

Minutes*

**Senate Committee on Faculty Affairs
Tuesday, April 13, 2004
2:15 – 4:00
238A Morrill Hall**

- Present: John Fossum (chair), F. R. P. Akehurst, Carole Bland, Carol Carrier, A. Saari Csallany, Jesse Daniels, Patricia Frazier, Theodor Litman, Steven McLoon, Takeshi Yanagiura, Aks Zaheer
- Absent: Terence Collins, Janet Ericksen, Richard Goldstein, Darwin Hendel, Robert Jones, Wade Savage, Kathleen Sellew, Larry Wallace, Timothy Wiedmann
- Guests: Senior Vice President Frank Cerra (Academic Health Center); Vice Provost Billie Wahlstrom (Office of the Senior Vice President for Academic Affairs and Provost); Interim Vice President David Hamilton, Assistant Vice President Richard Bianco (Institutional Compliance Officer)

[In these minutes: (1) compensation models in the Academic Health Center; (2) technology-enhanced/distance learning and workload issues; (3) institutional conflict of interest policy]

1. Compensation Models in the Academic Health Center

Professor Fossum convened the meeting at 2:15 and welcomed Senior Vice President Cerra to discuss the structure of faculty salaries in the Academic Health Center. He related that he heard Dr. Cerra present these issues to the Regents earlier in the year and the salary issues were laid out very clearly. The Faculty Consultative Committee asked this Committee to look at salary increments, so he invited Dr. Cerra to talk about salaries.

Dr. Cerra distributed copies of a handout and talked with the Committee about the contents. First, there are four core principles underlying AHC compensation programs. They "must increase the University's ability to attract and retain qualified faculty" (because many of these faculty can leave and practice in the community, but they are committed to education and research), the "AHC must retain ability to leverage the market place and pay salaries competitive with market," "compensation programs must provide flexibility for establishing compensation amounts for the education, research and clinical/outreach work," and "productivity and performance must be part of the determination of compensation amounts."

The faculty compensation paradigm in the AHC consists of drawing on three "buckets" of funds. One is the University base salary, "X," the regular salary, that includes state funds; this is tenure-guaranteed and pays for academic activities such as teaching and research. A second is additional University compensation, "Y," an augmentation or increment, that is not guaranteed and arises from

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Campus Assembly; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

additional duties that can be academic or administration. The third element, "Z," is clinical compensation that is productivity-based and comes from patient services. They use an XYZ model of compensation. For those portions of the salary that are X or Y, the sources of funds include tuition, O&M funds, ICR funds, grants, gifts, clinical income, and other revenues. For the Z portion, the source of funds is clinical income and contains a large productivity component.

Why does the AHC compensation structure differ? For a number of reasons, Dr. Cerra explained. "Student education requires clinical practice by the faculty," with a small number of students and the faculty as teacher. To learn how to be a surgeon, the student has to use the knife. Second, "health research is a major component of the mission." Third, "innovation is a major component of the mission" (what they do is take an idea and convert it to a pill, device, or way to treat disease). Fourth, "state dollars and tuition are insufficient in amount to fully support education and research." And fifth, AHC colleges must rely on multiple and varied revenue streams to support mission." With respect to the last point, Dr. Cerra noted a pie chart showing the sources of revenue in the AHC; 21% comes from tuition and the state, 25% from generated income (all BUT clinical income), 38% from sponsored projects, and 16% from various other sources including philanthropy, state specials, and ICR. The practice plan generates about \$120 million per year, pays its own overhead, clinical salaries, a tax to the dean, and the rest goes to departments, which use the money for their mission based on the compact with the dean. Each dollar from the state, Dr. Cerra noted, generates about \$5 - 6 from other sources.

