Kansas Legislative Research Department August 31, 1976

M I N U T E S

SPECIAL COMMITTEE ON THE UNIVERSITY OF KANSAS MEDICAL CENTER

August 23-24, 1976

Members Present

Representative Denny D. Burgess, Chairman
Senator Edward F. Reilly, Vice Chairman
Representative Bill Morris
Senator Albert Campbell
Representative George Wingert

Staff Present

Marlin Rein, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes Office
Stan Koplik, Division of the Budget

August 23

The Special Committee on the University of Kansas Medical Center convened at 10:00 a.m., Monday, August 23, 1976, with Representative Denny D. Burgess presiding. In addition to the Committee and staff that were present at the meeting, Mr. Rick Von Ende, representing the University of Kansas, was also present. The meeting was called to order in the University Room at the University of Kansas Medical Center.

Upon motion by Representative Morris and seconded by Senator Campbell, the minutes for the July 27-28 meeting were approved unanimously. Mr. Rein then presented several staff reports which are attached to these minutes as Attachments I, II, III, and IV as follows:

A. Attachment I - Selected Data on State Medical Schools in Iowa and Missouri;

B. Attachment II - Procedure For Handling of Income For Physician Charges;

C. Attachment III - Physician Compensation and Fringe Benefits; and

D. Attachment IV - Expenditure Ceiling On the Hospital Revenue Fund.

Following the presentation of reports and discussion thereon, the Committee adjourned for lunch at 12:00 p.m.

The meeting reconvened at 1:30 p.m. with a public hearing with officials are members of the Public Service Employees' Local Union No. 1132. Persons in attendance at the public hearing are identified in Attachment V to these minutes.

Mr. Neil Thursby, representative of the Public Service Employees' Union, made a general presentation to the Committee relating the series of events that led to the establishment of the local union in 1966. Among the objectives that he felt the employees sought to achieve through unionization were the following:

1. State payment in full of health insurance premiums for both the employee and family;

2. Weekly pay for service and housekeeping employees;

3. Improved salary schedules; and

4. Union recognition.

Mr. Thursby also indicated that the group hoped to achieve through unionization a greater awareness on the part of political leaders of the need for an adequate workforce. He indicated that he did not feel the purposes of the employees had been totally achieved to date. He cited a number of problems which he felt still to be in existence which political leaders needed to address.

1. Inadequate salaries;

2. Understaffing (caused in part by low wages);

3. Need for shift premiums for employees working undesirable workshifts;

4. Unduly restrictive hiring practices;

5. Unrealistic workloads caused by shortage of personnel;

6. Excessive absenteeism caused by low wages;

7. Need for a weekly pay period (presently semi-monthly for service and housekeeping personnel);

8. Full payment by the state of premiums for health insurance for the entire family;

9. Too many pay steps for the low paid civil service worker and need for advancement between steps in less than one-year intervals;

10. Across-the-board salary increases are heavily weighted to highly paid employees;

11. Inflexibility of the civil service system in not recognizing the high cost of living in the Kansas City area; and

12. Serious problems in skilled occupations such as plumbers, electricians, carpenters, etc., with regard to salary competitiveness to the Kansas City area.

Mr. Thursby indicated that, with regard to skilled employees, the general rule is that inside employees (those employed by an agency or institution versus those self-employed) are usually paid at a rate 80 percent of the going wage for outside employment. The differential reflects the fact that independent outside employees often do not work full-time on a year-round basis.

Mr. Thursby also addressed the issue of contracting for food services and housekeeping services. He indicated he had read in the newspaper that consideration was being given to such an arrangement. He cited legal and moral obligations of the state as major problems associated with such a contract arrangement. The elimination of jobs and retirement benefits for state employees would cause serious implications to the state. Mr. Thursby also offered the following as solutions to existing problems of service and housekeeping employees:

1. The elimination of this group of employees from the civil service system or grant necessary exceptions to the civil service system as required;

2. Future across-the-board salary increases should be in flat dollar amounts (Employees need $100 additional salaries per month to be competitive);

3. Employees should be permitted to advance in pay steps more quickly;

4. Probationary periods should be reduced from six months to 60 days;

5. Establishment of a shift differential premium salary; and

6. Implementation of a weekly pay period.

In response to a question by Representative Morris as to the number of members in the local union, Mr. Thursby responded that membership averaged 350 to 400 out of a potential pool of 750 to 800 eligible people. Dues are $6 to $7 per month, based on salary levels. Representative Morris noted that the across-the-board salary increase approved by the Legislature for FY 1977 of 2.8 percent plus $15 per month did not necessarily give the greatest advantage to the higher paid employees. He indicated that the Legislature's decision to provide a percentage plus fixed amount was in recognition of the need at the lower salary levels.

