3	18,183	1,391	19,574	19,574	
Clerkship Coordinator	3	9,932	760	10,692		10,692
Neurology						
Clerkship Coordinator	3	1,093	0	1,093		1,093
Critical Care						
Clerkship Director	4	1,967	0	1,967	1,967	
Clerkship Coordinator	4	6,338	0	6,338		6,338
Emergency Medicine						
Clerkship Director	4	15,735	1,204	16,939	16,939	
Clerkship Coordinator	4	3,497	267	3,764		3,764
Total Payments		400,518	22,746	423,264	238,493	184,771

MAINE MEDICAL CENTER
MEDICAL SCHOOL PROGRAM-TUSM
REVISED FACULTY TEACHING COSTS

	Base Year 07/06-06/07	Planning Year 07/07-06/08	SY 09 07/08-06/09	SY 10 07/09-06/10	SY 11 07/10-06/11	SY 12 07/11-06/12	SY 13 07/12-06/13	SY 14 07/13-06/14	SY 15 07/14-06/15
					SCHOOL YEAR OF OPERATION				
Funded									
UVM									
3rd Year	629,847	629,847	629,847	629,847	357,065				
4th Year	232,866	232,866	232,866	232,866	0				
Medical School Program - TUSM									
3rd Year	0	0	0	0	0	1,439,649	1,439,649	1,439,649	1,439,649
4th Year	0	0	0	0	0	1,064,529	1,064,529	1,064,529	1,064,529
Total Funded									
3rd Year	629,847	629,847	629,847	629,847	357,065	1,439,649	1,439,649	1,439,649	1,439,649
4th Year	232,866	232,866	232,866	232,866	0	1,064,529	1,064,529	1,064,529	1,064,529
	862,712	862,712	862,712	862,712	357,065	2,504,178	2,504,178	2,504,178	2,504,178
1st Year Revised SFSBM				174,498	174,498	174,498	174,498	174,498	174,498
2nd Year Revised SFSBM				0	176,022	176,022	176,022	176,022	176,022
				174,498	350,520	350,520	350,520	350,520	350,520
Total Teaching Faculty Costs	862,712	862,712	862,712	1,037,210	707,585	2,854,698	2,854,698	2,854,698	2,854,698
Change in Teaching Faculty Costs for Expanded Years 1 and 2				**174,498**	**350,520**	**350,520**	**350,520**	**350,520**	**350,520**

N.B. Revised to include costs for Scientific Foundations of Social and Behavioral Medicine Program (SFSBM).

MAINE MEDICAL CENTER
MEDICAL SCHOOL PROGRAM-TUSM
REVISED PROGRAM DEVELOPMENT COSTS

	Planning-Faculty Costs		
	Faculty Hours	Rate @ Hour	Annual Costs
Third Year			
Internal Medicine - IP	45	95	4,292
Family Practice	45	90	4,032
Pediatrics	45	91	4,097
Psychiatry	30	98	2,947
Neurology	30	111	3,317
Emergency Medicine	30	127	3,822
Surgery	45	156	7,031
OBG	45	135	6,084
SUBTOTAL - M3	315	113	35,621
Fourth Year			
Internal Medicine	45	95	4,292
Family Practice	45	90	4,032
Pediatrics	45	91	4,097
Psychiatry	30	98	2,947
Neurology	30	111	3,317
Emergency Medicine	30	127	3,822
Surgery	45	156	7,031
OBG	45	135	6,084
urth Year Electives - Other Depts	45	156	7,031
SUBTOTAL - M4	360	118	42,652
Retreat			
Internal Medicine	48	95	4,578
Family Practice	48	90	4,301
Pediatrics	48	91	4,370
Psychiatry	32	98	3,143
Neurology	32	111	3,538
Emergency Medicine	32	127	4,076
Surgery	48	156	7,500
OBG	48	135	6,490
Fourth Year Electives - Other Depts	48	156	7,500
Total Retreat	384	118	45,495
Total Faculty Cost Planning	1,059		123,768
Other Costs Planning			
Retreat Planning Facilitation			10,000
Consulting support			50,000
Travel			5,000
Printing			2,000
Other Costs Planning			10,000
Total Cost Program Planning			**200,768**

Rate of Faculty Payment = AMGA 50th Percentile @ Hour.
All contract based Physicians,Benefits set at 15.0%

MAINE MEDICAL CENTER
MEDICAL SCHOOL PROGRAM-TUSM
REVISED CAPITAL COSTS

Section	Function	NSF	Number	NSF	GSF
Standardized Patient Unit	Dedicated Storage	80	1	80	110
Standardized Patient Unit	Student PC Stations	30	11	330	450
Standardized Patient Unit	SP Monitoring Stations	30	11	330	450
Standardized Patient Unit	Unit Control Room	80	1	80	110
Standardized Patient Unit	Standardized Patient Exam Room	120	10	1,200	1,650
Standardized Patient Unit	Standardized Patient Room w Hospital Bed	160	1	160	220
Standardized Patient Unit	Standardized Patients' Break Room	220	1	220	300
Standardized Patient Unit	Standardized Patients' Rest Room	60	1	60	80
Standardized Patient Unit	Student Kitchenette & Dining	300	1	300	410
Standardized Patient Unit	Student Waiting / Staging	190	1	190	260
	Standardized Patient Unit Total			2,950	4,040
Administrative	Fax / Copier / Storage	80	1	80	110
Administrative	Office, SP Educator & Coordinator shared	80	2	160	220
	Administrative Total			240	330
Office of Medical Education	Dean - *New*	200	1	200	280
Office of Medical Education	Asst Dean Admissions- *New*	200	1	200	280
Office of Medical Education	Asst Dean Faculty Affairs- *New*	200	1	200	280
Office of Medical Education	AVP / Director Office	200	1	200	280
Office of Medical Education	Asst Director Office	160	1	160	220
Office of Medical Education	Administrative Assistants (4.5 FTEs)	80	5	400	550
Office of Medical Education	Educational Instructional Designer	80	1	80	110
Office of Medical Education	IS Coordinator	80	1	80	110
Office of Medical Education	Medical Coordinator	160	1	160	220
Office of Medical Education	Multi-purpose Divisible Training Classroom	1,260	1	1,260	1,730
	Office of Medical Education Total			2,940	4,060
	Grand Total			**6,130**	**8,430**
	Capital Estimate				
	Construction cost per square foot	$200		$1,686,000	
	CM Fees, General Conditions as % of Cost Of Work	15%		253,000	
	A&E Fees & Expenses	10%		169,000	
	Equipment per Simulation Center April 07 Adjusted				
	Standardized Patient			112,000	
	Administrative			21,000	
	OME			73,000	
	Multi-Purpose Training Room			27,000	
	IS/Telecom	$12		101,000	
	General & Miscellaneous Costs (Signage, permits, etc)	$6		51,000	
	Project Management			80,000	
	Owner's Contingency	10%		211,000	
	Estimating Margin	15%		336,000	
PROJECT COST ESTIMATE w/o LAND OR FINANCING		**$370**		**$3,120,000**	
	Total Costs Space			2,786,000	
	Total Equipment Costs			334,000	
	Depreciation- Building	Useful Life	20	**139,300**	
	Depreciation- Equipment	Useful Life	7	**47,714**	
	Total Annual Costs			**187,014**	

Attachment I

Audited Financial Statements

Maine Medical Center and Subsidiaries

Consolidated Financial Statements
as of and for the Years Ended
September 30, 2008 and 2007, Supplemental
Consolidating Information as of and for the
Year Ended September 30, 2008, and
Independent Auditors' Report

MAINE MEDICAL CENTER AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Maine Medical Center:

We have audited the accompanying consolidated balance sheets of Maine Medical Center (a subsidiary of MaineHealth) and subsidiaries (the "Medical Center") as of September 30, 2008 and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the consolidated financial position of the Medical Center at September 30, 2008 and 2007, and the consolidated results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Medical Center adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurement* and SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities including an amendment of FASB statement No. 155* effective October 1, 2007.

As discussed in Note 2 to the consolidated financial statements, the Medical Center adopted the recognition and disclosure provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, in 2007, which changed its method of accounting for its defined benefit pension and postretirement medical plans.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental consolidating information for 2008 is presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual entities, and is not a required part of the basic consolidated financial statements. This supplemental consolidating information is the responsibility of the Medical Center's management. Such supplemental consolidating information has been subjected to the auditing procedures applied in our audit of the basic 2008 consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

January 30, 2009

MAINE MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2008 AND 2007
(In thousands)

ASSETS	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents	$ 23,549	$ 25,440
Investments	216,211	263,598
Patient accounts receivable — net	56,339	39,029
Current portion of investments whose use is limited	4,856	23,339
Inventories, prepaid expenses, and other current assets	15,440	13,096
Estimated amounts receivable under reimbursement regulations	7,093	26,773
Current portion of notes and amounts receivable from affiliated entities	1,300	10,324
Total current assets	324,788	401,599
INVESTMENTS WHOSE USE IS LIMITED BY:		
Debt agreements	3,256	45,249
Board designation	52,340	54,515
Self-insurance trust agreements	20,407	21,320
Specially designated specific purpose funds	25,486	25,941
Plant replacement funds	13,549	13,639
Funds functioning as endowment funds	82,398	102,361
Pooled life income funds	1,904	2,086
	199,340	265,111
Less current portion	4,856	23,339
	194,484	241,772
PROPERTY, PLANT, AND EQUIPMENT — Net	441,419	393,511
ESTIMATED AMOUNTS RECEIVABLE UNDER REIMBURSEMENT REGULATIONS	29,345	-
NOTES AND AMOUNTS RECEIVABLE FROM AFFILIATED ENTITIES — Less current portions	77	2,454
PREPAID PENSION COSTS	1,341	3,105
OTHER ASSETS	19,098	22,154
TOTAL	$ 1,010,552	$ 1,064,595

LIABILITIES AND NET ASSETS	2008	2007
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 13,126	$ 7,755
Accounts payable and other current liabilities	24,486	27,921
Accrued payroll, payroll taxes, and amounts withheld	16,349	12,119
Accrued earned time	16,917	15,844
Accrued interest payable	710	396
Estimated amounts payable under reimbursement regulations	36,482	72,772
Self-insurance reserves	1,600	17,747
Notes and amounts payable to affiliated entities	1,295	8,452
Total current liabilities	110,965	163,006
ACCRUED RETIREMENT BENEFITS	50,616	31,257
SELF-INSURANCE RESERVES	16,772	-
LONG-TERM DEBT — Less current portion	144,265	153,704
OTHER LIABILITIES	21,913	17,239
Total liabilities		
NET ASSETS:		
Unrestricted	575,457	586,308
Temporarily restricted	69,529	92,365
Permanently restricted	21,035	20,716
Total net assets	666,021	699,389
TOTAL	$ 1,010,552	$ 1,064,595

See notes to consolidated financial statements.