Dr. Cerra explained why the AHC needs clinical practice. "Students need to be taught by practicing professionals, experiential learning requires both academic and private-practice approaches to care delivery, a full range of generalists, specialists and clinical settings are required to deliver the breadth of training" (e.g., urban, rural, and really rural), "both generalist and specialists faculty must practice to maintain their diagnostic, therapeutic and judgment skills" (and the requirements for which are regulated by accreditation of multiple agencies in different fields of medicine), "clinical revenue supports (a big part of) education and research," and "academic faculty and private practitioners compete for the same contracts in a competitive market." Dr. Cerra reviewed the differences between the Regents' Outside Consulting Policy and the Practice Plan policy, the latter of which supersedes the former. In the case of the practice plan, the dean approves the nature and extent of practice, it is to be aligned with educational programs--it must be mission-driven--the income is realized by the University, and the dean has oversight of clinical compensation to faculty. Some of the AHC colleges use the Regents' policy; others use the practice plan policy. In the Medical School, for example, a practitioner has two employees, the Medical School and University of Minnesota Physicians (UMP), which are two discrete entities, and the employees receive two paychecks and two sets of benefits. UMP is a separate 501(c)(3) organization regulated by a procedure manual prepared by the AHC. Dentistry, by comparison, relies on the Regents' policy, so employees have their University appointment and then whatever income they generate through consulting.

In the case of a Medical School basic scientist, the individual receives a single paycheck that is funded by tuition, O&M funds, and sponsored research funds. A clinical scientist, in contrast, receives two paychecks, one of which comes from UMP clinical income. Faculty in other AHC colleges have a variety of different arrangements integrating practice/consulting income with their University appointment.

Where are they going? Dr. Cerra said they have realized, as the function in the healthcare marketplace, they are competing for contracts so they must be efficient and effective. It is possible that

UMP will evolve into service lines for pharmacy, dentistry, nursing, and so on. A number of payers are interested in the possibility. UMP would become a full-service provider offering multiple services in one contract.

Future policy considerations are several. Should the Regents' policy guide any clinical practice entity? Should practice entities be formed outside the University? Should there be a single "inter-professional group practice" providing multiple services? What level of oversight of clinical practice and compensation is reasonable and necessary to align the practice to support the school? Should practice plans hire practitioners who only practice--but who generate revenue to support the mission? How much productivity-based compensation is appropriate in an academic setting? The current plan has served the AHC well, Dr. Cerra said; it has allowed the University to attract top faculty and put together compensation plans to support them. They get their first choice in faculty searches 95% of the time. They also get raided, and can use the compensation plan as a flexible tool to retain people. The University's IRS tax is brutal, however, because clinical revenue is included in the base that the University taxes.

Professor Fossum inquired about the implications of the question about the level of oversight of clinical practice that is reasonable and necessary. Dr. Cerra said that is an important question and one he worries about. They have gotten to where they are as a result of a constructive dialogue with the Regents and Vice President Carrier. One question is whether the practice plan should have practitioners whose sole function is to provide revenue. He said he draws the line at mission--and the simple generation of revenue is not part of the mission. Some argue, however, that it should be, because by generating revenue they are able to keep tuition levels down. His definition of practice, however, is that it must include research or teaching. In terms of oversight, he said they do not monitor 100% of transactions; they are confident the money is being used to support the mission. One question under discussion is the liability risk of the practice plan to the University, particularly in light of the new accounting standards and the discussions around affiliated organizations--even though UMP is outside the University, the University could be a target if there were big problems. In general, however, he said there is good communication with the practice plan about what is going on.

Professor Fossum asked Dr. Cerra to provide a breakdown in the different set of appointment types--tenured/tenure-track faculty versus clinical faculty. Professor Bland said that of the approximately 600 Medical School faculty, about 100 are clinical scholars. The clinical scholar track is different, Dr. Cerra explained, and is used to try to create a tenure-equivalent appointment. His view is that it cannot fully achieve that objective because tenure implies a special role, a stature and recognition that cannot be duplicated. The clinical track is used in various ways, it relies on the same (tenure-code-required) departmental 7.12 statements for promotion but the rewards and stature are not the same. He said he is moving toward the view that they should recognize clinical scholars and put them on the tenure track, give them tenure, and use the same 7.12 statements. The criteria would not be solely what happens in the operating room; the individuals would need a public record and a history of obtaining grants. The individuals would just be more focused on the applied side rather than generating new knowledge. Dr. Cerra said he has spoken about this with the dean; any proposal would have to go through the faculty consultation process in the Medical School and then forward to the Senate committee structure.