Mamie Moore, a Food Service Worker I in the dietary department, then spoke to the Committee. She indicated that she functioned as a reliever in the dish room. She complained of the shortage of personnel and the need to double up on work assignments. She claimed that she generally had to do the work of two to three people and cited this as a reason why people are quitting. She also indicated that supervisors were "not talking to them right" and stated that the relationship between supervisors and employees was another problem contributing to high turnover.

Representative Morris inquired what salary Ms. Moore was being paid and was advised that it was $2.98 per hour. She did not know how her salary compared with other employees doing similar work in the metropolitan Kansas City area. Ms. Moore indicated that she had worked for the Medical Center for 12 years in her present job. She also complained that the dishwasher machine breaks down consistently which adds to the difficulty of her work.

Ms. Leodell Jones, a Food Service Worker II in the dietary department, was the second employee to speak to the Committee. She is a reliever in the dessert, salad, and food preparation areas. Ms. Jones advised the Committee her salary was currently $3.54 an hour. She also cited similar problems as Ms. Moore, basically consisting of the need for additional personnel and the fact that she had to do more than one job. She also cited problems existing in the dietary area in regard to supervision.

Ms. Luella Harriford, an employee of the housekeeping department, was the next employee to address the Committee. She indicated that she had worked at the Medical Center for nine years in the psychiatry building. On a normal workday, she related, she would mop, buff, strip, clean restrooms, doctors' offices, etc. She claimed that her workload has increased because of the shortage of personnel and an increase in the number of children in the psychiatry unit. She claimed that the university has hired too many younger people, "Who just do not want to work." She also claimed that the requirement for employees to sign in and sign out was an undesirable procedure in that it had a negative effect on the morale of the employees. She had never recommended anyone to work at the University Medical Center.

Senator Campbell inquired why she continued to work at the Medical Center. Ms. Harriford replied that, "It was real good when I started and I guess I'll just stay around until I retire."

She also indicated that a lack of supplies handicapped her department in doing a good job. Ms. Harriford has asked for and never received what she considers adequate supplies.

Senator Reilly inquired as to whether the situation has improved since Dr. Russell Mills was appointed to be in charge of all support services. Ms. Harriford replied that it had not improved yet but she thought that it would. She also complained that she would not ever be eligible for retirement inasmuch as she will not have acquired the number of quarters of cover .ge.

Ms. Sandy Anderson was the next employee to address the Committee. She had been employed in the housekeeping department for nine years and was presently being paid at the rate of $3.21 per hour. She complained that for four days a week she had to do the work of two persons. She cited that in the area where she worked there used to be three maids and now there were only two. Ms. Anderson claimed that more help was needed; there was too much pressure; low wages; and that the supervisors were unfair in the grading of their work.

Senator Reilly inquired whether a new employee received an employee's manual of the housekeeping department, and she replied that he did not. Ms. Anderson stated that the supervisors do not train employees and that they do not have time to do so because they must work the same as other employees. With the testimony of Ms. Anderson, the public hearing was closed.

The Committee was then joined by several employees of the Medical Center, including Mr. Herman Jones, Dr. Russell Mills, Miss Mary Ann Eisenbiese, Mr. Russ Miller, and Mr. Wayne Schaeffer.

Mr. Miller indicated that housekeeping is a much different problem now than it was years ago due to the increased traffic. He also noted that the staff has not increased proportionately. He indicated that years ago employees could be worked ten days consecutively and then would be given four days off. However, this practice has had to be discontinued. He also noted that when cutbacks in expenditures and staff were necessary, that housekeeping is often the department that suffers. Presently housekeeping is authorized 233 positions and has 20 vacancies.

Mr. Schaeffer, who is the head of housekeeping, stated that there was a need for a training program. With improved supervision he felt that the present number of employees could do the job adequately. He also noted that the salaries were inadequate to attract and retain the types of personnel desired. The average work assignment for housekeeping staff is approximately 14,000 square feet of instructional area and 3,500 square feet for patient care areas.

