

## AHC Finance & Planning Committee

February 17, 2000

### Minutes of the Meeting

These minutes reflect discussion and debate at a meeting of a committee of the AHC Faculty Assembly; none of the comments, conclusions, or actions reported in these minutes represent the views of, nor are they binding on, the Assembly, the Administration, or the Board of Regents.

PRESENT: Dan Feeney (chair), Carol Wells, Kathryn Dusenbery, Michael Speidel, Katherine Johnston (ex officio)

ABSENT: Patricia Tomlinson, Timothy Church

[In these minutes: Allied Health Programs; Questionnaire regarding Annual Merit Salary; and, Medical School Finances]

### ALLIED HEALTH PROGRAMS

Professor Feeney reported that the final decision had been made to leave the Allied Health Programs in the departments where they currently are rather than forming a separate group. Some surprise was registered by committee members about the decision of the program directors to remain in their current departments because of the strong interest expressed by them at an earlier meeting, that if given the opportunity, they would like to have some control over their own destiny. SVP Cerra reported this decision at the February AHC Faculty Assembly.

### QUESTIONNAIRE REGARDING ANNUAL MERIT SALARY

Members talked briefly about compiling the data from the responses received from the questionnaire regarding annual merit salary. Vickie Courtney will prepare an initial spread sheet and bring it back to the committee for review. A total of 46 questionnaires were sent out to AHC chairs/department heads; as of February 17, 31 responses have been received. The breakdown is as follows:

Number of responses received of the number sent:

16 of 25 from the Medical School

3 of 4 from Public Health

5 of 6 from Vet Med

2 of 2 from Nursing

4 of 4 from Dentistry

1 of 4 from Pharmacy

0 of 1 from UMD Medical School (it had been agreed the dean would respond on behalf of UMD Medical School)

The committee will review the data at the March 16 meeting. After the data has been compiled, it will be published in the AHC News.

### MEDICAL SCHOOL FINANCES

Next, members went on to discuss the affiliation between Fairview and the University and the Medical School's finances.

The Academic Affiliation Agreement between Fairview and the University was developed to support the research, education, and patient care missions of the AHC and Fairview. Among the stated goals of the Affiliation Agreement were to:

- Create a world-class, flagship campus and an integrated operating system
- Support certain components of the research, education, and patient care missions of the AHC
- Provide community support and financial support to the research, education, and patient care missions of the AHC

The practice plan is a separate corporation from the Affiliation Agreement and does not have a legal connection to Fairview. The Regents have established policies and procedures that govern the practice plan. There is a perception that the physician group is owned by Fairview - this is NOT the case. Members then engaged in a lively conversation about the Fairview merger. A number of points and questions were raised.

A program can move if it is determined there has been a major breakdown in the program relationship between U of M and Fairview.

- At one point in time some programs could be funded by clinical dollars. Now what is happening is that these programs are getting fewer dollars and having to do more and more clinical, leaving less time for the UMP's to do their research. Therefore, the mission is being eroded. A long-term solution is not just to see patients, but to create community ties and ensure that the students get the education they need and to bring as many students here as possible.
- Is Fairview getting in the way of fulfilling the mission, it was asked? It gets in the way in that in terms of the clinical aspect, one has to be lean and mean. You have to be as efficient as possible in the 30% time you do clinical. You need the records, the referring doctor, etc. so you can do it quickly and efficiently. Fairview really gets in the way of doing that, one said.
- There is a certain inefficiency in being able to conduct both the clinics and the hospital in the face of part-time clinical appointments. With part-time faculty it is difficult to know what the full capacity might be.
- Some times it is costly to increase efficiency. If you have no way to use that efficiency then it is not a good investment.
- Is patient revenue a variable in making a difference to the problem? Is it possible to grow the patient population and increase efficiency? And, what percentage of the financial problem would that solve?
- Has Fairview asked the UMP faculty how best they could serve them so that they can serve their patients? Has Fairview asked faculty how is would be best for them to be able to teach and do research? The answer is no but it should.
- The University hospital accounts for 50% of Fairview's business.
- There is a perception that Fairview does not care about UMP faculty because it doesn't believe that UMP faculty can go anywhere.
- The Affiliation Agreement calls for an evaluation after three years. This evaluation is currently under way. The Agreement indicates that if the "marriage" isn't working, the UMP could take back the clinics. Members spent some time discussing some of the barriers clinical faculty face with respect to the operation of Fairview.
- Members then went on to discuss some of the financial aspects of the merger. They talked about the \$13 million that comes from the state and is managed by the Office of the SVP for Health Sciences. Ms. Johnston explained that part of the money is transferred to the Medical School and other AHC units for those direct expenses that were formerly paid directly out of the University's Hospital budget for medical education and research. Some of the \$13 million is paid to Fairview as an interim surrogate for the bucket cost accounting system. Ms. Johnston indicated she would provide that information to committee members.
- When the deal between the University and Fairview was being negotiated a lot of talk occurred about how medical education and research expenses would be paid for. The term "bucket" was coined to represent the container that all of those medical and research expenses would go into. The \$13 million was a source to the "bucket." All of the revenues and all of the expenses incurred by FUMC that can be associated with medical education and research go into the "bucket." And, what comes out of the bottom of the "bucket" is the deficit, and that gets split between the two entities. The AHC will use part of the \$13 million to pay its part of the bucket. Does Fairview put in \$13 million in the "bucket" too, one asked? They do in the sense that Medicare, GME, IME and MERC monies go into the "bucket." How much money goes into the "bucket" annually, another asked? Ms. Johnston responded that originally it was estimated to be \$51 million. The "bucket" was fixed for the first three years of the merger.
- One member commented that it was her impression that this merger will never work because you can't get a rule for every single thing. There has to be a certain amount of trust on either side and it seems there isn't any. In fact, another interjected the relationship seems to be getting worse.
- In order for the merger to be successful, it will take a lot of work on both sides. The 3-year evaluation should also be helpful.
- Mrs. Johnston indicated that there are plans underway to develop a survey to be distributed to faculty on an annual basis. It is imperative that faculty are involved in the development of the Fairview relationship.

The committee will devote the next meeting discussing the "bucket" and developing a list of questions that need answers.

Hearing no further business, the meeting was adjourned at 6:15 p.m.

Vickie Courtney

University of Minnesota

AHC