Professor Fossum asked what proportion of total compensation the regular/base salary should be. Dr. Cerra said it varies by profession. In the basic sciences, it is most of the salary. For a surgeon in cardiology, it might be 20-25%. In family practice, it ranges from 50 - 80%. The revenue sources vary as

well. There are more University funds in the salaries of those who have fewer direct alternatives in the healthcare market, Professor Fossum observed. Dr. Cerra agreed; Ph.D.s in the basic sciences or M.D.s who want to do teach or do research (or who want to restrict their clinic time) receive more tuition/O&M funding. In terms of the distinction between the regular University base salary and the additional University compensation, the latter amount can vary from year to year. It is the regular base salary amount where the AHC is at greatest risk in terms of tuition and O&M income, Professor Fossum commented. In the days when the central administration provided money for compensation, Dr. Carrier related, the AHC was provided a percentage of the salaries in the regular base pool. Dr. Cerra agreed and added that if there were an increase in salary based on non-state funds, in the "Y" portion, the increase would continue as long as there were production (with oversight--units cannot be arbitrary in reducing the Y component of the salary).

Since the funds for salary increases are predicated on the base/regular salaries, it would seem that there is an incentive to increase the base, Professor Bland commented. The funds from the administration to the units is calculated on the amount of O&M funding in that unit, Dr. Cerra said. Since that percentage is lower in the AHC colleges than in the rest of the University, the AHC colleges in general receive less O&M funding than the rest of the University. One can get into philosophy about this and go round and round, but for him it points to the need for a different budget model, something the University is moving toward.

Professor McLoon said that the compensation model, coupled with the clinical scholar track, is detrimental to the mission of the Medical School. The clinical scholar track removes the requirement of doing research for continued employment. This is in contrast to tenure track faculty, for whom research is required as a condition for receiving tenure. Faculty who elect the clinical scholar track reduce their income if they take time from their clinical practice to do research. Since they do not have the incentive of tenure to motivate them to do research, many choose to focus on clinical practice. He said he has seen a number of young faculty terminate their research enterprise and move themselves from the tenure track to the clinical scholar track.

Dr. Cerra agreed that this is a problem, a situation forced by increased dependence on clinical income as state dollars have declined. The faculty are in a squeeze--they have to generate the money to pay their salaries--and there is no good solution. He said he has relieved some of the tension in different ways: obtaining state funds to pay for the educational portion of faculty responsibilities, raised tuition (although there is no elasticity left and tuition increases have only a marginal effect on revenues), developed mission-based budgets, and provided additional incentives to do research. Research funding in the AHC has increased 50-60% since 1998, he observed. That has happened because the AHC has added research faculty, Professor McLoon said, but there has not been an increase in revenues per clinical faculty. Most of the faculty generating new research funds are clinical, Dr. Cerra said; Professor McLoon said he suspected, however, that the median dollars generated per faculty member have not increased. Dr. Cerra said he did not have the figures. The plan for new hires is that they will need to generate \$300,000 to \$350,000 each either through practice revenue or in NIH funding. That approach has served the test of time. He agreed, however, that individuals with rich research programs have gone onto the clinical track and their research disappeared. He said he hoped to be able to fix that problem with new investments to support research in the clinical sciences in the next 5-6 years. Without robust clinical research to complement the basic science research, the University will not have a top medical school. Professor McLoon said the Medical School is going down a dangerous road; as research declines and there is less

distinction between the University and the outside, the outsiders will beat the University on price. The survival of the Medical School is threatened by the current model. Dr. Cerra said that time will tell.