Ms. Eisenbiese, Director of Nursing, noted that 95.6 percent of the nursing positions were now filled. The biggest problem at the present time is filling the licensed public nurse positions of which she indicated 30 were unfilled. She also noted that 50 percent of the staff have a bachelor of arts degree, which is one of the highest ratios in the country.

Mr. Jones cited dramatic increases that have occurred in the workload in the medical records area. This dramatic increase is a result not only of increased workload and traffic through the clinic and the emergency rooms but also federal requirements on utilization review and audit. While the inpatient population at the hospital has remained fairly constant, he noted, the huge increase in outpatient workload and the commensurate increase in the number of lab tests ordered by the physicians has had a tremendous effect on workload in medical records. He cited the budget requests that the medical records section has made for FY 1978 and urged the Committee to give serious consideration to the need for additional staff.

The Committee adjourned for the day at 4:15 p.m.

August 24

The Committee was joined by Mr. Warren Corman from the Board of Regents' Office, and Dr. Max Lucas, from the Chancellor's Office, for the purpose of discussing the status of construction on the new clinical facility. Dr. Lucas initiated the discussion with a general historical review of the project, beginning with the initial consideration by the Legislature of the need for such a project and continuing to the present status of its construction. Both he and Mr. Corman were generally encouraged by the present progress on the facility and the experience of bids on the various contracts that have been let in recent months. It was the consensus of the two that the project would be completed within the funds available. As to the ultimate date of completion, both cited the need to get the building enclosed before winter to permit work to continue on the interior of the facility during the winter months. The Committee was provided with two handouts, basically summarizing contracts awarded and disbursements to date, together with the identification of the remaining phases of the project still to be bid. These are attached to the minutes as Attachments VI and VII.

Mr. Keith Nitcher, University Director of Business and Fiscal Affairs, joined the Committee to report on the sale of the revenue bonds for the project. The $22 million in bonds have been sold and the general feeling of the University was that the sale of the bonds went satisfactorily.

Chancellor Dykes then joined the Committee for a discussion of the issue of the expenditure limitation on the Hospital Revenue Fund. He cited a number of the problems which result from such an expenditure limitation, and he also reviewed for the Committee some of the administrative reorganization which has occurred at the University Medical Center in an effort to obtain better financial control over the operations of the institution. Chancellor Dykes suggested one possibility to be considered in the future would be to separate the university hospital and the remainder of the School of Medicine as a means of exercising even greater financial control over the institution. Chancellor Dykes cited this separation as being one possible step that could be made which would make removal of the expenditure ceiling more acceptable to the Legislature.

The discussion with the Chancellor then turned to the matter of equipment needs at the University of Kansas Medical Center. Chancellor Dykes again related the problem he had noted at an earlier meeting with regard to the radiation therapy unit. When the Legislature appropriated funds for the construction of the project in the 1976 legislative session, it was presumed that as much as $1.5 million would be available from federal funds for equipping the facility. These federal funds have now apparently dried up and the Medical Center is confronted with the problem of equipping the new facility. Efforts are being made through various endowments to seek private gifts to offset, in part, the cost of equipment.

Chancellor Dykes also noted that, in the past as budget crunches occurred, among the areas cut would be equipment acquisition. It is hoped that as much as $700,000 will be available in FY 1977 from the approved budget to acquire needed equipment for the institution. He also cited a special request of $500,000 in the FY 1978 budget for equipment acquisition as a high priority item. Were this request granted, coupled with the funds in the base budget of $700,000 the institution would have as much as $1.2 million to spend in FY 1978 for needed equipment.

Chancellor Dykes noted two additional problems which he hoped would be addressed by some legislative body in the future. The two problems which he feels are of great concern are the matter of the chronically ill patient and the issue of removing the state's immunity from liability suits. Chairman Burgess indicated he felt both those items were beyond the scope of the present Committee but mention of these two items should be included in the Committee's final report.

The Committee determined that the next meeting would be held at the Wichita Branch on September 20-21. The Committee would like to not only view the facilities of Fairmont Towers but also to visit the hospital facilities which are being used for clinical experience for undergraduate medical students. The Committee also gave some thought to the preparation of a preliminary report and directed the staff to begin to assemble the materials that have been gathered to date. The Committee also felt it would be advantageous to take the notebooks with them in order to permit their review of the many materials that have been provided at the past three meetings.

