

BUSINESS AFFAIRS AND HUMAN RESOURCES
APRIL 17, 2013

SUBJECT

Institution Business Enterprises

REFERENCE

February 2013

ISU Foundation proposed the formation of Bengal Pharmacy LLC

APPLICABLE STATUTES, RULE OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Sections V.E.2. and I.J.1.a

BACKGROUND / DISCUSSION

At the February 2013 regular meeting the Board heard a presentation from the Idaho State University (ISU) Foundation on the formation a “Bengal Pharmacy” as a limited liability company. The pharmacy would provide clerkship opportunities for the College of Pharmacy’s Pharm.D. students. In addition, the enterprise would likely be a profit center which would augment funding the Foundation can provide in support of ISU and its students.

Board members expressed several concerns about the venture. First, some members were concerned the pharmacy would compete with pharmacies in the private sector in violation of Board policy. The proposal was distinguished from the incubation of a product, service or process between an institution and private parties versus the formation of a for-profit business by an institution’s foundation. ISU’s response was that it already “operates a number of healthcare-related clinics, each of which utilizes ISU students in providing services to the public and each of which competes with local providers of these services The only real difference between the Bengal Pharmacy proposal and the existing clinics is that ... the pharmacy [would] operate as an LLC under the ISU Foundation.” Second, there were questions about the proposal’s startup capital. Finally, Board members expressed concern about the University’s potential exposure to liability under the Foundation’s proposal.

IMPACT

Board member Terrell requested the proposals be referred to the Business Affairs and Human Resources (BAHR) committee for review, including what other peer institutions have done with similar situations, to develop a recommendation on whether to accept or decline ISU’s recommendation for the pharmacy. The BAHR Committee met following the February meeting and determined a work session at the regular April meeting would be appropriate in order to give the Board an opportunity to review the ISU proposal and discuss the larger philosophical issues surrounding these types of business enterprises.

STAFF COMMENTS AND RECOMMENDATIONS

Staff will provide a brief overview on how other states and systems structure these types of enterprises.

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BOARD ACTION

This item is for informational purposes only. Any action will be at the Board's discretion.