

Minutes*

Faculty Consultative Committee
Thursday, January 30, 1997 (Part II)
1:30 - 4:30
Room 238 Morrill Hall

- Present: Virginia Gray (chair), Carl Adams, Carole Bland, Victor Bloomfield, Gary Davis, Sara Evans, Dan Feeney, Russell Hobbie, Laura Coffin Koch, Michael Korth, Fred Morrison, Harvey Peterson, Craig Swan, Matthew Tirrell
- Absent: W. Andrew Collins, Michael Steffes
- Guests: President Nils Hasselmo; Provost Frank Cerra, Professors Muriel Bebeau, Judith Garrard, David Hamilton, (the latter three from the Academic Health Center Provostal Faculty Consultative Committee)
- Others: Mario Bognanno (President's Office); Martha Kvanbeck (University Senate); Maureen Smith (University Relations); Kim Isenberg, Steven Bosacker (Regents' Office)

[In these minutes: regent selection proposal; discussion with Provost Cerra about finances and governance in the Academic Health Center]

4. Alumni Association Proposal on Regent Selection

Following the departure of the President, Professor Gray drew the attention of Committee members to the proposal from the Alumni Association Citizens' Committee on Regent Selection (faxed to Committee member earlier) about changing the manner in which regents are selected. The Alumni Association wishes to have FCC endorsement of the report.

Professor Gray recalled that she and Professor Bloomfield had met with the Alumni committee, to present faculty views; that led to inclusion of language about appropriate faculty involvement in regents' committees.

The report calls for reconstituting the regent selection advisory committee, used since 1988, so that 1/3 of its members would be appointed by the Governor, 1/3 by the legislature, and 1/3 by the boards of the Foundation and the Alumni Association. The council would put up only one candidate per seat, rather than a slate; the Governor would accept or reject the individual, and if he/she accepted the nominee, the nominee's name would be forwarded to the legislature. Under the constitution, the legislature must elect regents; in this case, the legislature could elect or not, as it wished, the one person. The ultimate authority would remain with the legislature, but the Governor would have a role that he does not have now.

*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 represent the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

The report also includes elimination of all constituency-based seats, including the student regent seat and the congressional district seats. There would be 12 at-large regents; the council would be responsible for considering diversity, but would not have to worry about getting a certain kind of person from a particular district.

There would continue to be interviews by the legislature, and other things would remain the same; the report also suggests internal changes, such as socialization of new regents.

The alumni are lobbying on behalf of the plan; it is they who achieved establishment of the original advisory council.

Professor Bloomfield said he would move support of the proposal, to make the consideration and action official. Professor Bland seconded the motion.

There is no explicit reference to the student regent seat, Professor Gray said in response to a query from Professor Korth, but it is their intention that the student seat also be eliminated.

Does this give the Governor veto power, asked Professor Peterson? They envision that the council would work interactively with the Governor, rather than just put recommendations in the mail. Presumably the Governor would be prepared, and could send it back, but it shifts some power to the Governor; he can refuse nominees. There must be agreement by all three, Professor Adams pointed out, or a person is not selected; there are three vetoes, and neither the Governor nor the legislature can substitute other names.

Is there a feeling constituency-based seats are causing a problem, or a philosophical point that nothing should count except the individual's qualifications, asked Professor Tirrell? It is both, Professor Gray said. The biggest argument on the committee was about eliminating the student seat, and there is a minority report on that point. They felt these seats were difficult, and led to problems with regents believing they must represent particular areas or groups, and constituency-based behavior on the Board. The alumni felt that politics should be removed as much as possible, and that is one kind of politics that could be removed.

This takes a tremendous amount of power from the legislature and gives it to the council, Professor Hobbie observed. Will the legislature adopt it? Professor Gray said she did not know, and the legislature had not seen it when she and Professor Swan had recently had conversations with legislators.

Professor Adams said he thought the strongest point was to move from "representation" as a criterion to governance and appropriateness; that philosophical thread runs through the report, and is commendable. The legislature, if it adopts this, does so to help it do its job; presumably the legislature could eliminate it at any time it didn't like it. The intent is to pass a law to enact the procedure, as is the case for the advisory council that now works.

Professor Swan noted that there is nothing in the proposal that would eliminate the student representatives to the Regents' committee.