The Committee adjourned at 12:00 p.m.

Prepared by Marlin Rein

Approved by the Committee on:

Sept 22, 1976
(Date)

Denny D Burgess

ATTACHMENT I

MEMORANDUM

August 20, 1976

TO: Special Committee on the University of Kansas Medical Center

FROM: Kansas Legislative Research Department

RE: Selected Data on State Medical Schools in Iowa and Missouri

Background

At the June meeting of the Committee, the staff was directed to obtain comparative data on medical school programs in neighboring states. This memorandum will review generally the data obtained on the state schools of medicine in Iowa and Missouri. If the Committee finds the material to be of value, the staff could obtain similar information on other states.

General Organization

The medical schools in both Iowa and Missouri are organized somewhat differently than in Kansas. A major factor contributing to the difference is that the medical schools are located on the general university campus rather than in a separate location(s) as in Kansas. In both states the school of medicine is a separate entity from the school of nursing. Likewise, in both Missouri and Iowa the University Hospital is organizationally separated from the school of medicine with the hospital administrator reporting to the University Central Administration, rather than the Dean of the School of Medicine.

Physical Facilities

Iowa. The physical plant in Iowa bears many similarities to Kansas. A new basic science complex was constructed within the past five years and houses a consolidated basic science instructional staff which not only instructs medical students, but also nursing, dentistry, pharmacy, physician assistant, and allied health students. The hospital was originally constructed in approximately 1920 and has continuously undergone modification and expansion. The institution presently has underway an expansion program costing approximately $40 million. Total bed capacity is approximately 1,082. The addition will provide increased clinic space, diagnostic radiology and surgical suites, and some limited bed capacity. The additional beds will offset a loss in bed capacity resulting from closure of two smaller facilities located adjacent to the hospital (alcoholism and psychiatric).

In addition to the University Hospital, the School of Medicine makes extensive use of the V.A. Hospital which is located adjacent to the University Hospital. Bed capacity at the V.A. Hospital is 350 beds. In addition, the school has a small family practice program housed at Mercy Hospital, a 300 bed community hospital.

Missouri. The University Hospital and School of Medicine are housed in facilities constructed in approximately 1955. The facility is one integrated unit, encompassing both the basic science faculty and the hospital and clinic. The hospital has a bed capacity of 490 but only has 440 beds open currently due to an acute nursing shortage in the Columbia area.

Extensive use is made of the new V.A. Hospital located across the street from the University Hospital. This facility has a capacity of 420 beds and has just recently reached full activation. The two institutions have an extremely close relationship and have painstakingly avoided duplication of costly supportive services. The institutions contract with one another for laboratory services, radiology and pathology, radiation therapy, etc. The total value of services exchanged exceeds $3.0 million annually. On an annual basis the value of service each institution provides the other balances out within $250,000.

Medical Curriculum

Iowa. The undergraduate medical curriculum is the standard four-year program. Class size has been increased to 175 students, whereas five to six years ago the class size was 120 students. Students are required to take a two-week rural clerkship during their junior year and may elect to take further extended clerkships during their senior year. Most students are Iowa residents.

Missouri. The medical curriculum is also the standard four-year program. current class size is 110 students per class, up from a level of 65 in 1960 and a class size of 90 in 1970. The school admits only Missouri residents. In recent years the school has made an aggressive effort to enroll as many as five students per year by transfer from foreign medical schools provided the students have completed their basic science training. These students are entered into the program in the second year of basic sciences and in effect have to repeat a portion of their basic science training.

The University of Missouri has extensive data on student performance and ultimate location of graduates. A number of studies have been published which provide some interesting insights and have had considerable impact on the institution's admission policies. These data could be made available to the Committee as a separate memorandum.