MAINE MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(In thousands)

	2008	2007
UNRESTRICTED REVENUE AND OTHER SUPPORT:		
Net patient service revenue	$ 691,647	$ 644,176
Other revenue	18,712	17,794
Total unrestricted revenue and other support	710,359	661,970
EXPENSES:		
Salaries	320,917	293,240
Employee benefits	72,420	63,753
Nonmedical supplies	8,880	8,734
Medical supplies	110,433	103,550
Purchased services	61,169	57,835
Professional fees	13,583	8,425
Facility costs	21,517	19,628
State taxes	10,894	11,459
Interest	4,652	3,186
Depreciation and amortization	39,176	34,869
Provision for bad debts	25,788	24,570
Other	(294)	1,666
Total expenses	689,135	630,915
INCOME FROM OPERATIONS	21,224	31,055
NONOPERATING GAINS (EXPENSES):		
Gifts and donations	5,555	5,984
Interest and dividends	15,380	21,808
Recognized loss on cash flow hedge instruments	(3,866)	(208)
Equity in earnings (losses) of joint ventures	2,363	(3,118)
Loss from extinguishment of debt	(2,013)	-
Other	(4,864)	(3,584)
Total nonoperating gains — net	12,555	20,882
EXCESS OF REVENUE OVER EXPENSES BEFORE LOSS IN FAIR VALUE OF INVESTMENTS	33,779	51,937
RECOGNIZED LOSS IN FAIR VALUE OF INVESTMENTS	(24,730)	(1,805)
EXCESS OF REVENUE OVER EXPENSES	9,049	50,132
NET ASSETS RELEASED FROM RESTRICTIONS FOR PROPERTY, PLANT, AND EQUIPMENT	1,071	1,343
EQUITY TRANSFER TO AFFILIATES	(932)	(218)
ADJUSTMENT TO INITIALLY APPLY THE PROVISIONS OF SFAS NO. 157 AND SFAS NO. 159	6,489	-
ADJUSTMENT TO INITIALLY APPLY THE PROVISIONS OF SFAS NO. 158	-	(23,113)
RETIREMENT BENEFIT PLAN ADJUSTMENTS	(19,540)	-
CHANGE IN NET UNREALIZED (LOSS) GAIN ON INVESTMENTS	(6,489)	6,025
CHANGE IN NET UNREALIZED (LOSS) GAIN ON CASH FLOW HEDGE INSTRUMENTS	(499)	1,337
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	$ (10,851)	$ 35,506

See notes to consolidated financial statements.

MAINE MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(In thousands)

	2008	2007
UNRESTRICTED NET ASSETS:		
Excess of revenue over expenses	$ 9,049	$ 50,132
Net assets released from restrictions for property, plant, and equipment	1,071	1,343
Equity transfer to affiliates	(932)	(218)
Adjustments to initially apply the provisions of SFAS No. 157 and SFAS No. 159	6,489	-
Adjustments to initially apply the provisions of SFAS No. 158	-	(23,113)
Retirement benefit plan adjustments	(19,540)	-
Change in net unrealized (loss) gain on investment	(6,489)	6,025
Change in net unrealized (loss) gain on cash flow hedge instruments	(499)	1,337
(Decrease) increase in unrestricted net assets	(10,851)	35,506
TEMPORARILY RESTRICTED NET ASSETS:		
Gifts and donations	267	326
Interest and dividends	267	694
Change in realized and unrealized (loss) gain	(21,796)	12,175
Change in present value of pooled life and charitable remainder trusts	13	(434)
Net assets released from restrictions for operations	(516)	(592)
Net assets released from restrictions for property, plant, and equipment	(1,071)	(1,343)
(Decrease) increase in temporarily restricted net assets	(22,836)	10,826
PERMANENTLY RESTRICTED NET ASSETS:		
Gifts and donations	319	1,113
Increase in permanently restricted net assets	319	1,113
(DECREASE) INCREASE IN NET ASSETS	(33,368)	47,445
NET ASSETS — BEGINNING OF YEAR	699,389	651,944
NET ASSETS — END OF YEAR	$ 666,021	$ 699,389

See notes to consolidated financial statements.

MAINE MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007
(In thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets	$ (33,368)	$ 47,445
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,176	34,869
Provision for bad debts	25,788	24,570
Accretion of bond discounts	22	23
Equity in (earnings) losses of joint ventures	(2,363)	3,118
Net realized and change in unrealized loss (gain) on investments	46,526	(16,395)
Net realized and unrealized loss (gain) on cash flow hedge instruments	4,365	(1,129)
Loss on sale of fixed assets	1,633	85
Loss on extinguishment of debt	2,013	-
Contributions for long-term purposes	(750)	(1,699)
Retirement benefits plan adjustments and adoption of SFAS No. 158	19,540	23,113
Increase (decrease) in cash resulting from a change in		
Patient accounts receivable	(43,098)	(31,156)
Inventories, prepaid expenses, and other current assets and prepaid pension expense	(580)	410
Other assets	1,164	(764)
Accounts payable and other current liabilities	7,395	116
Amounts receivable/payable under reimbursement regulations	(45,955)	5,581
Notes and amounts payable to affiliate entities	1,867	(3,386)
Accrued pension and postretirement medical benefits	(181)	263
Other liabilities	4,674	(197)
Net cash provided by operating activities	27,868	84,867
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,254,446)	(1,254,186)
Proceeds from the sales of investments	1,316,713	1,286,414
Decrease in notes and amounts receivable from affiliated entities	2,377	-
Distributions from joint ventures	3,750	2,000
Purchases of property, plant and equipment	(94,489)	(105,083)
Proceeds from sale of fixed assets	1,459	87
Net cash used in investing activities	(24,636)	(70,768)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	(129,524)	(6,030)
Proceeds from issuance of long-term debt	123,651	3,470
Contributions for long-term purposes	750	1,699
Net cash used in financing activities	(5,123)	(861)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,891)	13,238
CASH AND CASH EQUIVALENTS — Beginning of year	25,440	12,202
CASH AND CASH EQUIVALENTS — End of year	$ 23,549	$ 25,440
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 4,338	$ 3,121
Capital lease obligations	$ 189	$ 139

See notes to consolidated financial statements.

MAINE MEDICAL CENTER AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

1. REPORTING ENTITY

Organization — Maine Medical Center and subsidiaries consists of Maine Medical Center (MMC), and its wholly owned subsidiaries which include Maine Medical Partners (MMP) and MMC Realty Corporation (MMCRC). These entities are collectively referred to as the "Medical Center." The consolidated financial statements include the accounts of MMC and its controlled subsidiaries. Upon consolidation, all intercompany transactions and balances have been eliminated.

Maine Medical Center is a wholly owned subsidiary of MaineHealth. The purpose of MaineHealth, a tax-exempt corporation, is to lead a community care network that provides a broad range of integrated health care services for populations in Maine and northern New England. Through MaineHealth's subsidiaries and affiliated organizations, the network's mission is to provide services along the full continuum of care as necessary to improve the health status of the population it serves in a cost effective manner.

MMC is a 606 bed, not-for-profit, major teaching hospital providing community and tertiary health care services. It is affiliated with the Tufts University School of Medicine in a collaborative undergraduate medical education program. MMC also supports clinical, translational, and bench research programs.

MMP is a multi-specialty physician group, which includes a variety of primary care and specialty disciplines. In addition to providing clinical care, the practices develop and promote educational and teaching programs and research activities. During 2007, the accounts and activities of Maine Hospitalist Services, Inc. (HSI), an inpatient hospitalist service, were merged into MMP. HSI was previously operated as a wholly owned subsidiary of MMC.

MMCRC was formed for the purpose of acquiring, holding, managing, maintaining, developing, and disposing of real property for the benefit of and in support of MMC.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made in the areas of patient accounts receivable, the fair value of investments without readily determinable market values, amounts receivable and payable under reimbursement regulations, asset retirement obligations, retirement benefits, and self-insurance reserves.

Cash and Cash Equivalents — Cash and cash equivalents include investments in highly liquid debt securities purchased with a maturity at the date of purchase of three months or less, excluding amounts classified as investments whose use is limited.

Investments — Investments are stated at fair value. The value of publicly traded securities is based upon quoted market prices and net asset values. Investments in hedge funds and limited partnerships, for which no such quotations or valuations are readily available, are accounted for using the equity method of accounting. The recorded value of these investments is based on fair value as estimated by management using information provided by external investment managers. The Medical Center believes that these valuations are a reasonable estimate of fair value as of September 30, 2008 and 2007, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a market for the investments existed and such differences could be material. Certain of the hedge fund and limited partnership investments have restrictions on the withdrawal of the funds. Investments are classified as current assets based on the availability of funds for current operations. The accounting for the pension plan assets is disclosed in Note 11. Investment income or loss (including realized and unrealized (in 2008) gains and losses on investments, interest and dividends) is included in the excess of revenue over expenses unless the income or loss is restricted by donor or law.

Effective October 1, 2007, the Medical Center adopted Statement of Financial Accounting Standards (SFAS) No. 157: *Fair Value Measurements* and SFAS No. 159: *The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115*. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and compatibility of fair value measurements and the related disclosures. Under generally accepted accounting principles, certain assets and liabilities must be measured at fair value, and SFAS No. 157 details the disclosures that are required for items measured at fair value. Under SFAS No. 159, entities may elect to report financial instruments and certain other items at fair value on a contract-by-contract basis with changes in value reported in the excess of revenue over expenses. The irrevocable election was made for all unrestricted financial instruments classified as investments and investments whose use is limited, that the Medical Center held at October 1, 2007 or were acquired during 2008, except investments in hedge funds and limited partnerships. The Medical Center made this election to reflect changes in the fair value, including both increases and decreases in value whether realized or unrealized, in its excess of revenue over expenses. The fair value of these instruments before electing the fair value option was $390,267,000. In 2008, the Medical Center recognized declines in the fair value of investments totaling $24,730,000 within the excess of revenue over expenses.