Professor Morrison affirmed that the current arrangements are established by statute, but there is a

substantial question whether the current regent selection statute is constitutional, or whether ANY regent selection statute would be constitutional, whether there can be any inhibition on the legislature in the exercise of its constitutional duties in the appointment of regents. Professor Gray commented that two attorneys advised the alumni on the legality of the proposal.

Professor Morrison said, about this proposal and the current process, that it is usually far more preferable to have clear responsibility, and to be able to say "this was YOUR mistake, you clean it up," than to have this multiple-element process, where the legislature can say the Governor did it, the Governor can say the commission did it, and by that time the commission has been disbanded. Professor Morrison said he prefers clean lines.

Hearing no more discussion, Professor Gray called for a vote; the motion passed unanimously.

2. Discussion with Provost Cerra

Professor Gray welcomed Provost Cerra and the representatives of the AHC Provostal Faculty Consultative Committee, and commented that the Committee has regular meetings with the provosts. FCC also has some concerns, based on its conversations with AHC assistant professors and department chairs, and wanted to communicate what it had learned. She invited Dr. Cerra to make whatever comments he wished.

Provost Cerra recalled that the last time he met with the Committee, the major topics of conversation were CSC Index and re-engineering. "Thank God that's over," he commented; the AHC is down to no more than two consultants, and that is good.

At New Year's Eve, at 3:15 in the afternoon, the negotiations concerning Fairview were completed, and was filed at 4:15, so the agreement was on time. Since then, there has been a lot of integrative work done. The first meeting of the FUMC (Fairview-University Medical Center) has occurred. He said he had thought a great deal about the transaction New Year's Eve night, because it became clear the event was done; 22% of the University's asset base had been sold in the hope that the education and research mission could be preserved and the bleeding caused by the hospital would be stopped.

Most significant, there was also the first board meeting of the Fairview system at which all of the University's designated members were present. When he walked into the meeting, he recounted, he had some anxiety, because he would find out in the next few minutes whether or not the agreement had been the right thing to do. In those first few minutes, and the subsequent three hours, he became very satisfied that this was the right group of people for the University to have done this with. That board is clearly committed to the education and research mission of the University, Dr. Cerra said, and he is confident it will make the decisions needed in order to make the affiliation agreement happen, and that agreement is the soul of the whole relationship. It took a year to negotiate. The University broke even on the finances, and his view is that when one goes into negotiation like this, where the mission is to preserve education and research and stop the bleeding, given the fact that there is no market for hospitals, if one can break even financially, one has done well. All of the goals were accomplished.

There were literally hundreds of faculty and staff involved, hours of time by central services, and the process was done, and done well.

What he has been trying to do, in the last several months, is begin to set the stage for moving the AHC forward. One aspect of this is getting a functional team established with the deans of the AHC colleges. They meet every Tuesday afternoon, with open discussion of operations and policy issues, and most recently about issues surrounding the budget. As information about the University's budget has become available, it has been brought to those meetings and discussed in detail.

The problem is that the detailed information on the budget have only become available in the last few weeks. There are major issues in this year's budget that have to do with re-setting the base to define ICR and with retrenchment of a significant amount of money. Based on the Governor's proposal, and the University's partnership proposal, it is significant: \$21.6 million. That is not firm, but is being talked about. No one is to blame, but they first received the number about two weeks ago at a retreat to discuss the biennial request, and has been discussed in depth with the deans. None of the figures are final, and exactly how the retrenchment will be handled is not clear. The Executive Council has decided that the amount will be spread across the chancelleries and provostries by a formula that has not been determined. This is a problem, brought to the deans, because they have to work with it in the context of the strategic plan.

Dr. Cerra said he also wished to speak about the strategic plan. Since August, there has been a process in place, broad-based, to develop a strategic plan for the AHC. Many people have seen it; it has been presented recently to the deans, and there has been some work on how it might tie into human resources and financial management plans. The modeling they use of how it affects the base budget has worked well and allows them to have an idea of the effect of the decisions.

There have been two retreats, and the plan has been through the consultative mechanisms of the colleges. Parts are not complete, and are not designed to be (such as where strategic investments will be made). There are faculty-driven, faculty-owned processes that have not yet begun.