Professor McLoon asked why it would not be possible to design a compensation plan that provides an incentive for clinical faculty to pursue research. An individual could choose to do it or not. That can be done now, Dr. Cerra said. But he pointed out that for every NIH dollar the University receives, it loses 15 cents. Both NIH and the Rand Corporation have confirmed those numbers. When the University negotiates its indirect cost rate with the federal government, the agencies acknowledge that the rate should be 56%. The federal agency decides they are only going to pay 48% and then also caps administrative expenses at an arbitrary level. The system is designed to cost share. The University has half a billion dollars in sponsored research; if one can calculate the average ICR rate received, it is possible to calculate the institutional subsidy for research. There is NO WAY the University can make money on research, Dr. Cerra averred; it must have state funds or clinical revenues to support research. ICR funds are not new dollars; NIH admits the institutions lose money. That does not mean the University should change its research agenda but that fact affects the financial model. He said he did not know if this would be detrimental for the Medical School and its faculty over the long term but he appreciated Professor McLoon's argument. He said it does not fall on deaf ears and he is also concerned about the situation.

Professor Bland asked if Dr. Cerra had spoken with the deans about expectations of faculty concerning external funds. If external funds are not obtained, then clinical revenues must support research. Dr. Cerra agreed. He said that he is heading toward a model that acknowledges that state funds have declined and will continue to decline and there is little they can do about it, so as a result they must generate the funds to do the work they want to do and want the programs to do. They have thus quit thinking in two-year biennial-request models and are looking out at least 4-5 years at risks, income, the market, the relationship with Fairview, and so on. This is a fact of life for health professional schools--and indeed for all professional schools. Either they are cross-subsidized by the rest of the University or they develop an alternative model and move on. The old model of relying on large amounts of state dollars is gone, about ten years ago. These state dollars remain a very important part of a financial plan, as they can pay for the infrastructure needed to fulfill the mission, pay for teaching, and be leveraged to generate other sources of revenue. This is a critical component of a financial model. If the schools are going to increase their stature, they need partnerships with the administration and faculty or the system will not work. The AHC faculty consultative process has helped identify and respond to these issues.

The situation has affected policy, Professor Bland said. Faculty do not pursue the research they want to, they pursue what NIH or the University wants. For the one-half the faculty who started their careers believing they could do research on what they thought was important, there is a huge communication issue. Senior faculty feel like they have been deserted. Dr. Cerra said he has been candid about the need to get the best minds devoted to developing the needed financial models.

Professor Fossum thanked Dr. Cerra for his report. Dr. Cerra said he would be glad to return to the Committee because critical to the success of the AHC is the compensation structure and how people are rewarded.

2. Technology-Enhanced Learning and Workload Issues

Professor Fossum turned next to Vice Provost Billie Wahlstrom to discuss technology-enhanced learning (TEL) and faculty workload.

Dr. Wahlstrom recalled that two years ago she had raised issues concerning faculty workload and TEL with the Senate Committee on Educational Policy. She distributed copies of the itemization of issues she had provided and also included new issues for consideration in 2004. She said she hoped that these would strike the Committee as issues that require attention.

Dr. Wahlstrom also distributed copies of a 1995 report from a Faculty Workload Task Force (the faculty members of which included Carl Adams, Mercedes Ballou, Victor Bloomfield, Sara Evans, Bill Gerberich, Karen Seashore, and Dan Svedarsky). There are a couple of issues raised by that report that are pertinent, she said. It called for a database of faculty achievements and accomplishments and for efforts to document faculty work. It would be helpful to revisit that report and look at the nature of faculty work in a highly technological environment and elements that have come to be part of the workload in the last 10 years. She said she wonders what the faculty workload looks like now; she receives hundreds of emails, for example, and the texture of her days have changed.

Other items that have been added to the mix about faculty workload since the last time the governance system looked at it include an ERIC digest of faculty workload studies (which suggests things that institutions can do) and an AAUP statement on faculty workload principles which includes an addendum on distance education. If one enters "faculty workload" on Google one gets hundreds of hits on institutional statements. It is time to look at the issue again, Dr. Wahlstrom concluded.

