

AHC F&P Committee Meeting
February 9, 2006

Academic Health Center Finance and Planning Committee

Minutes of the meeting

These minutes reflect discussion and debate at a meeting of a committee of The Academic Health Center Faculty Consultation Committee: none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate or Twin Cities Campus Delegation, the Administration, or the Board of Regents.

Present: Dan Feeney (chair), Joan Liaschenko, Stewart McMullen, Beth Nunnally, and Linda Young

Regrets: Greg Beilman, Tim Church, Tom Shier, and Tim Walseth

Guests: Peter Mitsch, Charles Moldow, and Patricia Mulcahy,

{In these minutes: Discussion of practice plans and the establishment of separate corporations, and discussion of the Proposed Medical School Compensation Plan.}

Professor Feeney called the meeting to order at 4:30 PM.

Professor Feeney opened the meeting by leading a discussion on corporate separation based on points of burdens and benefits, established during previous committee discussion. The committee considered the criteria needed to qualify for 501-C3 tax-exempt status. Professor Feeney noted that 501-C3 status is based on how revenues are generated rather than on how they are disposed.

Beth Nunnally outlined some of the ways in which revenue margins may be invested back into a 501-C3 business. These include, but are not limited to equipment, technology, and increased employee compensation.

The committee concluded this discussion until its next meeting.

Professor Feeney then introduced Peter Mitsch, Financial Director, Medical School, Charles Muldow, Associate Dean, Medical School, and Patricia Mulcahy, Director of Administration, Medical School.

Patricia began by saying the work group for the Medical School Faculty Compensation Plan was happy to have an opportunity to discuss the draft with the AHC F&P. She asked that committee members pose any questions or comments they have. She explained the plan has been developed in order to better meet the competitive demands of the market place and to ensure the budget reflects the priorities of the medical school's mission.

Peter continued by saying there had been a consolidation of practice plans among the medical

school clinical departments in 1998. The medical school was motivated at that time by the desire to compensate clinical faculty based on productivity, and so a salary increment was added specifically for clinical activity, in addition to a base salary.

Peter then said that basic science raised the question of compensation for research activity in the year 2000. He commented the majority of CIC Universities had an incentive plan for basic science faculty, which supports the need for improved compensation at the University. However, he said it is important that the compensation plan provides the flexibility to respond to changing levels of productivity on the part of faculty. This supports the development of the proposed compensation plan, he stated.

Peter then described the three components encompasses within the plan:

- The first component, labeled X, is a recurring base salary, which is non negotiable and consistent with the tenure code.
- The next component has following three aspects;
 - Yc is a contractual, increment, component, which in combination with component X represents the market salary for the field, competitive with similar institutions. Any decreases to the Yc component will not exceed 10% of total annual salary.
 - Yv is a variable, increment, component to be determined annually based on additional performance activities. These activities may include, exemplary teaching activities, grant supported research, or scholarly productivity. The Department Head or Dean will approve any Yv compensation
 - Ya is an augmentation component for a defined administrative appointment, to be determined on annually.
- The third component, labeled Z, is based on patient care delivery. The Z component is compensated through the University of Minnesota Physicians, a legally separate corporation residing outside the University.

The committee next discussed the management of the compensation components. Peter said the departmental compensation plan would define the activities and expectations for each component. The faculty would be required to develop a work plan consistent with the departmental plan. He added that base salary is the responsibility of each faculty member's home department.

Peter reported that the group had met with the Medical School Faculty Advisory Committee and that they had been primarily supportive of the plan. He said there was some concern raised about the long-term effect of component-based compensation on tenure.

Tom Shier asked about the effective of the plan on non-tenured faculty and staff. Dean Muldow said that while there is no Z component in these cases, that compensation could be impacted by the Yv variable component. He added that over-all the school's mission is maintained because individuals who are motivated only by clinical practice or salary will find greater satisfaction outside the University.

Hearing no further business Professor Feeney adjourned the meeting at 6:00.

Sara Balick
University Senate