The most recent deans' meeting, this week, they discussed development of three-year strategic plans for the colleges that fit under the University and AHC plans, to identify the specific needs of the colleges. Those will be converted to a series of three to six measures that can be used to judge how well decision-making is going. Two of the six are to be focused on the AHC, the rest on the school.

At the same time, they need to look at the other side of the equation, which is to look at what happens to quality as this decision-making, reshaping occurs. There will be an attempt to develop quality metrics for each college, and for the AHC, purely as metrics to learn about the process of setting measures and figure out how good they are, and to give guidance on the effects of decision-making.

These tie into the governance process. Dr. Cerra said he can say categorically that the support he has had from the AHC FCC has been "incredible." With some of the things that have happened, since "dark December" and "Friday the 13th, when we elected a new president, and new coach, and sued the federal government all in one day," to have the opportunity discuss events with a committed, concerned group of faculty was of such value that he cannot sufficiently express his gratitude. The AHC FCC has become very functional; the meetings are frank, candid discussions that allow progress.

They are wrestling with a lot of issues. One is how they finish solving the communication

problem, both in getting faculty involved in the planning and decision-making process, and in moving information in the other direction. They are trying various approaches; the end point is to get communication functioning. In the meantime, they are using electronic communications and paper to provide opportunities for people to express concerns and opinions in an open and free environment. Dr. Cerra said he receives about 40 emails per day from AHC faculty, expressing opinions and providing very constructive insights. He answers every one, and there are interesting dialogues with very knowledgeable faculty, from areas to academics to structural to management topics. These exchanges are important to him, he said, and confidential, although will bring issues to meetings if they are important enough, without identifying the individual who identified it. The communication problem has not been solved, and requires a lot of work.

They are also doing much work on meshing the academic culture and the private practice culture, through the hospital. That is one area where he is using a consultant, who has been very effective in helping them think about how to get people together, to get a common mission and values and goals, and to get people to take ownership of the process.

His ultimate goal is very simple, and that is that AHC and its schools must work in such a way that the responsibility, the authority, the control, and the accountability go to the operating unit where the action takes place, and that at the operating unit level, the resources--dollars, space--the faculty need to do their job is also there.

This goal has been the thrust behind his contribution to the redesign of the grants management effort; that will be rolled out in two focused departments, which have agreed to work on it. The intent is to bring the necessary people together, to create a model of what needs to be done, which is to make it functional where it needs to function: at the level of the PI. Then internal controls must be defined, as must oversight mechanisms, at the PI level, the department head level, the deans level, and the University level. This is the first experience with a distributed management model, where all of the jargon is made operational, so people understand what they are supposed to do to provide service for the faculty so the faculty can get their work done. And, at the same time, provide the necessary oversight so that University and external rules and regulations are observed in as efficient and painless a way as possible.

This involves a lot of "re-engineering," Dr. Cerra said. He noted parenthetically that the authors of "re-engineering" have backed off; they learned their lessons. Unfortunately, they learned part of the lessons at the University. After the re-engineering experience, he had a visit from the upper management of CSC Index to get an appraisal. He gave them a very straight appraisal, he said, and told them what he thought about transplanting business management into education and research via re-engineering. His simple comment was that "it won't work, it can't work, it's the wrong philosophy, in the wrong place, at the wrong time, it shouldn't work."

Dr. Cerra summarized by saying there is a lot going on and he is doing his best to maintain an environment that is open. The faculty and staff are under incredible stress, and they have to find better ways to help with it. He has not successfully done so, but is trying.

Professor Gray said the Committee would report on its information and impressions, and turned to Professor Bloomfield.

Professor Bloomfield began by congratulating Dr. Cerra on fighting the battle; the stories from Greek mythology of Hercules cleaning the Augean stables or Perseus fighting Medusa come to mind. Dr. Cerra appears to be making a good-faith effort.

When FCC met with chairs and assistant professors from the AHC, Committee members were struck by how concerned those people were--more so than people in the rest of the University. The communications issue was clearly a concern. The tradition in medical schools is a military model, and Dr. Cerra is trying to change that, to some extent. There are lags in the process, there are lower-level officers who are not supporting change, or do not know how to support change. The irony is that one of the major complaints, and that he has heard from other sources, is that while it is inappropriate to apply a business mentality to the University, there are many aspects of the AHC which are not running well as a business--but that should. Dr. Cerra agreed.