Prior to adopting SFAS No. 159, the Medical Center reviewed its investments to identify those for which market value was below cost. The Medical Center then made a determination as to whether the investment should be considered other-than-temporarily impaired based on guidelines established in the FASB Staff Position SFAS 115/124-1:, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments* and SEC Staff Accounting Bulletin Topic 5.M, *Other-Than-Temporary Impairment of Certain Investments in Debt and Equity Securities.* The Medical Center recognized $7,982,000 in losses related to declines in value that were other than temporary in nature for the year ended September 30, 2007.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets, statements of operations, and changes in net assets. Subsequent to September 30, 2008, conditions in the worldwide debt and equity markets have deteriorated significantly. These conditions have had a negative effect on the fair value of the Medical Center's investments since September 30, 2008.

Investments Whose Use Is Limited — Investments whose use is limited primarily include investments held by trustees under debt agreements, self-insurance trusts, and designated investments set aside by the Board of Trustees for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes. In addition, investments whose use is limited include investments restricted by donors for specific purposes or periods, and investments restricted by donors to be held in perpetuity by donors and the related appreciation on those investments. Amounts required to meet current liabilities of the Medical Center have been classified as current assets.

Property, Plant, and Equipment — Property, plant, and equipment are recorded at cost. The carrying value is reviewed if facts and circumstances suggest that an impairment may exist. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. The Medical Center recorded capitalized interest of $2,673,000 and $1,606,000 for the years ended September 30, 2008 and 2007, respectively.

Gifts of long-lived assets such as land, building, or equipment are reported as increases in unrestricted net assets and are excluded from the excess of revenue over expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets — Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell.

Asset Retirement Obligations — Asset Retirement Obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the Medical Center records period-to-period changes in the ARO liability resulting from the passage of time in interest expense and revisions to either the timing or the amount of the original expected cash flows to the related assets.

Retirement Benefits — In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132 (R).* This statement requires plan sponsors of defined benefit pension and other postretirement benefit plans to recognize the funded status of their postretirement benefit plans in the balance sheets, measure the fair value of plan assets and benefit obligations as of the balance sheet date, and provide additional disclosures. On September 30, 2007, the Medical Center adopted the provisions of SFAS No. 158. Adopting the new standard resulted in a reduction in unrestricted net assets of approximately $23,113,000. See Note 11 for further discussion of the effect of adopting SFAS No. 158 on the accompanying consolidated financial statements.

The measurement of benefit obligations and net periodic benefit cost is provided by third-party actuaries based on estimates and assumptions approved by the Medical Center's management. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age, and years of service, as well as certain assumptions, including estimates of discount rates, expected return on plan assets, rate of compensation increases, interest crediting rates and mortality rates. In 2009, the Medical Center will change the measurement date of the retirement plans to September 30.

Temporarily and Permanently Restricted Net Assets — Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors or law to a specific time period or purpose. Permanently restricted net assets reflect the original value of gifts that have been restricted by donors to be maintained by the Medical Center in perpetuity.

State law in Maine requires that unless explicitly stated otherwise by donors, realized and unrealized appreciation on investments of permanently restricted net assets, until appropriated pursuant to proper governing board action, must be considered temporarily restricted net assets (Note 12). There were no amounts appropriated in 2008 or 2007.

Net Patient Service Revenue — Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Contracts, laws, and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Free Care — The Medical Center provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its Board established free care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as free care, they are not reported as net patient service revenue.

Other Revenue — Revenue, which is not related to patient medical care and which is incidental to the day-to-day operations of the Medical Center, is included in other revenue.

Research Grants and Contracts — Revenue related to research grants and contracts is recognized as the related costs are incurred. Indirect costs relating to certain government grants and contracts are reimbursed at fixed rates negotiated with the government agencies. Research grants and contracts are accounted for as exchange transactions. Amounts received in advance of incurring the related expenditures are recorded as unexpended research grants and are included with accrued expenses. Direct research revenue and related costs are reported as nonoperating activities in the accompanying consolidated statements of operations and amounted to $12,931,000 and $12,935,000 in 2008 and $14,188,000 and $13,132,000 in 2007.

Excess of Revenue Over Expenses — The consolidated statements of operations include excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include changes in net unrealized gains and losses on investments (prior to adopting SFAS No. 159) and the effective portion of cash flow hedge instruments, permanent transfers of assets to and from affiliates for other than goods and services, the adjustments to initially apply the provisions of SFAS Nos. 157, 158, and 159, certain other pension related adjustments, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Donor Restricted Gifts and Other Grants — Unconditional promises to give cash and other assets to the Medical Center are reported at fair value at the date the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions are substantially met. The gifts are reported as either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year received are reported as unrestricted contributions in the accompanying financial statements.

The Medical Center also receives grants for purposes other than research and direct patient care. Such grant revenue and related costs are reported as nonoperating activities in the accompanying consolidated statements of operations and amounted to $11,430,000 and $11,235,000 in 2008 and $9,412,000 and $9,106,000 in 2007.

Self-Insurance Reserves — The liabilities for outstanding losses and loss-related expenses and the related provision for losses and loss-related expenses include estimates for losses incurred but not reported as well as losses pending settlement. Such liabilities are necessarily based on estimates and, while management believes the amounts provided are adequate, the ultimate liability may be greater than or less than the amounts provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The methods for making such estimates and the resulting liability are actuarially reviewed on an annual basis, and any necessary adjustments are reflected in current operations.

Income Tax Status — The Internal Revenue Service (IRS) has previously determined that MMC and its subsidiaries (except MMP) are organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. MMP did not have taxable income in 2008 and 2007. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Medical Center adopted the provisions of FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes,* on October 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109. It prescribes an uncertainty threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The impact of adopting FIN 48 was not material.

Recently Issued Accounting Pronouncements — In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133.* This guidance expands both qualitative and quantitative disclosures on an entity's use of derivatives. The provisions of SFAS No. 161 are effective for the Medical Center for 2009. The Medical Center is currently assessing the potential impact that the adoption of this statement will have on its financial statements.

In August 2008, the FASB issued Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds.* The guidance is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This FSP provides guidance on classifying the net assets associated with donor restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. This FSP also requires additional disclosures about endowments (both donor-restricted funds and board designed funds) for all organizations, including those that are not subject to an enacted version of UPMIFA. The provisions of the FSP are effective for the Medical Center for 2009. The Medical Center is currently assessing the potential impact that the adoption of this FSP will have on its financial statements.

3. COMMUNITY BENEFIT PROGRAMS

As a nonprofit institution dedicated to community service, Maine Medical Center provides many services for the community in addition to its range of health care services. These include approximately 18% of all the free care delivered in Maine, an International Clinic for Portland's growing immigrant and refugee population, the AIDS Consultation Service, and the Northern New England Poison Center.

The Medical Center provides free care to anyone whose income falls below 175% of the Federal Poverty Level and also has a sliding scale of assistance beyond that to assist patients whose income is up to 225% of the Federal Poverty Level.

The Medical Center has programs designed to affect both the direct health of the community and also the overall quality of life of the community. These programs include CarePartners, a health care program for those who cannot afford to buy insurance but are above the guidelines for government programs; the Ah! Asthma Health for Children program, which improves the care of children with asthma; Raising Readers, a MaineHealth initiative, which aims to provide all Maine children between ages 0 and 5 years with books; and Vocational Services programs that leverage approximately $195,000 in federal funds to integrate people with physical and psychological disabilities into the community.

Maine Medical Center has an active teaching program that teaches medical students, resident physicians, practicing physicians, nursing students, allied health professions students, and the public. These programs are a significant source of healthcare manpower for Maine as well as providing a higher level of patient care. The Medical Center has entered into a new partnership with the Tufts University School of Medicine to train medical students focusing on Maine residents and providing them with a rural, integrated experience in order to encourage them ultimately to practice in Maine. The Medical Center provides a free Certified Nursing Assistant (CNA) program that produces much needed CNAs for Maine Medical Center and for Maine. In addition, Maine Medical Center sponsors a number of programs from childbirth education to heart health to improve overall community health.

The Maine Medical Center Research Institute (MMCRI) is the largest hospital-based research facility in Maine. The research programs of MMCRI are focused around three specialties: cardiovascular disease, cancer, and bone and mineral disease. Core strengths are molecular biology and genetics, outcomes and health services, cytometry, and clinical research. Research at MMCRI has a strong connection to clinical problems. MMCRI's goal is to apply the latest scientific advances to the problems that patients and physicians face in Maine. The state-of-the-art equipment and facilities at MMCRI enable highly technical research and provide services for other academic and research centers throughout Maine. In cooperation with the University of Maine and The Jackson Laboratory, graduate degree programs have been established to provide rigorous basic research training to students in Maine. MMCRI also provides a summer student internship to a number of pre-college and college students who are interested in an opportunity to explore biomedical research as a possible career. All of these programs are done in an effort to enhance advanced educational activities in Maine.

MMCRI has an annual budget of approximately $20 million, much of which comes from out-of-state grants. This positive flow of funding into Maine is spent in large part on salaries and services which in turn go directly into the local economy. MMCRI produces biomedical technology that is used to develop new companies, and its scientists serve as magnets to attract other biomedical technology companies, thereby encouraging additional local economic development.

4. NET PATIENT SERVICE REVENUE

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare — Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical diagnosis and other factors. Outpatient services are paid based on a prospective rate per ambulatory visit/procedure. The Medical Center is reimbursed for cost reimbursable items at an interim rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare Fiscal Intermediary.

MaineCare — Formerly called Medicaid, MaineCare is a medical assistance program offered by the State of Maine, Department of Health and Human Services. Inpatient services are reimbursed at a predetermined rate per case. Outpatient services are reimbursed at an interim rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the State of Maine.