The additional issues for 2004 include such things as conflict of commitment--teaching at Capella, the University of Phoenix, and elsewhere. Dr. Wahlstrom said she knows from faculty that they develop materials at the University and use them elsewhere because there is no conflict of commitment agreement. Capella will not release information on the number of University employees it has, but a number of faculty have said it is easy to use their courses at Capella.

Another issue is multiple-purpose course development: credit, non-credit, for sale and licensing elsewhere. A course can now be saved in multiple formats, so that a course of interest to students and the public can be made available in different ways. Faculty may want to save a course as non-credit and offer it to alumni or the public. How should that be treated? What about when they want to license it to other institutions? How does one factor into compensation and workload the development of multiple versions of a class? There is, for example, legislative pressure to offer courses statewide, including through MNSCU.

Dr. Carrier asked if a faculty member has an on-line course in some field, and offers it to Capella for the same kind of students who would take it at the University, is that a conflict of commitment violation now? It is not, Dr. Wahlstrom said; it is not covered by University documents. But instead of licensing it to Capella, why doesn't the University say "license it to us and we will hire you as a consultant"? That would need to be approved as consulting, Dr. Carrier said. Right now it doesn't show up at all on the forms, Dr. Wahlstrom observed. There are interesting loopholes, Dr. Carrier commented.

Professor Fossum noted that under the University's intellectual property policy, a faculty member who creates a course owns it and may sell it. Even if it competes with the University, Dr. Carrier asked? Some departments develop courses through a contract with the faculty member, and the department then owns it, Dr. Wahlstrom related. But there are ad hoc arrangements whereby faculty develop a course and market it, with the revenue split one-third to the University, department, and faculty member. Research data belongs to the University, Professor Csallany said; what is different about courses? Unless a course is developed during the one day per seven allowed for consulting, which is quite separate. One difference between now and the past is that people are using University resources as never before; it is not easy to do courses in multiple versions so people use the Digital Media Center. There is no question that there must be payback to the University, Professor Zaheer said; if University resources are being used to a greater extent than in the past, there should be a University policy.

Some faculty are telling new hires that they will be expected to teach on line, Dr. Wahlstrom said. Some departments also do that; some provide additional compensation for doing so. That could lead to lawsuits and it just seems messy, she said. She said she hoped there would be an ad hoc committee to identify issues that are most pressing that need to be tackled.

There are several issues that are important, Professor Fossum said. One is learning transfer: the University should be more efficient in deciding what to use TEL for. There is also an increasing expectation among students that they will have a TEL experience, so faculty who have not used technology in the past will need to come up to speed or they will suffer in their teaching evaluations. Third, there is a need to look at the overall cost effectiveness of these strategies. The cost of education is increasing faster than the Consumer Price Index, and one argument for TEL or distance learning is that it drives the costs down, but that appears not to be true; the University needs to identify where it can get more bang for the buck from TEL and where it cannot. Finally, there is the issue of email. Professor Fossum said he rarely receives telephone calls now, but he will receive 20-30 emails per day from students, and a lot more as exams get closer. That changes the character of work, and on balance, the workload has increased with respect to student contact.

There are expectations about faculty being on campus, Dr. Wahlstrom said; there is no equivalent expectation for faculty who teach on line. There are also enrollment issues, she said; if a class is closed but an instructor is asked to teach 100 more students through TEL, there is no pattern to figure out how to support the increased workload or how to identify or measure the quality of the course.

Are there guidelines about email, Professor Zaheer asked, such that it must be answered in a day? There is nothing, Dr. Wahlstrom said, except the institutional policy that students are required to read their email and are responsible for the contents. There is no responsibility on the faculty that they must respond in an electronic environment. She suggested starting with the 1995 report, evaluating what the workload looks like, and deciding what should be added.

Dr. Wahlstrom related, vis-à-vis teaching evaluations, that she heard one student say that one instructor made the best use of WebCT he had experienced, so the next professor who does not use it as well will not get as good a rating. Sometimes technology overrides the quality of what is presented, Professor Csallany observed, and students may say a course is good if it has good PowerPoint presentations, even though the course content is not what it should be. There needs to be a balance between technology and quality. The medium overrides the message, Professor Zaheer agreed.