Professor Bloomfield recalled Dr. Cerra's comment that they needed to get the wherewithal to the people in the operating units, so they can do their work. He has heard a lot of complaints that that simply is not getting done, that responsibility for making decisions is too diffuse, that there are too many middle managers who have responsibility but do not make decisions, bill collection in the practice plan is not efficient, so the income streams departments rely on are not reliable. Dr. Cerra agreed.

What he is hearing, Professor Bloomfield said, is that there are parts of the AHC, and the University in general, where business management practices ought to be better than they are. Dr. Cerra said he could not agree more.

Professor Bloomfield noted that his field is biochemistry, so he is very interested in the reorganization of the biological sciences. Dr. Cerra is very supportive, but there are many attitudinal changes that are needed in the Medical School before the University and the other side of Washington Avenue become full partners with each other. He said he hopes Dr. Cerra will continue to work in that direction.

Dr. Cerra said Professor Bloomfield was right on the mark. He said he is very supportive of the biological sciences reorganization, as long as the outcome remains better "output" from the biological sciences. That must be what is striven for; all the structural stuff will be figured out.

The cultural/attitudinal problems do need to be solved. What he has recognized is that understanding how to work with this problem is the single greatest challenge. Part of it is communication, part is leadership, part is appropriate consultation, and parts of it he does not understand, but must in order to become more effective in dealing with the problem.

The comments about aspects of the AHC, and the University, that need to be held to standards of business are absolutely correct. His comments about reorganization were specifically about education and research, intentionally. He said he believes firmly, and is trying to get implemented, a service structure--information systems, financial information systems, planning systems, budgeting systems, human resources, public relations systems, and facilities management systems--must run as efficiently as they do in the private sector.

They are doing a lot of work on these systems now, with a new Chief Financial Officer; these

activities are conduits that must mesh with central administration and must function in a distributed model that is held accountable for customer service--and he uses the words intentionally. Are the needs of users being met at a cost-effective price, and has duplication been weeded out? The University has a matrix with no definitions of roles, responsibilities, and accountability; are services being converted into a support structure where roles and responsibilities are defined, accountability is in place, and the rah-rah is where it has to be so people can get their work done.

That is the model, and why he decided he would recruit directors for those fields. Of the two searches he is aware of, they are getting candidates with world-class experience in large universities, who will be on-site to develop the conduits that "interface" with the administration and the schools. One public commitment he has made, in one portion of the financial plan that is part of the strategic plan, is that he is confident the front-end costs plus more will be pulled out as the systems are designed over the next two to three years. Every dollar pulled out will go into the investment pool to seed new programs. That is a performance criterion he intends to be held accountable for, and will do whatever he can to achieve it.

The assessments FCC made as a result of its interviews are on the mark, Dr. Cerra repeated. It appears the AHC FCC recognizes those problems as well.

FCC was particularly concerned to learn from assistant professors that basic systems are not working, Professor Gray said, because they have such a short time to get their research under way. Person after person reported they could not do things or get started because things were not ordered or did not arrive or no one could make a decision. Those things need to be fixed rapidly if those faculty are to have a chance.

Committee members told Dr. Cerra that the AHC chairs had a memo, presumably from his office, that said there would be 5%, 10%, and 15% retrenchments in various AHC colleges, and the Medical School would be cut 15%. This is part of the financial plan, Dr. Cerra said; the issue was discussed at a two-day deans' retreat and is discussed at virtually every deans' meeting. The reason it has been done is that they have a major structural deficit problem in the AHC; this year it is predicted to have a \$25 million deficit. Next year it will be \$36 million, and \$45 million the year after, if they don't do something. He said he has told the Regents of this, and has presented it to the (University) deans' council; it must be dealt with.

They have put together an approach, with the deans, that when a non-faculty position comes up, they will look at it in view of process redesign, ask if it is still needed, and if absolutely needed, a person will be hired. They have to be sure that if they post a position, they really need it filled. If the position is eliminated, the formula is that half the money stays in the department, 25% stays in the dean's office, and 25% goes to the provost's office, into the pool from which new programmatic investments will be made, so funds are recycled directly back to the schools. By doing these kinds of things--small percentages of the budgets--the structural deficit can be addressed by 2000, and by 2003 the reserves can be restored.