In 2004, the State of Maine, facing significant budget deficits, passed legislation establishing several health care provider taxes (State taxes). The enactment of the State taxes allowed the State of Maine to add revenues to the State of Maine General Fund while minimizing the potential of lost federal matching funds in the MaineCare program. The hospital specific portion of the State taxes for 2008 and 2007 was based on a percentage of the Medical Center's net operating revenue in 2005 and 2004, respectively. As a result, for the years ended September 30, 2008 and 2007, the Medical Center recorded State taxes of approximately $10,894,000 and $11,459,000, respectively. Concurrent with the implementation of the State tax, the State of Maine increased the MaineCare reimbursement rates. Management estimates that the changes in the MaineCare reimbursement rates yielded payments to the Medical Center for the years ended September 30, 2008 and 2007, of approximately $8,678,000 and $8,778,000, respectively. The net impact of the State tax and the change in reimbursement rates was a decrease in income from operations of $2,216,000 and $2,681,000 for the years ended September 30, 2008 and 2007, respectively.

In 2003, the State of Maine enacted legislation to provide affordable health insurance to small businesses and individuals and to control health care costs. This legislation became known as Dirigo Health. The law provides for the development of an affordable health care plan with sliding scale premium subsidies while further increasing access to health care coverage through the expansion of eligibility for the MaineCare program. The law also covers quality and cost containment strategies such as the development of a State Health Plan, voluntary caps on the cost and operating margins of hospitals and insurers, and revised Certificate of Need regulations including a Capital Investment Fund.

In 2005, the Dirigo Health law was supplemented by additional legislation titled "An Act to Implement Certain Recommendations of the Commission to Study Maine's Community Hospitals." The law requests hospitals to voluntarily hold their consolidated operating margins to 3% and to voluntarily restrain their increases in expense per case mix adjusted discharge to less than 110% of the forecasted increase in the Centers for Medicare and Medicaid hospital market basket index for the coming federal fiscal year. This law also addresses the jurisdiction of Dirigo Health, calls for the standardization of the reporting of hospital financial information, and established a workgroup to identify opportunities to streamline hospital administrative costs.

In its attempts to comply with the voluntary operating margin limit, the Medical Center has not fully implemented Board of Trustee approved rate increases and/or has initiated rate decreases for several years. During 2007, the combination of actions taken had the effect of decreasing the income from operations by approximately $15,300,000 from what would have been achieved had the Board of Trustee approved rate increases been implemented. However, in June 2007, the Medical Center received a settlement payment from MaineCare for 2004. The settlement resulted in $12,300,000 of unanticipated income that would result in an operating margin above the voluntary limit. The Medical Center determined that the most appropriate use of this excess income was to reduce the amounts of borrowings approved through the Certificate of Need process for the expansion of MMCRI. The reduction in debt will reduce debt service costs that will benefit the community for many years in the future. During 2008, the Medical Center did not initiate a rate decrease.

The balance sheets at September 30, 2008 and 2007, include amounts due from the State of Maine under the MaineCare program of $34,800,000 and $26,800,000, respectively, which represents a concentration of credit risk. Although the State's current budget does not fully provide for amounts due to the Medical Center, the amounts recorded have been determined based upon applicable regulations, and the Medical Center expects that these amounts will ultimately be paid in full. Due to the complex nature of such regulations, there is at least a reasonable possibility that recorded estimates will change by a material amount.

Non-Governmental Payors — The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Net patient service revenue for the years ended September 30, 2008 and 2007, consists of the following (in thousands):

	2008	2007
Gross charges:		
Inpatient services	$ 224,600	$ 203,573
Inpatient ancillary services	483,688	438,578
Outpatient services	392,098	349,564
	1,100,386	991,715
Deductions from gross charges:		
Contractual adjustments	388,840	329,375
Free care	19,899	18,164
	408,739	347,539
Net patient service revenue	$ 691,647	$ 644,176

Free care amounts are determined using charges foregone based on established rates.

Net patient service revenue in 2008 was increased by approximately $7,739,000 as a result primarily of favorable settlements with third-party payors regarding prior years.

5. PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable consists of the following at September 30, 2008 and 2007 (in thousands):

	2008	2007
Patient accounts receivable	$ 207,175	$ 181,975
Less:		
Allowances for contractual adjustments and advance payments from third-party reimbursing agencies	117,853	110,981
Allowances for bad debts	29,090	28,191
Allowances for free care	3,893	3,774
	$ 56,339	$ 39,029

6. FINANCIAL INSTRUMENTS

Investments and Investments Whose Use Is Limited — The composition of investments and investments whose use is limited at September 30, 2008 and 2007, is set forth in the following table (in thousands):

	2008	2007
Investments (current assets)	$ 216,211	$ 263,598
Investments whose use is limited	199,340	265,111
	$ 415,551	$ 528,709
Temporary cash investments	$ 34,180	$ 63,093
Hedge funds	17,242	9,428
Limited partnership	4,220	6,189
Marketable equity securities	76,066	110,528
Bonds and notes	283,843	339,471
	$ 415,551	$ 528,709

Investments whose use is limited include amounts required by debt agreements and amounts restricted by donors. The Board of Trustees also segregates certain unrestricted net assets as board designated in order to make provision for future capital improvements, to fund self-insured professional and general liability and workers' compensation risks, and to provide for other specific purposes.

Investments whose use is limited by debt agreements includes the debt service funds, which are comprised of semi-annual deposits to fund principal and interest payments. These investments are held pursuant to the requirements of the outstanding Revenue and Revenue Refunding Bonds.

The current portion of investments whose use is limited at September 30, 2008 and 2007, is comprised of the following (in thousands):

	2008	2007
Trusteed under debt agreements	$ 3,256	$ 5,592
Trusteed self-insurance trusts	1,600	17,747
	$ 4,856	$ 23,339

In 2008, the Medical Center classified the majority of its self-insurance reserves as long term liabilities. As a result, there are less self-insurance trust monies classified as part of the current portion of investments whose use is limited in 2008 as compared to 2007.

Investment income and (losses) gains on investments and investments whose use is limited, cash equivalents, and other investments for the years ended September 30, 2008 and 2007, consist of the following (in thousands):

	2008	2007
Unrestricted net assets:		
Interest and dividends	$ 15,380	$ 21,808
Net realized losses	-	(1,805)
Recognized changes in fair value	(24,730)	-
Change in unrealized gains	-	6,025
	(9,350)	26,028
Temporarily restricted net assets:		
Interest and dividends	267	694
Realized and unrealized (losses) gains	(21,796)	12,175
	(21,529)	12,869
	$ (30,879)	$ 38,897

Long-Term Debt — At September 30, 2008 and 2007, long-term debt consists of the following (in thousands):

	2008	2007
Maine Health and Higher Educational Facilities Authority:		
Revenue Bonds, Series 2008A Revenue Bonds; payable in various installments of principal through 2036, Variable Rate Demand Obligations, the average interest rate in effect for the period ended September 30, 2008 was 2.08%. The interest rate at September 30, 2008 was 7.75%. Interest is set weekly by the Remarketing Agent and may be changed to a different period or converted to a fixed rate.	$ 98,235	$ -
Revenue Bonds, Series 2008B Revenue Bonds; payable in various installments of principal through 2014, Variable Rate Demand Obligations, the average interest rate in effect for the period ended September 30, 2008 was 2.23%. The interest rate at September 30, 2008 was 7.75%. Interest is set weekly by the Remarketing Agent and may be changed to a different period or converted to a fixed rate.	23,377	-
Revenue Bonds, Series 2006E Revenue Bonds; were refinanced by the 2008A Bonds	-	79,477
Revenue Bonds, Series 2006D Revenue Bonds; were refinanced by the 2008A Bonds.	-	17,851
Revenue Bonds, Series 2006C Revenue Bonds; were refinanced by the 2008B Bonds.	-	26,643
Revenue Refunding Bonds, Series 2001D Serial Bonds; payable in various installments of principal and interest through 2015, interest rates ranging from 4.00% to 4.5%.	4,991	5,726
Revenue Bonds, Series 1999A Serial Bonds; payable in various installments of principal and interest through 2030, interest rates ranging from 4.35% to 5.25%.	18,101	18,601
Less unaccreted original issue discount/premium	(298)	(320)

(Continued)

	2008	2007
Promissory note payable to a bank, interest at 6.82% with a maturity date of October 1, 2027.	$ 2,932	$ 3,000
Promissory note payable to a bank, interest at LIBOR plus 1% (3.24% at September 30, 2008) with a maturity date of November 15, 2015.	2,098	2,325
Promissory notes payable to a bank, interest at LIBOR plus 1% (3.24% at September 30, 2008) with a maturity date of March 1, 2020.	2,515	2,732
Promissory note payable to a bank, interest at LIBOR plus 1% (3.24% at September 30, 2008) with a maturity date of October 31, 2010.	3,105	3,417
Other, including capital lease obligations	2,335	2,007
	157,391	161,459
Less portion classified as current liability	13,126	7,755
	$ 144,265	$ 153,704

(Concluded)

Annual principal maturities of long-term debt for the five fiscal years after September 30, 2008, and the years thereafter are as follows (in thousands):

	Long-Term Debt	Capital Lease Obligations
2009	$ 8,651	$ 1,135
2010	8,970	817
2011	11,355	351
2012	9,287	167
2013	9,678	54
Years thereafter	107,413	-
	$ 155,354	2,524
Less amount representing interest under capital lease obligations		189
		$ 2,335

The Series 2008A and 2008B bondholders have the option to put the bonds back to the Medical Center. Such bonds would be subject to remarketing efforts by the Remarketing Agent. To the extent that such remarketing efforts were unsuccessful, the non-marketable bonds would be purchased from the proceeds of a letter of credit agreement with a bank, which expires on May 21, 2010. The term of the repayment

for such non-marketable bonds is over ten years beginning on the first day of the fourth month following the date of the Liquidity Advance. The Series 2008A and 2008B bonds have been classified in accordance with the repayment provisions contained in the letter of credit agreement in the accompanying consolidated balance sheet and in accordance with the scheduled maturities contained in the bond agreements in the table of annual principal payments above.

If all the Series 2008A and 2008B bonds were put back to the Medical Center on September 30, 2008 and not remarketed, the required repayments of all long-term debt, after giving effect to the terms of the related letter of credit agreement, would be (in thousands): 2009-$12,139; 2010-$15,565; 2011-$17,675; 2012-$15,357; 2013-$15,448; and thereafter-$79,170.

