

### **Intro and Welcome**

- We've talked of change for the past five years.
  - Not a new thing – more of a chronic condition.
  - Today's pace of change has an added intensity with the waves of economic uncertainty requiring a profound shift in our University.
  - We're in the midst of an institution-wide re-examination of
    - what we do –
    - how we do it –
    - why we do it –
- all with the overarching question of “should we continue to be involved in such a broad array of education, research, and outreach – or for us, clinical care.”

Today – we're going to talk about the impact of that hard look at where we are as an institution

- We're going to talk about the AHC budget challenges –
- We're going to talk about improving the efficiency of our operations –
- We're going to talk about our clinical relationships – with Fairview and others –
- We're going to talk about our research corridors and how we're going to capture that value –
- And – finally – we're going to talk about the creativity and innovative thought that we'll need as we emerge into the New Normal of tomorrow.

### **Foundation for Future**

I've just talked of all the assumptions that are being challenged; however, that flux of change and challenge does not affect the solid foundation of our identity and values that we can build on for our future.

First is our mission –

- We educate the next generation of doctors, pharmacists, dentists (and dental therapists), advanced practice nurses, veterinarians, and public health professionals to improve the health of our community and our families.
- It is our role to sustain and promote the vitality of health research – so that we can discover and deliver new treatments and cures for Minnesota and its families.
- And we are here to enhance and support the economic vitality of health care, and health industries in this state through that education and our research.

That mission hasn't changed since the turn of the century – this century – when we completed our current Strategic Plan in the year 2000.

What about our values? – determined in large part by our status as a public research University.

- We live our obligation to the citizens of Minnesota – It's not just our mission – it's our responsibility and we're accountable for ensuring we're preparing the right kind of health professionals for tomorrow.
- We rely on the good will of our partners in hospitals and community clinics throughout Minnesota and the region – we need their help to educate and train the next generation in their facilities, and they need us for the new knowledge that will help them care for their patients better.

This part is tricky –

- Yes – we compete in a very competitive health marketplace. We compete clinically for patients, and for market share.
- AND we collaborate when it comes to education and research –

Again – we are a public research University – so our obligation to educate and provide new knowledge is part of the investment made by the taxpayers of this state.

- AND – we need to compete by running faster, working harder or smarter than others in the marketplace – but we must compete in a way that doesn't unfairly harm the rest of the marketplace – we get to compete with the full value of the imprimatur of the University behind us.

Leads to another important value – the reputation of the University is critical to our success – and we all contribute to that.

There are some interesting characteristics of this period we're in where we're moving towards the New Normal –

- Intense public interest in transparency –
- Intense public interest in engaging in discussion – they want input into decisions
- Intense public interest in fairness and equity
- Intense public concern about elitism that's having an impact on intellectualism

What this means is that the public is worried about big institutions where -

- information is hard to come by
- that are making decisions without public comment or input
- who are demonstrating any sort of unfair or inequitable behaviors
- with a veneer of elitist arrogance.

Ouch – sounds familiar, doesn't it?

So – if this is our new environment, then we have some significant work to do to maintain the value of our reputation – again – a critical asset for our success.

This new environment means

- We need to put out as much information as possible in ways that are easy to understand for our busy, uber-engaged population.
- We need to provide forums – like this one – for engagement in discussions of our future.
- We need to regularly demonstrate our fairness, and,
- We need to break down the walls of the “academy” by being open, clear, candid and straight forward.

**A Start –**

So let’s start with the most pressing issue or challenge for all of us – Finances, or the Budget, and the rebasing of our core state budget. The fact is, state revenue is now the least reliable of our revenue streams.

- Over the next two years, there will be nearly \$140 million less support from the state to the University than there was over the past two years -\$140 million is just gone, and we will lose our share of those recurring dollars.

Some additional dollars will come to the University from the stimulus package, but those dollars are dedicated primarily to reducing student tuition – not to supporting programs in the health sciences.

- (Unlike the University system in California – we are not requiring faculty to take a furlough.)

However – there are a number of internal financial promises that were made to faculty or staff in a very different economy a year ago that today are either on hold or being re-negotiated. That’s a tough new reality of our budget – for now.

We’re in the process of examining those things that drive the cost of our enterprise –

- Why does it cost so much for us to provide an education – and a degree – to our students?
- Can we achieve the same in fewer years and at lower cost?
- Is our compensation in line with both the academic marketplace and private market so we can attract and retain talent?
- Are we appropriately managing the shared cost pools of this large institution, or do we need a different way to question operating increases and priorities?
- Are we managing the cost of new buildings as tightly as we could?
- Have we truly accounted for the cost of conducting research – the labs, the heat, the lights, the water, materials, fellows, TAs, RAs, etc. - and built in the cost to support that work?

It's clear that moving forward – we need a new economic model to ensure our future. What does that mean?

We need to understand the stresses - and strengths – of our existing revenue streams.

For research –

- Will the NIH, USDA, NSF have greater resources for research funding?
  - Will there be new ways to fund research outside of our traditional agencies?
  - Will business and industry continue to seek research results from our academic institutions?
- Will we be able to continue the cross-subsidy of our research work?

For education –

- Are we at the limit of what our students can afford for a health professional degree?
- If Medicare and Medicaid dollars no longer fund medical education, what other source will take its place?
- Can we continue to count on the 17 hundred hospitals, clinics, and institutions throughout Minnesota to support the clinical education of our students?

For our clinical and outreach enterprise –

- Can we achieve the efficiencies we seek with our Fairview partners to truly compete in the health care marketplace?
- Can we change the way we work with communities to truly engage them in the development - and results – of our clinical and translational research?
- And how will health care reform proposals in play truly affect our revenue from taking care of patients?

