

THE UNIVERSITY OF TENNESSEE HEALTH SCIENCE CENTER
The College of Medicine

Dear Colleagues,

March 3, 2009

I want to report to you on where we are with next year's budget in light of the Board of Trustees (BOT) February meeting. In addition, a number of other issues have recently come up that will impact on COM. For brevity's sake, I'll summarize as much as possible.

(1) State Budget / BOT Meeting. The effect of the stimulus package on higher education in Tennessee is not yet known, but it may be significant. This hope led the Trustees to defer addressing specific strategies related to budget reduction. Thus, the Board is waiting to see how the stimulus package impacts Tennessee higher education before addressing:

- A. increases in tuition,
- B. furloughs,
- C. salary reductions, and
- D. immediate workforce reductions.

Given a plan to reduce our operating budget is still required, the current UTHSC plan to meet that budget stands. This plan, as presented to BOT by Vice Chancellor Dr. Ken Brown, primarily involves a series of department-advocated and focused reductions, closing vacant faculty positions, and laying off exempt and non-exempt staff. After the stimulus details are known in June, the BOT may consider tuition, furloughs, and salary options to alleviate significant loss of personnel on all UT campuses. At this stage we simply do not know the extent to which the stimulus package will improve our situation.

In a related matter, the BOT did approve a UT procedure for recommendation of discontinuance of a department / division / unit. Of note, prior to and during the BOT consideration of a discontinuance procedure, our Faculty Senate President Dr. Karen Johnson and others voiced concerns regarding the definition of a "unit". In response, clarifying language was added and approved by the BOT. Further, I have heard from Chairs and faculty that one of the criteria used in our preliminary analysis, hours taught in COM course/clerkships/electives, should include contact hours in courses of the other colleges. Arguments were compelling. As such COM analysis will incorporate required course teaching for all UTHSC colleges done by our faculty as we follow the BOT established procedure for discontinuance. Please also know that I am committed to restructuring units and/or redirecting effort to our core missions wherever possible in hopes of avoiding discontinuance.

(2) GME Funding. Recently the TennCare Bureau proposed reductions that would negatively impact the state's safety net hospitals and immediately cut the state portion of Graduate Medical Education (GME) payments by 50%. GME dollars are used to pay both resident salaries and, through hospital contracts with COM, for support of faculty that supervise residents and run GME. Cuts of this magnitude would have led to an approximate 10 million dollar reduction in payments to COM. Fortunately, the stimulus package and a unified, strong response from the Deans of the state's medical schools, teaching hospitals throughout Tennessee, and the Tennessee Medical Association convinced the oversight body that these cuts were unwise. Thus, the current level of GME payment is assured for the next two financial quarters. Subsequent payment levels will be determined at that time. We clearly were heard and granted a reprieve. I do anticipate future reductions in GME funding, but not at the level originally proposed.

(3) Clinical Practices. All of our associated faculty clinical practices have experienced a significant downturn in revenue this year. Each practice group has moved aggressively to adjust their operation to deal with shortfalls. Most groups currently have some form of variable compensation and have made salary adjustments in real time. With regard to specifics related to our largest practice partner, UT Medical Group: UTMG has had 3 years of revenue growth at 10-15% which has benefited COM greatly; however, that level of growth is unlikely this year. As such the UTMG Board, in a series of meetings, identified short-term and long-term actions to get us through these times and beyond. The short-term

plan calls for a reduction in pension plan contributions, a decrease in vacation carryover, cuts and reorganization in specific groups, and consolidation of administrative offices. The long-term plan is to switch UTMG to variable compensation so that salary payouts to groups automatically adjust with that group's income. To insure variable compensation plans between groups is fair but flexible, the Compensation Committee of UTMG will set the fundamental policies and basic models. UTMG physician groups will then modify a model, within stated policy, to fit their specialty and needs.

In other news related to our clinical practice, we have completed contractual negotiations with Methodist and Le Bonheur. Practice plan compensation for the work our faculty do with these hospitals is improved from past contracts. Further, we have begun similar negotiations with the MED. The MED's stated goal is to reduce payments to UT (via GME), UTMG, and all practice groups (affecting our clinical contracts).

(4) Graduate College. The Chairs of our basic science departments and an external review committee called for the graduate programs associate with COM (PhD in IPBS, Masters in Epidemiology, and programs in BMEI) to be directly administered by COM. Upon those recommendations we began and have now completed negotiations with the UTHSC College of Graduate Health Science to take appropriate ownership and oversight of these programs. During this process it became clear a part-time Associate Dean of Graduate Studies in COM is needed. Thus an internal search, open to all COM faculty, will be announced shortly. The students in our graduate programs are key to the health and growth of our research endeavors. Therefore, we are looking for an Associate Dean who is an exceptional research scientist, engaged in student training, and a leader of vision and action.

(5) Outside Consultant. Previously the Audit Committee of the Board of Trustees authorized the hiring of an outside consultant company, ECG, to review the financial and organizational relationship between UT COM and its clinical partners, such as UTMG. The final report was given to BOT last week. Essentially the consultant affirmed the structure of UT relationships and finances with our participating practice plans and gave recommendations on how to further improve relationships. This report was welcomed by COM as it belays concerns BOT had about our complex relationships and gave UT COM excellent, unbiased suggestions on how best to move forward. Of particular note, ECG recommended UTMG move as rapidly as possible to a variable salary compensation model for our clinical faculty.

These are challenging times, but we are managing that challenge. And, when I say "we" I mean both the administrators and faculty who have stepped up to meet the challenge. The Council of Chairs, Dean's Faculty Advisory Committee, UTMG Board, and Associate Deans have all been major contributors. It has been heartening to watch as individuals and groups engage and struggle to be fair and find the right strategy to minimize the impact of these financial times.

Steve J Schwab, MD

Executive Dean, College of Medicine

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