The Board of Trustees of the Medical Center adopted a Corporate Model Master Trust Indenture and the Board of Trustees of MaineHealth adopted a Parent Model Master Trust Indenture. These actions resulted in the creation of an Obligated Group for the MaineHealth system. MaineHealth subsidiaries that are Designated Affiliates of the Obligated Group have access to lower cost capital and less restrictive debt covenants. The Designated Affiliates are indirectly liable for the debts of each participant. The Medical Center must remain a part of the Obligated Group but has approval authority over new subsidiaries requesting participation in the Obligated Group. On September 30, 2008, the Obligated Group has obligations totaling approximately $196,037,000 that are covered under the Master Trust Indenture. The Medical Center is indirectly liable for debt service payments of approximately $49,533,000.

In May 2008, the Maine Health and Higher Educational Facilities Authority issued Revenue Bonds, Series 2008A totaling $107,180,000. The bond proceeds were used to refinance the outstanding Series 2006D and Series 2006E Revenue Bonds. The Series 2008A Revenue Bonds represent a general obligation of the Medical Center. As a result of the refinancing of the Series 2006D and 2006E Bonds, a loss of approximately $1,663,000 was recognized in 2008. Interest on the Series 2006D and Series 2006E Bonds was at the Select Auction Variable Rate SecuritiesSM rate.

In June 2008, the Maine Health and Higher Educational Facilities Authority issued Revenue Bonds, Series 2008B totaling $25,985,000. The bond proceeds were used to refinance the outstanding Series 2006C Revenue Bonds. The Series 2008B Revenue Bonds represent a general obligation of the Medical Center. As a result of the refinancing of the Series 2006C Bonds, a loss of approximately $350,000 was recognized in 2008. Interest on the Series 2006C Bonds was at the Select Auction Variable Rate SecuritiesSM rate.

In May 2008, the Medical Center entered into a variable to fixed interest rate swap with a notional amount of $16,000,000 ("Series 2008 Swap Agreement"). The Medical Center pays to the counterparty a fixed rate of 3.275% and receives a variable amount reset to the USD SIFMA Municipal Swap Index.

In concert with the issuance of the Series 2006C, 2006D, and 2006E Revenue Bonds, the Medical Center entered into variable to fixed interest rate swaps with a total notional amount of $74,115,000 ("Series 2006 Swap Agreements"). The Medical Center pays to the counterparties a fixed amount that was determined by fair market bid and receives a variable amount reset monthly to 67% of one month LIBOR. The fixed amounts range from 3.5% to 3.7%. The Series 2006 Swap Agreements qualified for hedge accounting and, accordingly, the change in fair value in 2007 was reported as a decrease in unrestricted net assets. When the 2006C, 2006D, and 2006E Revenue Bonds were refinanced in 2008, the Series 2006 Swap Agreements no longer qualified for hedge accounting and, accordingly, the portion of fair value change previously recorded as a change in unrestricted net assets since the inception of the swaps of $3,204,000 was reported as a nonoperating loss in the consolidated statement of operations.

During 2007, the Medical Center entered into a constant maturity swap by overlaying a five-year LIBOR Swap on an existing one month LIBOR swap with a notional amount of $25,000,000. The Medical Center pays 67% of the one-month LIBOR rate each month in return for 62.02% of the five-year LIBOR rate each month. This constant maturity swap does not qualify for hedge accounting.

The following table summarizes the estimated fair values of the cash flow hedge agreements at September 30, 2008 and 2007, and the change in their fair values for the years then ended (in thousands):

	Estimated Fair Value		Change in Fair Value	
Counterparty	**2008**	**2007**	**2008**	**2007**
Morgan Stanley — Associated with Series 2006C	$ (804)	$ (119)	$ (685)	$ 182
Merrill Lynch — Associated with Series 2006D	(812)	(41)	(771)	104
Morgan Stanley — Associated with Series 2006E	(2,345)	32	(2,377)	877
Morgan Stanley — Associated with Series 2008A	(401)	-	(401)	-
Morgan Stanley — Constant Maturity Series	(72)	(78)	6	(78)
Other Fixed Interest Rate Swaps	(678)	(541)	(137)	44
Total	$ (5,112)	$ (747)	$ (4,365)	$ 1,129

The fair values of the cash flow hedge agreements were reported in other long-term liabilities. The change in fair value of the effective portion of the cash flow hedge agreements were reported as a change in unrestricted net assets. These (losses) gains were ($499,000) in 2008 and $1,337,000 in 2007. The change in fair value of the ineffective portion of the cash flow hedge agreements were reported as a nonoperating activity. These (losses) were ($3,866,000) in 2008 and ($208,000) in 2007.

These interest rate and constant maturity swaps involve counterparty credit risk exposure. The counterparties are major financial institutions that meet the Medical Center's established criteria for financial stability and creditworthiness. In each cash flow hedge agreement the counterparty is required to provide a Credit Support Amount if the counterparty's rated debt is rated below certain levels.

The Maine Health and Higher Educational Facilities Authority Revenue Bonds and Revenue Refunding Bonds were issued under the terms of a Master Trust Indenture Agreement. Under the terms of the bonds, the Medical Center is required to maintain certain deposits with a trustee. Such deposits are included with investments whose use is limited in the financial statements. The bonds also require that the members of the Obligated Group satisfy certain measures of financial performance (including a minimum debt service coverage ratio) as long as the bonds are outstanding.

Deferred financing costs of $1,030,000 in 2008 and $1,535,000 in 2007 are reported as a component of other assets and represents the costs incurred in connection with the issuance of the bonds. These costs are being amortized over the term of the bonds. Amortization expense for the years ended September 30, 2008 and 2007, was approximately $86,000 and $100,000, respectively. The original issue discount/premium is accreted over the term of the related bonds using the effective interest method.

Fair Value of Financial Instruments — The methods and assumptions are summarized as follows:

Cash and Cash Equivalents, Accounts Receivable, Other Current and Noncurrent Assets, Accounts Payable and Other Current Liabilities — The carrying amounts of these items are reasonable estimates of their fair value.

Long-Term Debt — The fair value of the bonds and notes payable is estimated based on discounted cash flow with interest at current rates based on similar issues. The fair market value of the Medical Center's long-term debt payable at September 30, 2008 and 2007, approximated the recorded value.

Fair Value Measurements — FAS No. 157 established a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroborations, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of September 30, 2008 (in thousands):

	Fair Value Measurements at September 30, 2008 Using			
(In thousands)	**Total Carrying Value at September 30, 2008**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**
Investments	$ 394,089	$ 114,646	$ 272,625	$ 6,818
Cash flow hedge instruments	$ (5,112)	-	-	$ (5,112)

The following table summarizes the changes in fair value of level 3 assets and liabilities (in thousands):

	Fair Value Measurements of Assets and Liabilities Using Level 3 Inputs	
	Investments	**Cash Flow Hedge Instruments**
Balance at September 30, 2007	$ 9,474	$ (747)
Total gains (losses) (realized or unrealized):		
Included in excess of revenues over expenses	(1,963)	(3,866)
Included in changes in unrestricted net assets	-	(499)
Purchase, sales, issuances, and settlements	(693)	-
Balance at September 30, 2008	$ 6,818	$ (5,112)
Losses for 2008 attributable to the change in unrealized gains or losses relating to assets still held	$ (1,963)	$ (4,365)

Level 3 investment primarily include distressed bonds and fixed income securities, and bank sponsored common trust funds. The investments are valued by the respective fund managers, and are not independently priced by the Medical Center's custodian. The investment managers utilize a combination of observable and unobservable inputs to value the investments including quoted market prices of actual or similar holdings and other financial information.

Level 3 cash flow hedge instruments are valued by financial institutions based on current interest rates and yield curves.

7. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following at September 30, 2008 and 2007 (in thousands):

	2008	2007
Land	$ 21,498	$ 21,925
Land improvements	4,586	3,661
Buildings	458,116	326,886
Equipment	231,665	231,743
Construction in progress	38,057	111,884
	753,922	696,099
Less accumulated depreciation	312,503	302,588
	$ 441,419	$ 393,511

Depreciation expense for the years ended September 30, 2008 and 2007, was approximately $39,090,000 and $34,769,000, respectively. At September 30, 2008, the remaining commitment on construction contracts approximated $19,451,000. The value of property, plant, and equipment acquisitions in accounts payable at September 30, 2008 and 2007, was approximately $6,279,000 and $9,847,000, respectively.

8. INVESTMENTS IN JOINT VENTURES

The Medical Center has investments in various joint ventures. The Maine Heart Center and the MMC Physician-Hospital Organization, Inc. ventures are physician and hospital collaborations, which manage risk and provide incentives to deliver high quality, cost effective patient care. New England Rehabilitation Hospital of Portland (NERH) is an acute care rehabilitation facility. Maine Molecular Imaging, LLC (MMI) provides mobile PET/CT imaging services. The MaineGeneral Cardiac Cath Lab, LLC provides cardiac catheterization services to the population of central Maine. The Maine Neuroscience Associates, LLC (MNA) was established as a partnership for the purpose of operating an MRI for use of the patients of both the neurosurgeons and the neurologists. The Medical Center's investments in these joint ventures are accounted for using the equity method of accounting as its ownership in each joint venture is less than or equal to 50%.

The Medical Center has a 50% ownership interest in NERH. Summary financial information for NERH consists of the following as of and for twelve months ending September 30, 2008: assets $21,124,000, liabilities $13,488,000, shareholders' equity $7,636,000, net revenue $29,605,000, and operating expenses $24,327,000. The Medical Center's share of the net earnings of NERH of $2,000,000 in 2008 and a net loss of $2,700,000 in 2007 was included in nonoperating gains. Financial information of other joint ventures is not significant.

The Medical Center has entered into a lease agreement with NERH, which provides for the joint venture to lease space from the Medical Center through 2024. Charges to NERH for rent and other services provided totaled approximately $3,625,000 and $3,559,000 for the years ended September 30, 2008 and 2007, respectively.

9. SELF-INSURANCE TRUSTS AND RESERVES

The Medical Center is partially self-insured for professional and general liability risks. The Medical Center shares risk above certain amounts with an insurance company for all claims related to the partially self-insured plans. The Medical Center maintains separate trusts for professional and general liability. The Medical Center funds these trusts based upon actuarial valuations and historical experience. Self-insurance reserves for self-insured unpaid claims and incidents are estimated using actuarial valuations, historical payment patterns, and current trends. Self-insurance reserves are recorded in the period the claim or incident occurs and adjusted in future periods as additional data become known.