Is there any information on the amount of extra effort required to offer a TEL course, Professor Bland asked? It depends on the technology, Dr. Wahlstrom said, but in any event it does require more work. They also know that technology can be used to improve learning in many ways, but they have not gathered the data.

Professor Fossum thanked Dr. Wahlstrom for her report.

3. Institutional Conflict of Interest Policy

Professor Fossum welcomed Vice President Hamilton and Assistant Vice President Bianco to the meeting to discuss the institutional conflict of interest policy. [Note: the recapitulation of the contents of the policy will not be included in these minutes; they have appeared in the minutes of two other committees, at <http://www1.umn.edu/usenate/research/04-04-05.html> and <http://www1.umn.edu/usenate/fcc/04-03-25.html>]

-- Institutional conflict of interest is a new topic to the University but one that is sweeping the nation, especially with respect to the use of human subjects in research. Most institutions are focusing on that element of conflict and that is where the discussions began here.

-- This is a work in progress.

-- The current individual conflict of interest policy, in place since 1998, requires one to file a declaration of a conflict of interest. If one thinks there might be a conflict, one must disclose it. If there IS a conflict, there are conflict management committees to develop management plans. This takes the concept one step further and applies it to the institution and senior officials who run it.

Professor McLoon commented that this seems to be a case where a minor potential conflict has led to the construction of elaborate rules. It also overlooks the fact that everything is a potential conflict of interest--an experiment that fails or bad students evaluations can also affect a career and are a potential conflict of interest. Dr. Hamilton said he would not argue the point but noted that federal law requires the University to have an institutional conflict of interest policy. They are trying to write it in such a way that the facts of everyday existence are not covered by it.

What are the forms of conflict management, Professor Litman asked? Recusal from decision-making (e.g., a dean) when one has a financial interest in the outcome, Mr. Bianco said. Recusal from a decision made board upon which one sits when it is making a decision about the University is another, Dr. Hamilton said. When one thinks about all the companies the University invests in, Professor Bland said, how can Mr. Pfutzenreuter, for example, know about possible research relationships with those companies? Dr. Hamilton said that Mr. Pfutzenreuter's office and Asset Management do not know of the relationships so the management of assets is blind in that regard. If one told that to the newspaper, would anyone believe it, Professor Bland asked? That is a big issue, Dr. Hamilton agreed--the University can control and manage conflicts, but if there is a perception nonetheless that conflict exists at the University, there is little that can be done about it. Mr. Bianco said that with the mechanisms in place, the University can defend what it does. Since 1998, for example, there has been no time when a conflict management plan was not adopted by consensus.

Will an institutional policy reduce the likelihood of conflicts and streamline the process, Professor Fossum asked? Dr. Hamilton said he hoped it would. For example, he said, both he and Dr. Carrier must complete a financial disclosure form that is quite detailed but that is not viewed from the perspective of conflict of interest. The University did have, however, a senior official who came into the position with a significant financial conflict.

Professor Bland asked if there could be a wall put up so that the avoidance of conflict is clearer to outsiders? Mr. Bianco said they are not ignoring the issue; he said the potential conflicts are well-controlled and reviewed. He has asked Asset Management and Patents and Technology Marketing (PTM) to add procedures to help ensure against potential conflicts. There could be a problem without any intent, Professor Bland observed. Mr. Bianco agreed that PTM is always close to investments; Dr. Hamilton pointed out that the University always receives some equity in new companies because they are too poor to pay royalties. That equity goes to Credit Suisse, which manages assets, and the University has no control over when to sell them.

If someone has a hint that something should be checked out, Dr. Carrier asked, is there a place, parallel to the nepotism policy, where one can talk in confidence? Dr. Hamilton said he is envisaging that there will be.

Dr. Hamilton said he was open to receiving emails on the draft policy. He also promised that he would bring to the Committee any proposed changes in the individual conflict of interest policy. Professor Fossum thanked him and Mr. Bianco for coming to the meeting and adjourned it at 4:00.

-- Gary Engstrand

University of Minnesota