

THE UNIVERSITY OF TENNESSEE HEALTH SCIENCE CENTER
The College of Medicine

Dear Colleagues,

April 30, 2009

Below is an update on the budget and anticipated topics for the next three newsletters.

The budget is not totally clear, but is coming into focus. What I believe to be true at this point:

1. As originally projected, our state budget for 2009-2010 is significantly reduced. Thus, we will suffer a loss of state dollars beginning in July.
2. However, the reduction in our state budget will be offset by substantial federal stimulus funds this year and next year. One caveat to these stimulus funds is that they come with major encumbrances and an expectation of deliverables. To accept these funds we will need to alter our strategies in many ways. For instance, there is an expectation for new revenue bearing programs to be developed as well as expectations to expand our teaching mission.
3. Our Graduate Medical Education funding (GME; for teaching of residents and fellows) has been restored for 2 years. These funds have fewer restrictions, but again it is prudent to assume and prepare for a cut in GME funding in 2 years.
4. Our clinical revenues are off target in all of our practice groups. These revenues parallel what is happening in most private businesses, and stimulus monies will have limited impact. Our practice groups of UTMG, UTCI, University Pathology, and our affiliates Semmes Murphy and Campbell Clinic are all making necessary adjustments.
5. COM's research portfolio is also down. However, many of our faculty and departments are competing for multiple stimulus grants that are available.

Thus, we have a reprieve from severe budget cuts, but must be prepared in two years for the full impact.

For this coming fiscal year, we are undertaking reorganizations and restructurings that, although painful, have gained millions of dollars in savings for the College. These actions have gained enough to avoid any immediate department/division discontinuances. We are a leaner College.

To further cope with the shrinking state support and increasing expectations of our missions, we will need to aggressively grow our revenue generating enterprises and shrink our non-generating enterprises. The College's all source revenue exceeds \$400 million annually. I estimate we must grow at least an additional 10% in clinical revenue, research revenue, and educational revenue to be on target in two years.

Our overall strategic goal continues to be to reach the top quartile of American Medical Colleges; however, our tactics to get there must change with the times. I will present specific short term plans to get us that extra 10% in revenues, and long term plans to reach the top quartile in our (1) education, (2) clinical care, and (3) research missions in the next three newsletters.

Finally, I'd liked to offer congratulations to one of our own and make note of the strengthening connections between COM and Oak Ridge National Laboratory (ORNL). Rob Williams, PhD, in Anatomy and Neurobiology has been awarded the Governor's Chair in Computational Genomics by UTHSC and ORNL. This is a prestigious honor for Dr. Williams, and a harbinger of increased collaborations between our institutions.

Steve J. Schwab, MD
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