The Medical Center provides health and dental insurance for its employees through a self-insured plan administered by MaineHealth, the parent corporation of the Medical Center. For financial reporting purposes, the Medical Center is allocated its pro rata share of plan expenses based on the number of employees and dependents. Self-insurance reserves for unpaid claims and incidents are carried at MaineHealth. The difference between actual and projected plan expenses is reflected in the future premiums charged to the Medical Center by MaineHealth.

The Medical Center provides workers' compensation insurance for its employees through a self-insured plan administered by MaineHealth. Employees covered under this plan include all current employees as well as employees with work injury claims incurred after December 31, 1995. For financial reporting purposes, the Medical Center is charged a pro rata share based on payroll classifications. Self-insurance reserves are carried at MaineHealth for unpaid claims and settlements are estimated using actuarial valuations. Self-insurance reserves are recorded in the period the incident occurs and adjusted in future periods as additional data become known. Three claim related incidents which occurred in 1985, 1992, and 1993 continue to be administered through the Medical Center. Self-insurance reserves for these claims are carried at the Medical Center. The amounts reserved for unpaid claims and settlements are estimated using actuarial valuations.

10. CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The Medical Center has previously recognized a liability for the fair value of its conditional asset retirement obligations. The impact of recording the conditional asset retirement obligations related to the estimated costs to remove the asbestos contained within the Medical Center's facilities.

A reconciliation of liabilities for asset retirement obligations is as follows (in thousands):

	2008	2007
Asset retirement obligations — beginning of year	$ 15,318	$ 14,756
Accretion expense	583	562
Asset retirement obligations — end of year	$ 15,901	$ 15,318

11. RETIREMENT BENEFITS

Defined Benefit Pension Plan — The Medical Center sponsors a defined benefit pension plan (the "Pension Plan") covering all employees that work 750 or more hours in a year. Pension benefits are based on years of service and average compensation of the highest five consecutive years. The Medical Center's funding policy is to contribute amounts to fund current service cost and to fund over thirty years the estimated accrued benefit cost arising from qualifying service prior to the establishment of the Medical Center's plan. The assets of the plan are held in trust and are invested in a diversified portfolio that includes common stocks, U.S. Treasury and corporate bonds, hedge funds, and short-term financial instruments.

Defined Benefit Postretirement Medical Plan — The Medical Center offers its employees who retire from MMC prior to age 65 the option to continue their participation in the Employee Health Plan until age 65. Retirees pay 100% of the cost. The retiree must terminate from the plan upon age 65 (the age for Medicare eligibility). In addition, MMC offers a Retiree Group Companion Plan benefit to a limited group of employees if certain special eligibility requirements are met. To be eligible to access this benefit, an employee must have attained age 54 with 5 years of pension service as of September 30, 2004, and be enrolled in the Employee Health Plan at the time of their retirement. If under 65 when retiring, the retirees must continue their enrollment in the active employee plan until they turn 65 at 100% of the active rate. The retiree may then enroll in the Retiree Group Companion Plan at age 65 once they have first enrolled in Medicare.

Employers Accounting for Defined Benefit and Other Postretirement Plans — On September 30, 2007, the Medical Center adopted the recognition and disclosure provisions of SFAS No. 158. This required the Medical Center to recognize the over-funded or under-funded status of its defined benefit pension and postretirement medical plans in the September 30, 2007, consolidated balance sheet with a corresponding adjustment to unrestricted net assets. The adjustment to unrestricted net assets at adoption represents the net unrecognized actuarial losses and unrecognized prior service costs, which were previously netted against the Medical Center's pension plan's funded status in consolidated balance sheets pursuant to the provision of SFAS No. 87, *Employers Accounting for Pensions*. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Medical Center's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of unrestricted net assets. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in unrestricted net assets at adoption of SFAS No. 158.

The incremental effects of applying the recognition provisions of SFAS No. 158 on the individual line items in the consolidated balance sheet as of September 30, 2007, are as follows (in thousands):

	Before Application of SFAS No. 158	Effect of Adopting SFAS No. 158	After Application of SFAS No. 158
Prepaid pension costs — current	$ 3,105	$ (3,105)	$ -
Prepaid pension costs — long-term	-	3,105	3,105
Accrued pension benefits	-	22,219	22,219
Accrued postretirement medical benefits	6,564	894	7,458
Unrestricted net assets	609,421	(23,113)	586,308

The activity in the defined benefit pension plan and postretirement medical plan for the years ended September 30, 2008 and 2007, consists of the following using a valuation date of June 30 (in thousands):

	Defined Benefit Pension Plan		Postretirement Medical Plan	
	2008	2007	2008	2007
Net periodic pension cost:				
Service cost	$ 16,730	$ 14,925	$ -	$ -
Interest cost	20,050	17,800	454	495
Expected return on plan assets	(25,678)	(23,201)	-	-
Amortization of:				
Net gain	353	-	26	74
Prior service cost (credit)	309	324	(23)	(23)
Net periodic benefit cost	$ 11,764	$ 9,848	$ 457	$ 546
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 325,518	$ 289,106	$ 7,458	$ 8,096
Service cost	16,730	14,925	-	-
Interest cost	20,050	17,800	454	495
Actuarial (gain) loss	(11,387)	12,742	(571)	(620)
Benefits paid	(8,744)	(8,581)	(340)	(513)
Expenses paid	(439)	(474)	-	-
Benefit obligation at end of year	341,728	325,518	7,001	7,458
Change in plan assets:				
Fair value of plan assets at beginning of year	306,404	260,815	-	-
Actual return on plan assets	(6,485)	44,644	-	-
Employer contribution	10,000	10,000	340	513
Benefits paid	(8,744)	(8,581)	(340)	(513)
Expenses paid	(439)	(474)		
Fair value of plan assets at end of year	300,736	306,404	-	-
Net amount recognized	$ (40,992)	$ (19,114)	$ (7,001)	$ (7,458)

As indicated above, the Pension Plan's valuation date is June 30. Subsequent to June 30, 2008, conditions in the worldwide debt, and equity markets have deteriorated significantly. These conditions have had a negative effect on the fair value of the Pension Plan's assets which decreased to $261,861,000 as of September 30, 2008.

The following tables set forth additional defined benefit pension plan and postretirement medical plan disclosure information for the years ended September 30, 2008 and 2007 (in thousands):

	Defined Benefit Pension Plan		Postretirement Medical Plan	
	2008	2007	2008	2007
Amounts recognized in the balance sheet:				
Prepaid pension costs	$ 1,341	$ 3,105	$ -	$ -
Accrued retirement benefits	(42,333)	(22,219)	(7,001)	(7,458)
Net balance sheet at end of year	$ (40,992)	$ (19,114)	$ (7,001)	$ (7,458)
Additional information —				
Accumulated benefit obligation	$ (283,125)	$ (262,802)		

Unrestricted net assets at September 30, 2008, include unrecognized losses of $39,472,000 related to the defined benefit plan. Unrestricted net assets at September 30, 2007, include unrecognized losses of $19,049,000 related to the defined benefit plan. Of this amount, $353,000 was recognized in net periodic pension costs in 2008.

The following assumptions on the Pension Plan were used as of September 30, 2008 and 2007 (in thousands):

	2008	2007
Measurement date	6/30/2008	6/30/2007
Census date	1/1/2008	1/1/2007
Used to determine net periodic pension cost:		
Discount rate	6.25 %	6.25 %
Rate of compensation increase	4.00	4.00
Expected long-term rate of return on plan assets	8.80	8.80
Used to determine benefit obligation:		
Discount rate	6.75	6.25
Rate of compensation increase	4.25	4.00

The expected long-term rate of return on plan assets for the Pension Plan reflects the plan sponsor's estimate of future investment returns (expressed as an annual percentage), taking into account the allocation of plan assets among different investment classes and long-term expectations of future returns on each class.

The Pension Plan's investments as of September 30, 2008 and 2007, are allocated as follows:

	2008	Target Allocation	2007	Target Allocation
U.S. equity securities	29 %	32 %	37 %	37 %
International equities	22	25	27	25
Natural resources	5	5	0	0
Alternative investments	11	8	8	8
Debt securities	33	30	28	30
Total	100 %	100 %	100 %	100 %

The Pension Plan's overall financial objective is to provide sufficient assets to satisfy the retirement benefit requirements of the Pension Plan's participants. This objective is to be met through a combination of contributions to the Pension Plan and investment returns. The long-term investment objective for the plan is to attain a total return (net of investment management fees) of at least 5% per year in excess of the rate of inflation measured by the Consumer Price Index. The nature and duration of benefit obligations, along with assumptions concerning asset class returns and return correlations, are considered when determining an appropriate asset allocation to achieve the investment objectives.

Investment policies and strategies governing the assets of the plan are designed to achieve the financial objectives within prudent risk parameters. Risk management practices include the use of external investment managers, the maintenance of a portfolio diversified by asset class, investment approach, and security holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they come due.

The medical inflation assumptions used for measurement purposes in the per capita cost of covered health care benefits for the Postretirement Medical Plan were 9% and 9.5% annual rates of increase for the years ended September 30, 2008 and 2007, respectively. These rates were assumed to gradually decrease to 5% over a period of years and remain at that level thereafter.

The weighted average discount rates used in determining the accumulated postretirement medical benefit obligation was 6.75% and 6.25% for the years ended September 30, 2008 and 2007, respectively. The weighted average discount rate used in determining the fiscal 2008 and 2007 net periodic postretirement medical benefit cost was 6.25% for the years ended September 30, 2008 and 2007. As the Postretirement Medical Plan is unfunded, no assumption was required as to the long-term rate of return on assets.

Future benefits are expected to be paid as follows for the years ended September 30 (in thousands):

	Defined Benefit Pension Plan	Postretirement Medical Plan
2009	$ 11,587	$ 428
2010	12,864	455
2011	14,389	462
2012	16,245	474
2013	18,190	470
2014-2018	126,947	2,561

The estimated expected contribution to be made during 2009 is $15,000,000.

Defined Contribution Pension Plans — The Medical Center also sponsors a 403(b) retirement plan for all employees. The Medical Center provides a 50% match of each dollar contributed by the employee up to a maximum contribution of 2% of their gross earnings. The employer match was funded from the assets of the Pension Plan. The employees become vested in the employer contributions after one year of service.

