Faculty Council Minutes
January 20, 2015

Present: Drs. Aisner, Boruchoff, Brewer, DiCicco-Bloom, Kiss, Kim, Pintar, Roth, Walworth,

Absent: Dr. Boyarsky, Ayers, Jacinto,

Quorum was met. The minutes of the previous meeting (11/18/14) was approved.

Philip Mesisca, MBA/CMPE, RWJMS/Senior Associate Dean for Finance and Operations was invited to speak at the meeting. Of particular focus was the budget for last year FY14. Initially there was a projected profit of $861,000 and we actually had a loss of 36.5 million dollars. The variance was therefore 37.3 million.

For FY15 (first 6 months thru December RWJMS was projected to lose $11.9 million. Analysis says were lost $11.7, so we are ahead of the projection by +/- $100,00-$200,000. For the same period for the prior year, it was budgeted that we lose $14.4 million.

Prior to the meeting, it was requested if Mr. Mesisca could analyze the data for the past 5 years and see where the budget changed to yield this large deficit. Mr. Mesisca said that he could not go back the 5 years at this time. He is trying to fix the bottom line at this time rather than look back and do an autopsy of prior year.

The question was asked how the deficit was closed. It was said that a combination of approaches were being implemented. Last year we lost 40 million, and we are projected to lose 20 million this year.

1) Department remediation plans previously submitted (submitted last Feb/March)
2) Restriction on nonessentials expenditures (ie travel)
3) Limits on use of discretionary accounts (not eliminated, but controlled, needs to be budgeted).
4) Control of spending. Unbudgeted expenditures were not permitted without savings equivalents with the exception of required expenditures. However, items like Faculty promotions were allowed to go through. Money was spent of productivity items that assist the clinical mission, for example replacement of equipment and administrative support. Clinical practices were shored up, but this is very preliminary, and the results may not be visible yet.

5) Faculty effort on grants. The use of the total base salary, not just the guaranteed academic base is being used to determine effort. If the faculty salary is $150,000 and $100,000 is the academic base, then the contract will be based on the $150,000.

6) Scrutinize every single hire. Both new hires and replacement hires were examined.
7) Grants were not allowed to be overspent. Workers would be layed-off without support.

8) Call center changes to make appointments. 1/3 of appointments were not made due to the phone systems. The phone systems technically can’t handle things and Rutgers phone people are now trying to handle that.

9) Treating faculty fairly: if 60% clinical get 60% time allocation. Clinicians though are now held to an 8 hr work day to see patients. Mr Mesisca said that 80% of our faculty already have 4 hour sessions or 8 hour days, but some did not. He said that they are trying to make it so that everyone is treated fairly in the outpatient setting.
10) Greater due diligence from 3rd parties (not just insurance but other hospitals that we provide service at and other contracts that are to be paid, for example within 30-60 days, that have fallen behind). We are taking legal action when necessary to get bills paid. Mr. Mesisca said we have to balance the risk/rewards on contracts. We do not sign contracts that do not cover our costs unless there is a projected return on our investment in the immediate future. We will not provide services to anyone if those places are not covering our costs. All contracts signed in the last six months insure that we are covering our costs.

The question was asked how has this years' budget changed from last years? Mr. Mesisca said that the Depts last year did not have budgets that they were held accountable for. We are in transition years. Our goal for next year is that Depts will have budgets and they will be held accountable to them. It is hard to get to this goal because departmental budgets are not very accurate. Planning will begin early next month in this process.

Our total budget is $270 million, of which we are running currently a 20 million dollar deficit. We don't even have $100,000 to invest in something that we know will give a $200,000 return in a few years.

The question of the success of new fund-raising was asked. Mr. Mesisca said that he has not seen a large change of the fundraising, but the system is now being established and it takes time.

The question of how to spend or budget your discretionary funds was raised. This process will be disclosed soon and faculty administrators are being advised. This will be presented probably mid-February.

The question was asked whether faculty salary increases are budgeted for. Mr. Mesisca said that budgets are being prepared and the assumptions for how to prepare for salary increases and changes in the fringe benefit rates will be included. Those assumptions come through Rutgers and RBHS to RWJMS. We act as a school, not through the Departments. He is not aware if salary increases were budgeted in the FY14 budget that is closed.