This begs the question of any new sources of revenue; if the University does well at the legislature, there is less of the retrenching that will need to be done. Their model predicted a 3% rise in sponsored research; they are currently getting 6%. The increase in philanthropy was predicted at 3% or 5%, depending on the model; the increase is larger. If the revenue streams come in, the constraints are

reduced.

There are also incentives for the schools, Dr. Cerra said. If they achieve a balanced budget, they are no longer bound by those guidelines, and can continue to make investments where they wish.

Even though those were general guidelines for management, when they get into phase 2 and phase 3 of the budgeting process, the individual considerations of the schools need to be taken into account and a decision made whether or not the guidelines need to be followed, or followed less stringently, or more stringently.

The Medical School has the biggest problem; they do not know how the revenue stream will be affected by Fairview. If it is positively affected, there is less need to retrench. There is a 1-2-3% shifting around of money, to get to balance, over the next several years. Interestingly, the census in the hospital is 100 patients per day higher than it has been in two years. They have made some positive projections, and the commitment is that there will be systems in place to reconcile projections with data every 2-3 months, and readjust. Nothing is written in stone.

That is the context of the memo the chairs told FCC about, Dr. Cerra concluded.

FCC saw a different memo, Professors Bland and Bloomfield said. Professor Hamilton recalled that he had attended the administrative board meeting earlier in the week, at which the plan was presented to department heads and administrators. All of the nice things Dr. Cerra has talked about were absent. There will be a 15% retrenchment of O&M and ICR money--and how ICR money can be retrenched is not clear, but that was explicitly stated. 50% of the money will return to the departments, but they would not answer whether it would return as base or as a dean's commitment--which makes a big difference. For his department, they could not meet the 15% retrenchment even by firing everyone in the front office and every support and civil service person in the department.

It is a bleak picture, because he and his new Chief Financial Officer are macroeconomic people, looking at the situation across the entire AHC. They are not looking at it in the micro level, what the actual impact on departments and programs will be. Professor Hamilton said he was dismayed to hear the dean say the purpose is to increase quality. By doing this, without looking at individual cases, quality will be decreased immediately. And by doing this, the faculty will be thrown into complete disarray, and very disturbed. There should be some rethinking of this process.

Dr. Cerra said that there are problems in the translation of what left his office; he was just told that. These are difficult problems that will have horrendous impact, Professor Hamilton said. The idea is to share the burden of the deficit with every department.

Some of that will have to happen, Dr. Cerra said. Professor Hamilton agreed, but the departments that are in balance will insist that those that are NOT in balance must perform.

There are translation errors in what left his office, Dr. Cerra repeated; the guidelines he just presented to this Committee are the ones that left his office. He is now aware of it, and will follow through. His guidelines are a matter of public record. Professor Hamilton said he liked what Dr. Cerra had been saying, but he had been at a translation session.

Dr. Cerra said that getting through the correction of the structural financial instability--unless revenue sources can be identified--will have pain. There is no way to make focused investments for the future, driven by the faculty, and rely totally on outside sources for the money. This does not have to be done in a day, but if one is to have a strategic plan that has any meaning, it must guide decision-making in the redirection of resources.

He said he also concurred with the point that they have been doing macro design. What is supposed to happen is that as phase 2 and 3 of the budgeting process occur, that is where the discussions will take place at the colleges and deans identify the needs of individual departments. In some cases departments will be shielded from cuts, some may receive additional money.

The AHC FCC will have to be involved in the process, Professor Hamilton said, which it has not been.

A related point that came up with department chairs, Professor Gray related, was that when the financial problems of the AHC came up, several department chairs disputed that there was any deficit or problem. That surprised FCC members, so they probed. The chairs seemed not to have the information that allows them to accept the assumption, or claim, of a financial problem, and there is misunderstanding of the problem that must be solved. It will be difficult to get people "on board" to solve the problem if they don't understand what the problem is.

Professor Hamilton recalled that he had been at that same meeting; he pointed out that those who said there was no problem were not from the Medical School; those heads were very quiet. Dr. Cerra recalled that in one case he had paid off a deficit in order to recruit a department head, and that the department still has a deficit. He asserted that the Medical School does have a deficit, and it's a matter of public record.