12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted primarily for health care services and consist of the following at September 30, 2008 and 2007 (in thousands):

	2008	2007
Donor restricted specific purpose funds	$ 4,697	$ 5,048
Accumulated appreciation on permanently restricted net assets	61,066	82,623
Plant replacement funds	879	1,664
Pooled life and charitable remainder trusts	2,887	3,030
	$ 69,529	$ 92,365

Permanently restricted net assets at September 30, 2008 and 2007, consist of investments to be held in perpetuity, the income from which is expendable primarily to support the care of patients (in thousands):

	2008	2007
Endowment funds	$ 21,035	$ 20,716

13. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Medical Center to concentration of credit risk consist of patient accounts receivable, estimated amounts receivable under reimbursement regulations, and certain investments. Investments, which include government and agency securities, stocks, and corporate bonds, are not concentrated in any corporation or industry. The Medical Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2008 and 2007, were as follows:

	2008	2007
Medicare	28 %	30 %
MaineCare	14	15
Anthem Blue Cross and Blue Shield	7	6
Other third-party payors	42	39
Patients	9	10
	100 %	100 %

14. RELATED-PARTY TRANSACTIONS

For the years ended September 30, 2008 and 2007, the Medical Center charged affiliates $1,839,000 and $1,242,000, respectively, for services provided. For the years ended September 30, 2008 and 2007, MaineHealth charged the Medical Center $9,502,000 and $8,632,000, respectively, for management, legal and audit services. For the years ended September 30, 2008 and 2007, MaineHealth charged the Medical Center $44,342,000 and $38,824,000, respectively, for health insurance (see Note 9). For the years ended September 30, 2008 and 2007, MaineHealth charged the Medical Center $2,531,000 and $4,034,000, respectively, for workers' compensation insurance (see Note 9). The Medical Center maintains an agreement with NorDx, a subsidiary of MaineHealth, to provide substantially all laboratory services. For the years ended September 30, 2008 and 2007, NorDx charged the Medical Center $19,196,000 and $18,684,000, respectively, for the laboratory services.

The Medical Center invests monies for MaineHealth and certain MaineHealth subsidiaries in commingled investment accounts. These amounts are excluded from the investments held and reported by the Medical Center.

15. FUNCTIONAL EXPENSES

The Medical Center provides health care services through its acute care, specialty care, and ambulatory care facilities. Expenses relating to providing these services are as follows (in thousands):

	2008	2007
Professional care of patients	$ 464,028	$ 428,738
Dietary	9,502	9,052
Household and property	33,594	32,277
Administrative services	50,484	41,905
State taxes	10,894	11,459
General services	51,017	44,859
Interest	4,652	3,186
Depreciation and amortization	39,176	34,869
Provision for bad debts	25,788	24,570
	$ 689,135	$ 630,915

16. CONTINGENCIES

The Medical Center is subject to complaints, claims, and litigation which have risen in the normal course of business. In addition, the Medical Center is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased, resulting in fines and penalties for noncompliance by individual health care providers. Compliance with these laws and regulations is subject to future government review, interpretation, or actions which are unknown and unasserted at this time.

* * * * * *

SUPPLEMENTAL INFORMATION

MAINE MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET INFORMATION
AS OF SEPTEMBER 30, 2008
(In thousands)

ASSETS	Maine Medical Center	Maine Medical Partners	MMC Realty	Eliminations	Consolidated
CURRENT ASSETS:					
Cash and cash equivalents	$ 23,100	$ 449	$ -	$ -	$ 23,549
Investments	216,211	-	-	-	216,211
Patient accounts receivable — net	50,441	5,898	-	-	56,339
Current portion of investments whose use is limited	4,856	-	-	-	4,856
Inventories, prepaid expenses, and other current assets	14,561	690	189	-	15,440
Estimated amounts receivable under reimbursement regulations	7,093	-	-	-	7,093
Current portion of notes and amounts receivable from affiliated entities	2,070	8,150	2,623	(11,543)	1,300
Total current assets	318,332	15,187	2,812	(11,543)	324,788
INVESTMENTS WHOSE USE IS LIMITED BY:					
Debt agreements	3,256	-	-	-	3,256
Board designation	52,340	-	-	-	52,340
Self-insurance trust agreements	20,407	-	-	-	20,407
Specially designated specific purpose funds	25,486	-	-	-	25,486
Plant replacement funds	13,549	-	-	-	13,549
Funds functioning as endowment funds	82,398	-	-	-	82,398
Pooled life income funds	1,904	-	-	-	1,904
	199,340	-	-	-	199,340
Less current portion	4,856	-	-	-	4,856
	194,484	-	-	-	194,484
PROPERTY, PLANT, AND EQUIPMENT — Net	400,610	5,308	35,501	-	441,419
ESTIMATED AMOUNTS RECEIVABLE UNDER REIMBURSEMENT REGULATIONS	29,345	-	-	-	29,345
NOTES AND AMOUNTS RECEIVABLE FROM AFFILIATED ENTITIES — Less current portion	77	-	-	-	77
PREPAID PENSION COSTS	1,341	-	-	-	1,341
OTHER ASSETS	11,431	7,667	-	-	19,098
TOTAL	$955,620	$28,162	$38,313	$(11,543)	$1,010,552

(Continued)

MAINE MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET INFORMATION
AS OF SEPTEMBER 30, 2008
(In thousands)

LIABILITIES AND NET ASSETS	Maine Medical Center	Maine Medical Partners	MMC Realty	Eliminations	Consolidated
CURRENT LIABILITIES:					
Current portion of long-term debt	$ 12,280	$ -	$ 846	$ -	$ 13,126
Accounts payable and other current liabilities	24,064	315	107	-	24,486
Accrued payroll, payroll taxes, and amounts withheld	13,124	3,225	-	-	16,349
Accrued earned time	15,847	1,070	-	-	16,917
Accrued interest payable	710	-	-	-	710
Estimated amounts payable under reimbursement regulations	36,482	-	-	-	36,482
Self-insurance reserves	1,600	-	-	-	1,600
Current portion of notes and amounts payable to affiliated entities	12,068	-	770	(11,543)	1,295
Total current liabilities	116,175	4,610	1,723	(11,543)	110,965
ACCRUED RETIREMENT BENEFITS	50,616	-	-	-	50,616
SELF-INSURANCE RESERVES	16,772	-	-	-	16,772
LONG-TERM DEBT — Less current portion	134,771	-	9,494	-	144,265
OTHER LIABILITIES	21,233	-	680	-	21,913
Total liabilities	339,567	4,610	11,897	(11,543)	344,531
NET ASSETS:					
Unrestricted	525,489	23,552	26,416	-	575,457
Temporarily restricted	69,529	-	-	-	69,529
Permanently restricted	21,035	-	-	-	21,035
Total net assets	616,053	23,552	26,416	-	666,021
TOTAL	$955,620	$ 28,162	$ 38,313	$ (11,543)	$ 1,010,552

(Concluded)

MAINE MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2008
(In thousands)

	Maine Medical Center	Maine Medical Partners	MMC Realty	Eliminations	Consolidated
UNRESTRICTED REVENUE AND OTHER SUPPORT:					
Net patient service revenue	$ 644,125	$ 47,522	$ -	$ -	$ 691,647
Other revenue	8,004	16,565	6,191	(12,048)	18,712
Total unrestricted revenue and other support	652,129	64,087	6,191	(12,048)	710,359
EXPENSES:					
Salaries	263,927	56,990	-	-	320,917
Employee benefits	62,619	9,801	-	-	72,420
Nonmedical supplies	7,980	840	60	-	8,880
Medical supplies	108,195	2,238	-	-	110,433
Purchased services	59,764	4,333	552	(3,480)	61,169
Professional fees	18,353		-	(4,770)	13,583
Facility costs	16,707	4,597	1,105	(892)	21,517
State taxes	10,894		-	-	10,894
Interest	3,911		741	-	4,652
Depreciation and amortization	36,392	1,189	1,595	-	39,176
Provision for bad debts	23,817	1,971	-	-	25,788
Other	(1,170)	3,004	778	(2,906)	(294)
Total expenses	611,389	84,963	4,831	(12,048)	689,135
INCOME (LOSS) FROM OPERATIONS	40,740	(20,876)	1,360	-	21,224
NONOPERATING GAINS (EXPENSES):					
Gifts and donations	5,555	-	-	-	5,555
Interest and dividends	15,380	-	-	-	15,380
Recognized loss on cash flow hedge instruments	(3,728)		(138)	-	(3,866)
Equity in earnings of joint ventures	408	1,955	-	-	2,363
Loss from extinguishment of debt	(2,013)	-	-	-	(2,013)
Other	(4,864)	-	-	-	(4,864)
Total nonoperating (losses) gains — net	10,738	1,955	(138)	-	12,555
EXCESS OF REVENUE OVER EXPENSES BEFORE LOSS IN FAIR VALUE OF INVESTMENTS	51,478	(18,921)	1,222	-	33,779
RECOGNIZED LOSS IN FAIR VALUE OF INVESTMENTS	(24,730)	-	-	-	(24,730)
EXCESS OF REVENUE OVER EXPENSES	26,748	(18,921)	1,222	-	9,049
NET ASSETS RELEASED FROM RESTRICTIONS FOR PROPERTY, PLANT, AND EQUIPMENT	1,071	-	-	-	1,071
EQUITY TRANSFER (TO) FROM AFFILIATES	(19,206)	18,816	(542)	-	(932)
ADJUSTMENTS TO INITIALLY APPLY THE PROVISIONS OF SFAS NO. 157 AND SFAS NO. 159	6,489	-	-	-	6,489
RETIREMENT BENEFIT PLAN ADJUSTMENTS	(19,540)	-	-	-	(19,540)
CHANGE IN NET UNREALIZED (LOSS) ON INVESTMENTS	(6,489)	-	-	-	(6,489)
CHANGE IN NET UNREALIZED (LOSS) ON CASH FLOW HEDGE INSTRUMENTS	(499)	-	-	-	(499)
NET ASSETS	$ (11,426)	$ (105)	$ 680	$ -	$ (10,851)

Attachment J

Standard & Poor's Institutional Credit Rating

STANDARD
&POOR'S

RATINGSDIRECT®

June 13, 2008

MaineHealth, Maine; System

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MaineHealth, Maine; System

Credit Profile		
MaineHealth ICR		
Long Term Rating	AA-/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AA-' issuer credit rating (ICR) on MaineHealth (MH), a regional acute care health system in Portland, Maine whose flagship hospital, the acute care 580-staffed-bed Maine Medical Center (MMC), is the state's largest hospital.