The question was asked who paid for the $37 million loss of RWJMS? The answer is that Rutgers paid it but Mr. Mesisca was not aware of which funds actually paid it. The question was asked if this money was considered a loan. Mr. Mesisca said it was not his understanding that we received a loan, but he can't speak to it specifically. The cost rolled up into RBHS' total money.

The question was asked when will we be and/or when were we budget neutral. Mr. Mesisca did not know this answer but said that prior years budgets could be distorted because there were receivables still on the books that were not paid. For example, if a hospital owed money in 2008, the expectation is that this money would be received in 2008 and would be listed as revenue in 2008. However, if it was not, the bad debt would be written off in a later year, ie 2014. Therefore the deficit in 2014 would be unusually high. There were some amounts like that (in the $100,000 range). He said it was expected that this would not be occurring in the future. He said that we are also getting more conservative in terms of aging debt: we start reserving for it just in case we are not going collect the money. We are trying to do this within the year that we are experiencing the potential positive revenue.
It was commented that it was hard to believe that the items listed above accounted for changes in $20 million saved from FY14 to FY15. NJMS is reported to only have a $3 million debt. How was the debt established? Has anyone looked at the history and see what is going on?

Mr Mesisca explained some of the factors contributing to the $37 million debt. 42 faculty were budgeted in FY14 (both new and replacement faculty), however they were removed from the budget without the departments knowledge. The result is they weren’t budgeted for and accounted for approximately $10 million of debt.

Cleaning up older prior debts accounted for $4-5 million dollars. This is a one-time adjustment. Additional things: Denial for positions: this is huge and worth a fair amount of money. For example if a nurse leaves the school, you now need to prove that the nurse needs to be replaced. Previously, when a grant ended, nothing was done to find appropriate funds for the person or to terminate the person. He said this was not insignificant and won’t happen again. Staffing is a large part of our overall budget.

One hospital (unnamed) didn’t pay us in FY 2014 and are still lagging behind from where they should be. We collected a few million dollars that was never collected in FY14 through potential litigation. Mr. Mesisca said that these things add up.

Department remediation plans, which had to be implemented in July 1, asked each clinical department to come up with remediation equal to X% of their revenue. Those plans can account for ~7 million over the course of a year. He doesn’t have the details for each department.

The question was raised about teaching? How is teaching a revenue source? How are basic science departments in the formula? Dr. Terrigino has worked on different models to assess the amount of time and percentages to be credited to each department. In the big picture, we have to assess how much money is coming in overall, through the percent of the teaching mission, not by the total hours of teaching to the teaching mission.

Mr Mesisca explained that for clinical faculty, the question is different. You have to decide, after a certain percent, if the opportunity is costing more that the clinical services. The department has to decide this. But he thinks people are not devoting the amount of time reported towards clinical endeavors. Now, when someone says they are 60% clinical, they have to prove that their time is spent in the clinic for this time. Many departments cannot prove on paper or by schedules that faculty are working the 60% reported.

They are also looking at non-clinical time to see where it is used. What about administrative time? This varies by department. Some administrative work should be funded by the hospital. Mr. Mesica does not see why so much “non-funded” administrative time is listed. He commented that he thinks the amount of time committed to teaching is unbelievable (as reported on FTERs).

There was a discussion about the use of FTERS. Mr. Mesica stated that the FTERs reports cannot be used. FTERs were established for Federal funded grants. However, it was pointed out that they were used for job performances and clinical time. At RWJMS these two systems are “married” and a mess. FTERS is a problem when you go beyond anything not related to grant effort. It was suggested by a faculty member that a more reliable system be generated and Mr. Mesica agreed.
Questions were also asked about the lack of transparency with respect to faculty compensation. There is large inequity in faculty compensations. Mr. Mesisca commented that this was a great point and said that he knows that Dean Gracias asked Rhonda McCathern to work with human resources to assess equity for faculty and non-faculty. He said that we have to first define if we have a problem and where it is from. This is balanced by the reality of our finances. Human Resources needs to be involved. Sometimes equity is clear but often times it is not clear. For example, how do you value someone that is double-boarded or has received a fellowship? Before salaries were centered around the Chair, as long as the Chairs were making equitable decisions and there is a monitoring process. We need a medical school approach to things. Non-faculty have grades (steps). Therefore, he thought that if there is an issue, it will be bigger for faculty than for non-faculty. The school has reached out to HR to help in this process.