He told the Committee of another problem: getting chairs to participate to meetings, and getting faculty to come to meetings is a problem. This has to be a two-way street, and if there is not a commitment on each side to come to meetings and get the information, that is a BIG problem. He accepts that there is a communication problem on his side, but there has to be a commitment of faculty and chairs to engage and get the information.

Professor Bloomfield said this is a fundamental issue. Faculty in the Medical School feel dis-empowered--what is true in the rest of the AHC is not clear. In the Medical School, heads are absolute dictators, for the most part, especially in the clinical departments. Information does not get passed down the line, and faculty often feel intimidated. Department heads are a big part of the problem. Blaming faculty, before the department head problem is addressed, does not get at the root of the problem.

Dr. Cerra said he was approaching the issue from the point of view that department heads are faculty. In the rest of the University, they are, Professor Bloomfield rejoined. Amid laughter, Dr. Cerra said the point about different models in departments was well made. This has been an ongoing issue that he became aware of as dean of the Medical School--that information flow stops after a certain point, generally at the head's desk. There have been great improvements in Surgery and Medicine; there are other departments where there is NO communication. That generally occurs on the clinical side; the

basic sciences departments do a much better job.

Part of the goal, in conforming to regental rules on private practice, is to change the private practice plan (that was a dictatorship, in many ways) to a model where there are clear executive councils that make decisions and had representation of faculty. That had just been accomplished at the time the decision was made to go to a single practice plan. There is a cultural problem, Dr. Cerra said.

The participation statement is important, Professor Bland said. He is right that there cannot be a move to shared governance if people will not participate on committees. In the past, faculty were only rewarded for individual productivity, so for them to sit in a committee meeting was too costly. The answer is not clear, but without participation, there will never be shared governance. This should be high on the agenda; it cannot be OK that people do not come to meetings.

Professor Adams said that it was not clear if the structural deficit problem took into account the University retrenchment that has not been allocated. Presumably there will be some retrenchment in the AHC. It may not be that much; a \$5 million or \$10 million reallocation isn't particularly large, compared to a \$30 million structural problem. Is the University retrenchment anticipated?

Another issue, Professor Adams said, is that the University may be close to settling a \$25 million litigation item; who picks up that tab?

Finally, there is perhaps as much as a \$25 million FICA settlement of some kind, Professor Adams said. Where do these things fit into the context of his plans and the underlying problem.

On the lawsuit question, Dr. Cerra was told, he could go off the record.

When they set out the guidelines, they tried to estimate what the retrenchment would be; his best recollection was that if the \$21.7 million were divided equally, it was in the range of what they assumed.

The issue of where liability will be has not been resolved; it is being discussed. One possibility is that payments would come from the cash payments from Fairview; ultimately, that is a regental issue. It will have to come from University funds somewhere. At this point, there is no plan to charge the AHC. That is all he can say about the lawsuit.

Professor Garrard, chair of the AHC FCC, said she wanted to tell the Committee about four things they are doing in collaboration with the provost. One, they will have an AHC FCC member sitting in on the Council of Deans meetings, which will help improve communications. Two, the AHC FCC will have a column in THIS THURSDAY, the biweekly publication in the AHC. Three, they are developing, with the provost, a faculty identification plan, which would provide "input" for all the faculty. Four, in the interest of trying to promote more communication with President-elect Yudof, they have invited him to meet with the AHC faculty as a whole. Dr. Cerra said it would happen. The provostal FCC system is on a fast track, and they stumble from time to time, but it is working.

Professor Adams asked about Dr. Cerra's conversations with President-elect Yudof about structure and the future of the provostries. Does Dr. Yudof have an interest in changing that structure? Dr. Cerra said he has not heard anything, and has few discussions with Dr. Yudof. He is very impressed with Dr.

Yudof, who has asked for a private meeting with him and for a 3-hour tour of the AHC; part of that will be used for direct interaction with faculty.

Dr. Cerra said he appreciated the information FCC had provided him, and is very open to comments and criticisms.

Professor Gray thanked Dr. Cerra for joining the meeting, and adjourned it at 4:30.

-- Gary Engstrand

University of Minnesota