### **Efficient and Effective Operations –**

This intense period of change is demanding a special emphasis on doing things efficiently and well – the first time.

We began this new fiscal year earlier this month with an 8 percent reduction in the administrative service budgets of the Academic Health Center.

A few words on the administrative transition integrating the Senior Vice President and Dean of the Medical School

In addition, we have cut (x%) ( ask Pete or Beth) from the Medical School's administrative budget –

Now – we're mid-way through an analysis of how well the services of the Academic Health Center truly meet their objectives.

We have, or are, examining the service quality of the AHC's –

- IT group
- Human Resources
- Office of Education
- Facilities
- Office of Communications

And we're seeking to make improvements as that review and analysis comes in.

This same process needs to happen in each of the schools and in each program; and we need to see what makes sense to consolidate and what does not. Remember, a dollar saved stays in the place where it was saved—this is an incentive—and can support programs.

### **Clinical Relationships –**

Fairview –

we're entering an important part of our relationship as we get down to brass tacks and determine how close we should – or want to – be as institutions.

We are working with KSA Consulting to facilitate that work in evaluating the feasibility of forming an integrated clinical enterprise among Fairview, UMPHysicians, and the University.

By the end of September, 2009, we will have:

- Identified the common and specific tangibles that will be part of a new integrated entity
- Identified the results and outcomes we each and both need
- Specified how various physician and provider groups will be engaged from,
  - UMPHysicians
  - Fairview employed
  - Private practice
  - And determined if the basic business plan is sufficiently positive to move ahead and finish it up.

At the same time – as I said before – we will continue to remain dependent on our 17 hundred clinical partners throughout the state for the education of the next generation of health professionals – as well as the dissemination of our research and new knowledge, even after this clinical integration is achieved.

Complex, I know – but it's who we are as a public research University competing in the health care marketplace.

An integrated health system branded with the University name is a concept that has the potential to really help us position us in the marketplace for enhanced success regardless of what happens through health care reform.

## **Research Corridors –**

This remains an important concept to facilitate the work between and amongst our faculty across the University.

Each of our faculty approaches research differently – determined by their discipline, their background, and I suppose their personality – however, within a corridor, the question that drives the research should be extremely focused on improving health – period.

We have clearly identified areas of research expertise here –

- in diabetes,
- in infectious diseases and immunology,
- in neurosciences,
- in cardiology and
- in cancer.

So – our challenge is to capture the promise of that expertise with supportive facilities, and an infrastructure that helps research move from the clinic to the lab to populations to the marketplace.

Our Clinical and Translational Science Institute team has geared up once more to hit the October deadline by crafting a winning grant submission for one of the dozen or so remaining NIH CTSA grants. Translation science and clinician scientists are critical to our future. Hence, the CTSI is up and operational on about \$11M of recurring internal funding.

A highlight remains the public and University support for moving forward on the next buildings in the Biomedical Discovery District.

By the end of this year, the Medical Biosciences Building will be completed, and it will be filled with programs overdue and funded for expansion.

- Karen Ashe will move her Alzheimer’s research program and the Grossman Memory Center (check name) into the building – freeing up critical space for Bernhard Hering’s work for the Schulze Diabetes Institute.
- And Matt Mescher’s group will move across campus – again freeing up critical space for \_\_\_\_\_.
- These are programs with external funding that have been lab-locked, while waiting for this much needed space.

Next – we will break ground within the next few weeks for the addition to the Center for Magnetic Resonance Research – or the CMRR. Again critically needed space for a well-funded area of expertise at this University.

Finally – we will complete the pre-design for the facilities supporting research in oncology and cardiac disease by November 2009, and move from there into design and

construction by the Fall of 2010. As an additional piece of information, we have developed the financial plan to populate these new facilities with faculty and staff.

**This is a strong vote of confidence in our ability to adapt to the New Normal environment and continue to deliver on behalf of Minnesota communities and families.**

Finally – here’s **my supplication** to all of you here – and I use that word “supplication” advisedly –

This is a tough era to be engaged in an academic environment – heck – it’s a tough era for any environment or industry.

The only way out – and through - this era is to make tough choices that we have not faced in the past.

I can assure you that there will be programs that go away, or be merged into other programs.

There will be departments and divisions that may go away or be merged. We have to get comfortable with the word “no” because this era requires focus and priorities.

We can not afford the mediocrity that results from merely shrinking budgets across the board.

We will invest in areas of expertise and excellence to ensure a stronger future- and this is where I need your help.

We are initiating an AHC-wide effort to renew our strategic directions and priorities. This is the type of document that has guided our work over the past five years – and this new work should guide us into the future. We will need faculty engagement and involvement in this work.

The challenges are clear – what we need - are solutions.

Although our administrative team is engaged in seeking solutions to those challenges I outlined this morning, it’s your creativity and innovation that will help us see the potential of doing things differently, more collaboratively, less expensively, in new models.

Now is the time to step forward with ideas – don’t sit back and wait for things to self correct. It won’t happen – and you probably wouldn’t like the result if we just sit back and watch. This is the time for leadership – and I’m asking for yours – The future is ours to make and to shape

So let's talk –

Have I covered all of the challenges? (slide)  
Budget issues – with revenue stresses  
Operational efficiency efforts  
Clinical relationships  
Capturing value of Research Corridors

What's missing?

Other opportunities to address the budget issues?

Where can we be more efficient? Ideas?

Have I made clear the complexity of our collaborative/competitive clinical relationships?

How about research corridors? Does the concept make sense? What are we missing from the list of diabetes, infectious disease, neuroscience, cardiovascular, and cancer?