It was commented that we don’t want to hear that someone else is brought in at a higher pay because they need to hire a person, when you have been here for years and receive a lower salary. It was stressed that this needs to be addressed. It is used to stop the hemorrhage of faculty from the school. Not every department has the same problem but we need to make that right.

Another issue is that with the current level of grant funding, productive people need bridging funding. How is this being addressed? Mr. Mesisca commented that departments need proper budgets to hold them accountable. Then the Dean can say how much can be put aside for bridge funding. The “Dean’s Tax” is 6.5% of clinical earnings. However this has no meaning because it is not based on facts. It will have meaning in the future. Departments can do the same thing: save money for bridge funding. However, no department has an accurate budget now.

The question about indirect funds was asked. Mr. Mesisca has some models for the indirect funds. One model has a large percent going back to the departments. However, it will also depend on how the RCM covers the costs of the buildings. It has to be decided what the schools are accountable for; who pays for heat/lights etc? The mention of RCM raised the view that it is a trickle down approach; to the smallest unit of responsibility (ie the departments are responsible).

Mr Mesisca said that budgets are targets to be met. Before everyone was focusing on breaking even or better. He sees departments as having expectations to meet. For example, if your expectation is $1 million and you raise $0.9 million, you might have raised a lot of money, but you still did not meet your expectations. However, if a department is expected to be in deficit of $0.5 million and they maintain that expectation, they have met their goal. Basic science departments perhaps need to be estimated differently. Losing money isn’t bad if that is your budget. This is the way most practice plans work. Mr. Mesisca said that the school cannot pass on a new expense to a department or a division if they hadn’t had that expense historically and the school doesn’t give them some relief in the meantime. It is ridiculous to assume that they can just find that money.

The payments for Resident graduation dinners were used as an example of the need for transparency. Mr. Mesisca said historically it was like the Wild Wild West. Some departments pay completely, others it is a combination. He said that this is not fair and it has to change and be transparent.
The budgetary commitments occurring July 2015 have to happen. Next years budget has to deal with these things. If you hit your budget by July, you should get what you ask for. He expects 20-40% of the departments won’t make budget and will need approval to even purchase a pencil. Either your dept is responsible for their budget or not. All the pressure will be put on the departments that do not make budget.

Mr. Mesisca stressed that the timetable for July must be delivered. He is starting in February. Departments will submit their budgets in March. RWJMS needs to be together by April. RBHS will have to approve it and have it roll out for July.

It was again commented that the overall RBHS is in surplus, yet RWJMS is one of the only schools that is in deficit. Mr. Mesisca said he doesn’t know anything about other schools. He said we spread our budget conservatively, so the next 6 months are the same as the past 6 months. We accrue the expenses to cover what we project we will owe. We have improved over the last 6 months. We haven’t seen the consequences of us, for example, improving access to doctors. It was pointed out that the one snow day could cost millions of dollars. We do budget for some snow days.

Post awards management was a bad problem, but it has gotten better. Waiting for indexes has been a problem. Rutgers is working on this and has hired additional people.

The question was asked how much of our hemorrhage RWJMG is. Mr Mesisca said it was impossible to know because anything that was not funded got dumped into RWJMG. If there was a research nurse/tech on a grant and the grant ended, the charges for the research nurse or tech should have been given to the department not the medical group, but it defaulted to the medical group. It was commented that this is wrong. This is being pulled apart individual by individual. He is trying to build mission based budgeting. He says we are about 95% there. He doesn’t know if we make money based on clinical service lines. He doesn’t know if we make money in for example, Anesthesia or Pediatrics and that this is a problem. It is a problem because everything needs a funding source.

The question of recruitment packages was raised. Where is the money coming from for the new hires? Mr. Mesisa said it depends who we are talking about. For the Chair of Medicine, as an example, the hospital funds 50% of that package. This is a signed negotiated contract. RWJMS has to find the other 50%. It is part of the process to look beyond the medical school, who can support us within the system. Basically money for most recruits comes either from the hospital as it relates to the clinical mission and/or the rest has to be budgeted by RWJMS.

Old items: Non-successful election of officers, governed by the by-laws. Does this need to be readdressed? We still need officers. Lots of people have refused to serve. If we meet only 4X a year, this might help with the elections. We still need our annual meeting with the Dean. It was suggested that we develop an agenda of items to discuss with him.