An ICR is a current opinion of an obligor's overall capacity and willingness to meet its financial obligations that is not specific to any particular debt instrument.

The 'AA-' ICR reflects MaineHealth's:

- Stable patient utilization trend with 37,537 inpatient discharges recorded for the fiscal year ended Sept. 30, 2007, from a broad area with low unemployment rates and above-average wealth and income levels that include the primary service area of the greater Portland ('AA' GO rating) and Cumberland County ('AA' GO rating) areas;
- A medical staff that continues to grow and enhance its reputation regionally, including a new physician training program with Tufts University ('AA-') in Boston;
- Very strong financial performance with operating and excess margins for the year ended Sept. 30, 2007, of 4.5% and 7.1%, respectively, and debt service coverage (DSC) exceeding 5x;
- A balance sheet that has ample liquidity and very modest long-term debt with 187.9 days' cash on hand, a 198.8% cash to debt ratio, and a long-term debt to capital ratio of 22.8% at fiscal year-end 2007;
- A major $145.7 million expansion and renovation project underway at MMC that is scheduled for completion in September; and
- Excellent governance and management.

Credit weaknesses include:

- Growing competition, particularly for certain specialty services, including cardiac services and women's health programs;
- A healthy, but slow growth in the state's economy ('AA' GO rating) that presents challenges for MH since the health system's secondary service area is very large and includes nine other counties in the southern and western portion of the state, whose economy is not as robust as the greater Portland and Cumberland County areas; and
- Uncertainties surrounding the financial impact of the state's Dirigo Health Plan and its voluntary profitability limitations and other constraints imposed on Maine's hospitals, including MH.

Outlook

The stable outlook reflects MH's strong market position and sound financial health, despite concerns of increasing competition and restraining effects of the state's Dirigo Health Plan. For consideration of a higher rating, MH needs

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to further strengthen its balance sheet. If patient volumes fall significantly, and/or financial performance declines unexpectedly, a lower rating might result.

Organizational Overview And Utilization Trends

MaineHealth includes five hospitals that are licensed for more than 800 beds and is currently staffed at 767 beds. Three of MH's hospitals (other than its flagship hospital) are in rural areas and are less than 50 beds; the other hospital is a psychiatric hospital. MH is the state's premier health system, largely because of its location in Portland, Maine's largest city, and the breadth of the services it offers. An independent health care data and services consulting firm ranks MH as one of the most integrated health networks in the country.

Maine Medical Center's major teaching affiliation with the University of Vermont College of Medicine ends in 2011; a new affiliation with Tufts University School of Medicine in Boston began early in 2008. Already, there are approximately 60 Tufts trained physicians on staff at MMC, so the transition is expected to be smooth. MH benefits from excellent governance and management that work well together, exhibit stability, and that generally follow a conservative path in terms of fiscal management of the health system.

Greater Portland is the largest metropolitan area north of Boston, and is a regional center of industry, finance, commerce, and distribution for northern New England. The 875-square mile Cumberland County, with a population of 265,612, represents 20% of the state's total population. Cumberland County's unemployment rate is typically in the mid-two to three percent range, well below the state's 4.8% rate in February 2008, and below national levels as well. Wealth for the county, as indicated by per capita effective buying income, is slightly above-average at 112% of the nation's average, and 132% of the state's average.

MaineHealth has the highest number of patient discharges of any hospital or health system in the state. Patient discharges totaled 37,537 in fiscal 2007 and have been relatively stable; patient discharges were 37,768 at fiscal year-end 2004. MMC accounts for the bulk of MH's total admissions with 30, 246 admissions recorded in 2007.

MaineHealth and MMC are experiencing greater competition in both MMC's primary service area and in areas outside of the primary service. However, MH pursued an active affiliation strategy to improve the quality and coordination of services throughout the region. Last year, Pen Bay Healthcare, parent company of the 87-bed Penobscot Bay Medical Center (PBMC) in Rockport (approximately 79 miles from Portland), announced its affiliation. As a result, through MaineHealth VitalNetwork, PBMC will implement the electronic intensive care unit with long-distance monitoring capabilities. MMC is receiving some competition from Mid Coast Hospital, a relatively new 104-bed hospital that opened in December 2001 in Brunswick (approximately 27 miles from Portland). In addition, MMC's nearby competitor, the 230-bed Mercy Hospital is near completion of a new 151,000-square-foot replacement hospital. It will be designed as a short-stay in-patient and full-service outpatient surgical and obstetrical facility. The new hospital will be near the Fore River and anticipates occupancy in September 2008. MMC also receives competition from outlying hospitals, including Central Maine Medical Center, a 250-bed hospital in Lewiston (approximately 40 miles from Portland), and from the 150-bed Southern Maine Medical Center in Biddeford (slightly less than 20 miles south of Portland). Central Maine Medical Center is trying to win approval for a $47 million project to renovate and expand its emergency room and lab. On May 20, Southern Maine Medical Center's Board of Trustees voted to become a member of MH, subject to any necessary federal and state regulatory approvals, since its affiliation in 1993. MH is committing $18 million to assist Southern Maine Medical Center to build medical offices, and $2.2 million to implement an electronic medical record system.

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To a limited extent, the 233-bed St. Mary's General Hospital in Lewiston and 304-bed Maine General Medical Center in Augusta/Waterville, also provide competition (these cities and towns are over 30 miles away). St. Mary's also has a multimillion-dollar proposal to expand its lab, operating room, and pharmacy, and will soon break ground on an emergency room expansion.

Competition in the service area is strong. However, MH sees higher demand for inpatient ancillary and outpatient services. In response to this trend, it finished construction last August on a $27 million ambulatory surgery center in Scarborough, approximately seven miles south of MMC. It is expected that most of MMC's ambulatory surgery and laboratory services will move to the Scarborough campus, which will free space for additional inpatient capacity at MMC. In addition, MMC has recently completed the purchase and renovation of a medical office building in Westbrook, approximately five miles west of MMC. It expects to complete the expansion of its Scarborough campus research building later in 2008.

MMC began construction on a $145.7 million expansion and renovation project at its Bramhall campus in June 2005, which is phase I of its Strategic Master Facilities Plan scheduled for completion and occupancy in September 2008. The largest part of the project, estimated at $78.9 million, is the new 192,000-square-foot four-story building to house women's and infants' services. In addition, a $25 million emergency room expansion and renovation project is underway. Phase I is scheduled to open in November 2008, and phase II will open in May 2009.

MMC's medical staff includes more than 1,000 physicians with a very-high board certification rate that typically exceeds 93%. This is indicative of the high quality of specialized care that is available at MMC. Maine Medical Partners was created in late 2004 due to the fact that the majority of MMC's doctors are in very small practices or specialty groups. This organization is a successor to a medical service organization and other related businesses, and grew to more than 125 doctors from approximately 75 doctors in three years. These specialty doctors operate more like a large, single, or multispecialty group that also teach and do research. This group is a safety-net care provider for uninsured and indigent patients.

Strong Financial Profile

MaineHealth's financial performance is very strong with operating and excess margins recorded for fiscal 2007 of 4.5% and 7.1%, respectively. For the first half of fiscal 2008 ended March 31, MMC recorded an operating and excess margin of 0.7% and 3.9%, respectively. The lower operating margins for the first half of fiscal 2008 reflect below-budget performance due to below-budget total operating revenue. Although inpatient discharges exceeded the prior year levels, the net payments per case were less than the budgeted amounts. The budgeted operating and excess margin for MMC for the full fiscal year 2008 is 2.79% and 6.01%, respectively. DSC levels exceeded 5x for the past two years.

MaineHealth's balance sheet is very strong with $413.3 million of unrestricted cash and investments on hand at Sept. 30, 2007, equating to 187.9 days' cash on hand. In addition, debt leverage at 22.8% as of fiscal year-end 2007 is light, resulting in a favorable 198.8% cash to debt ratio.

Dirigo Health Plan

MaineHealth had very strong financial results, despite the impact of voluntary compliance with the DHP, a plan named after the state motto meaning, "I lead". The DHP was enacted by the Maine Legislature, and signed into law

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by Gov. John E. Baldacci in June 2003 with the goal to establish universal health care for Maine residents.

Dirigio Health Plan is a comprehensive reform initiative to contain health care costs, improve quality, and ensure access to health coverage for all Maine citizens. Fiscal 2004 was the first year under DHP for MH, and since that time, it has complied with voluntary cost per adjusted discharge limits in the plan. MMC has voluntarily decreased its prices on several occasions since passage of the health reform initiative.

Since DHP was initially implemented, there has been considerable debate within the state about its funding mechanisms and whether the costs exceed the benefits realized. Lawmakers in the state recently passed a tax to fund Dirigo Choice, a component of the reform initiative that is the state's health insurance product. The tax will be equivalent to 1.8% of all health care claims for the year to be levied on employers, hospitals, and insurers, and supplemented by additional taxes on beer, wine, and soda. As these new measures narrowly passed the legislature, it remains to be seen how long Maine's residents will support the controversial program.

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Attachment K

TUSM's Non-Discrimination Policy

It is the policy of Tufts University that educational and employment decisions made by it should be based on the principle of equal opportunity. The consideration of factors such as sex, race, color, sexual orientation, national or ethnic origin, age, religion, veteran status, or handicap unrelated to a person's ability, qualifications and performance is inconsistent with this policy. This nondiscrimination statement sets forth principles which have been followed in practice throughout the Tufts community. Tufts previously has adopted extensive University-wide policies prohibiting discrimination in matters affecting students, faculty, and staff.

MMC's Non-Discrimination Policy

In accordance with Federal laws and regulations that provide protection against discrimination, Maine Medical Center does not exclude, deny benefits to, or otherwise discriminate against any person on the ground of race, religion, color, sex, ancestry, age, disability, marital status, veteran status, national origin, ethnic origin, citizenship status, or sexual orientation in admission, treatment, or participation in Maine Medical Center programs, services and activities, or in employment, whether carried out my Maine Medical Center directly or through a contractor or any other entity with whom the Maine Medical Center arranges to carry out its programs and activities.

This statement is in accordance with the provisions of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and Regulations of the U.S. Department of Health and Human Services issued pursuant to the Acts, Title 45 Code of Federal Regulations Part 80, 54, and 91. (Other State and Federal laws and Regulations provide similar protection against discrimination on grounds of sex and creed).