



University of Connecticut
Health Center

Health Affairs Committee

January 9, 2001
Minutes

Attendees: See attached list.

Ms. Leonardi called the meeting to order at 8:32 a.m.

I. Public Comment

- None.

II. Introductory Business Items

- A. Approval of Minutes – None.
- B. Recognition(s) – None.

III. Main Business Items

A. Financial Report

Financial projections for FY 01 estimated a budgetary shortfall of \$4.4 million. This projection served as the basis of the special appropriation by the General Assembly of \$4.4 million for FY 01. The month of November closed with a favorable variance against budget. Fiscal year-to-date shows a favorable variance of \$804,240 against budget which represents a \$8.6 million (96%) improvement compared to the same period last fiscal year which showed a \$9 million deficit. Patient volumes are up, clinical revenues are steady and expenditures are below budget. Management anticipates that fiscal year performance will meet the budgeted year-end bottom line of \$170,000 after all state appropriations are factored in.

The following questions and issues were raised:

- Why was revenue lower than expected for research? – This reflects a change in accounting practices but educational grants may be down.
- Have we started to charge and collect more from the hospital residency programs for the central services we are providing in program support? – Negotiations are underway.
- If patient volume and related revenues are up, wouldn't it be expected to see an associated increase in patient related expenses? – We are but it is masked in the larger expense containment program.

B. Compensation Plans

- SOM (Dr. Simon)
The plan reflects an incentive system for clinical and academic work. It has been developed with extensive input from the faculty, is fully funded and is consistent with UCHC bylaws. The Plan defines eligibility and base salary and how academic merit and clinical performance are measured. The academic portion of a faculty member's responsibility will be eligible for a permanent raise in base pay. The clinical portion will be drawn from clinical revenues and allocated as one-time bonuses distributed quarterly

Dr. Simon reiterated that it is still a “work in progress” and will continue to evolve under the monitoring of the Plan’s Executive Committee, which is one-half, elected “rank and file” faculty members. The SOM Council is still developing an appeals process. Dr. Simon also expressed his gratitude to Dr. Gale Ramsby for his instrumental contribution toward defining the clinical portion of the plan.

The first distribution of the academic portion of the plan will be made on 1/25/01 with the clinical component to follow one month later:

- 348 of 418 faculty were eligible for an academic raises
- 59.5% were rated as meets expectations and will receive a 2.3% raise in the academic portion of salary, 35.6% were rated as exceeds expectations and will receive 4.6%, and 4.7% did not meet expectations

Concern was raised that the plan continue to evolve, that clear metrics (expectations) be developed and transmitted to the faculty, that the plan be administered equitably across departments, that quality not just quantity of work be considered (especially on the clinical side), that a research incentive (such as SSOG and/or IDC) be considered and that the plan be sufficiently funded to ensure it really is an incentive to drive academic behavior.

Dr. Simon and his committee were publicly thanked by HAC for their efforts.

▪ SODM (Dr. Robinson)

The SODM has had a faculty evaluation plan in place since last spring which results in 20 out of 70 ratings by chairs as excellent. The chairs met as a group and came to agreement to lower this to 7 exceptionally rated faculty. There has also been a clinical incentive in place for the faculty practice.

There is still discussion with the SODM Council regarding mutually agreeable principals for a general faculty compensation plan. The model of the SOM’s Compensation Executive Committee might be employed to facilitate this process.

C. PriceWaterhouseCoopers (Lee Leahy, Michael McGuire, and Frances Pennell)

An extensive discussion took place concerning the PwC report submitted to the UCHC Review Committee. This was the first of three reports. The second will be submitted this spring (March-April) and the last next fall (October-November.)

The first submission consisted of a main report (with management responses), an executive summary and a white paper on possible organizational changes for the Health Center. The three principals provided a review of the executive summary.

- HAC Governance – recommends expanding the HAC membership to acquire a greater expertise in line with recommendations of the HAC working group on governance. The perceived conflicts of interest from the use of joint chairs and a BoT member being an employee of a different hospital were viewed as acceptable and necessary practices in the current environment.

- Cost reductions – UCHC has already taken the 'low hanging fruit' and the next phase of reductions will have to be more substantive changes in how services are delivered.
- Integrated Strategic plan – The choice of Signature programs is appropriate. The schedule of recruitment is viewed as aggressive (although our past successes in recruitment are deemed very noteworthy, especially in consideration of the current competitive national market place for researchers.) The plan is viewed to be under-capitalized.
- Research space – UCHC should allocate space based on grant productivity and should target \$250-\$280/sq foot. Redistribution of research space is viewed as a tense process but necessary and such reallocations based on productivity are becoming a trend nationally.
- Performance metrics – while well developed for clinical activities, they need to be developed for academic activities.
- Fiscal accountability – administration has moved aggressively to move to an all funds accounting, but it will take 2-3 budget cycles to complete. Faculty salaries on grants should be directly place on grant accounts. Service center costs should be carefully identified so that the actual subsidization and returns can be analyzed.
- Infrastructure – IT has suffered greatly from significant deferred maintenance. This ties the hands of management in budget development, financial reporting, research administration and other areas.

The following questions and issues were raised:

- Labor costs – Inflation in hospitals salaries over the last few years has been 2-3% a year with 5-6% rises in nursing costs due the shortage of nurses. While some streamlining of staffing is possible, major changes in how services are delivered will have to be considered. Collective bargaining does translate into higher labor costs at JDH and would be present even if one of the 'spin-off' alternatives discussed in the organizational restructuring white paper was implemented.
- Faculty compensation plans – The key issue is the credibility of the information used to drive the plans. The clinical side has quantitative metrics, but the research, teaching and service sides need more definition.
- Tenure – Nationally, the concept of tenure is under serious review and in many sites revision. Faculty unable to adapt to new technology and research methodologies are less able to compete for external funding.

PwC was encouraged to make the following key points when communicating with the UCHC Review Committee:

- 1) UCHC has a small hospital that is absolutely necessary for addressing our core mission (i.e. a teaching site that places its priority on academics and not the bottom line.),
- 2) given the previous restrictions on affiliations and on not fully competing with other hospitals in the market place, UCHC must rely on the State for critical funding needs, and
- 3) critical funding needs include capitalizing the Integrated Strategic Plan, year 5 of the old Research Strategic Plan, and the Information Technology Strategic Plan.

Status reports on the progress UCHC is making at addressing the ~60 PwC recommendations will be provided at subsequent HAC meetings.

VI. Executive Session

- None

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There being no further business, the meeting was adjourned at 10:41 am.

Respectfully submitted,

Peter J. Deckers, M.D.

Attendees

P Austin, J. Blechner, S Brohinsky, S. Brohinsky, T. Callahan, B Carlson, P Deckers, R Garibaldi, F Gifford, E Grab, W Kleinman, B. Koeppen, J Lattanzio, C Leonardi, J Levine, M. Martinez, J Mazzone, D. McCluskey, D. Oliver, P Robinson, D Serino, R Simon, S Strongwater, R. Trestman, D Turling, D Upton, J Walter, S Wetstone, and S Whetstone.
PriceWaterhouseCoopers – Lee Lahey, by phone: Michael McGuire, Fran Pannel.

Documents Distributed During the Meeting

- a) SOM Compensation Sample
- b) Financial Pages 7 & 8
- c) Status Report of SODM Compensation Plan