

East Carolina University (ECU) University Budget Committee

Minutes for the Meeting of Thursday, March 19th, 2015

Attending: Terry Atkinson, Susan Chapman, Guglielmo Fucci, Shannon Gibson, Joe Gaddis, Robert Kulesher, Jeff Popke, Gary Vanderpool and Wanda Wynne

One update to the February Minutes was noted. Robert Kulesher was not in attendance.

Jeff Popke began the meeting with information from a recent article that he read. North Carolina revenues are currently more than expected, however a 2% budget cut is still expected in the Fiscal Year 15-16. He also mentioned that the new Board of Governors was being elected by the House and Senate this week.

The Committee discussed items to be included in its annual report. Some of the items to be included:

- Our proposal on faculty promotion raises.
- Revisions to the charge of the Budget Committee to reflect by-law changes allowing fixed-term faculty service. In UBC's case, no more than one elected member may be fixed-term (in order to ensure a majority on the committee are tenure-stream faculty).
- The Committee received info from Mitchelson, Horns and Niswander and will receive information from the Athletic Director, Jeff Compher, if he attends the April meeting.
- Business to be carried forward

We will continue discussion on the annual report at the April meeting.

Dr. Phyllis Horns was our guest speaker. She thanked the committee for the invitation and she started her conversation with a reminder of the Division of Health Sciences (HS) budget challenges. She said financing in HS is much more complex and more difficult given the mission of the Brody School of Medicine (BSOM) which is to provide Primary Care Physicians, provide Medical Education for minorities and the under privileged and to improve health care access to people in the region.

Over a 45 year period, the percentage of budget provided by the state for the BSOM has decreased, and is now 22%. The BSOM, the Health Sciences Library and the School of Dental Medicine are not funded on the enrollment growth model like east campus. As the cost of education has grown, those costs have been shifted to ECU-Physicians revenue dollars. About 70% of the BSOM total budget is coming from this clinical enterprise. That was not how BSOM was intended to operate. We are required to keep a certain amount of our clinical revenue in reserve so as not to affect our bond rating.

At this time last year, we were about 18 million in the hole and this year, we're about 2 to 3 million behind where we'd like to be. We're hopeful we will be close to break even by the end of the fiscal year. Our Faculty are paid at the 25th percentile. They came here because they believe in our mission and are loyal to ECU. A productivity based compensation model has been put in place for clinical

faculty. Plans are to adjust salaries upward and downward based on the model. This is not always a popular plan.

In talking about the ECU BSOM relationship with Vidant, she mentioned there are Federal laws regarding hospitals being involved with private practices. One of the reasons we struggle more than UNC-CH is because we don't own our hospital. The Governor's proposal for \$8 million in permanent funding is only an installment that we hope will pass. There has been some confusion that the figure was \$16 million but the other \$8 million is only one-time non-recurring funds. One of the partnership opportunities that we have worked with Vidant on is the transition of Neurosurgery from ECU to Vidant. They bought our Physicians' and staff salaries, bought the equipment and took over rent of the building.

When asked about the possibility of seeking other disciplines that bring in higher revenues, Dr. Horns said that when the medical school was established, there were gentleman's agreements that we would focus on primary care. Most other medical schools that were established around the same time we were, have taken on some of those high revenue disciplines such as orthopedics, anesthesiology and radiology. There is a risk potential for investing in other areas because of the fact that 12% of our patients receive care for free. Another 30% only pay a portion of their bills. We collect about 33% of our billings overall. Money that comes to the BSOM from Vidant is for services of our physician faculty. They pay us to teach their medical residents, about 50 million a year.

When asked about the expected savings in Consolidation of the Basic Sciences, Dr. Horns said there is a workgroup that is looking at this and it is too early to determine if there would be savings or whether this consolidation would be feasible.

She said the School of Public Health is making progress on the time line to have an accredited school by 2020. We will have to have doctoral studies in at least three program areas. The Epidemiology proposal is at the UNC-GA level to be sent to external review. The 2nd program area for DRPH is Environmental and Occupational Health. We would be a more hand on Public Health School as opposed to a more research or International focus. The Academic Council will be appointing an advisory council to assist. If the College of Human Ecology and the College of Health and Human Performance are going to merge, that should be done first.

The School of Dental Medicine has a more comprehensive state budget and they have started the Community Service Learning Centers. The budget model for these centers call for them to break even. Dental Medicaid coverage is very important. These centers are no set up for free dental care but for reasonable dental care.

Dr. Horns ended with stressing that the BSOM has stayed true to its mission. There is currently a Brody Graduate in 90 of our 100 counties.

There being no further business, the meeting was adjourned.