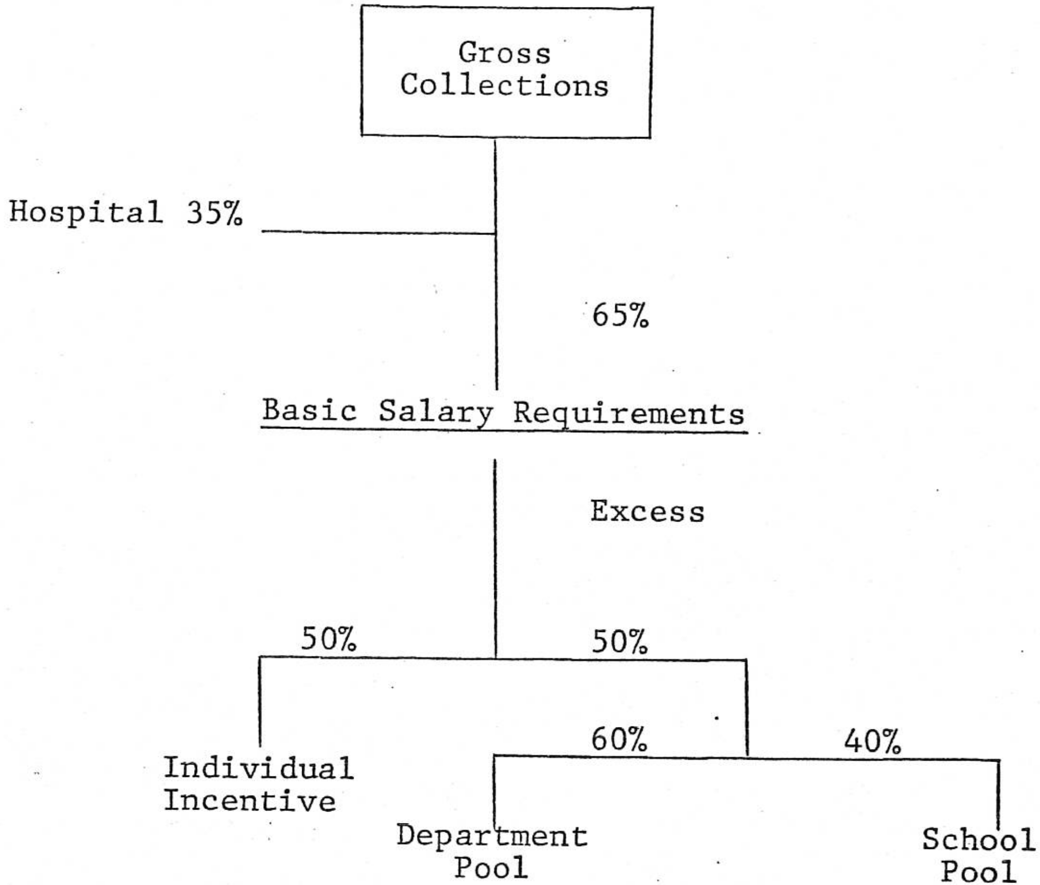
Physician Compensation

Iowa. The clinical staff numbers approximately 275. The present Physicians' Practice Plan was originated in 1946 and basically has remained intact for 30 years. Individual salaries are determined by the Dean of the School of Medicine in consultation with clinical department chairmen. The current maximum salary paid a physician is $69,000 per year. The typical faculty member will receive a portion of his salary from state funds and a portion from the practice plan. Some faculty also receive partial salary support from research and training grants. Income generated by faculty from honoraria, royalties, etc., are credited to the physician practice plan. State support for clinical salaries averages approximately 35 percent of total salary. The state salary subsidy is statutorily defined to be for teaching and care of the indigent. Iowa has a rather elaborate program for determining indigency and financing indigent care which is discussed later.

The physician bills the non-indigent patient the usual and customary charge. Billing and collecting services are furnished by the hospital with the cost of such services in turn billed to the Private Practice Plan. All income is separately accounted for by clinical department. Salary support provided from physician fees is determined by the Dean of the Medical School and the clinical department chairmen. At the end of the fiscal year, any overage of income above expenditures is credited to individual departmental trust funds. Ten percent of the funds carried forward are transferred to a central fund to be used at the discretion of the central administration. The trust funds are used to finance support personnel, equipment, etc.

For those clinical groups whose professional service is normally provided as a part of a hospital function (radiology, pathology, clinical laboratory, etc.) the hospital administrator annually negotiates the percentage of the bill for service which will be transferred to the physician practice plan. The hospital administrator will increase or decrease the percentage based upon the financial needs of the physician group. All equipment and support staff in such areas are funded by the hospital.

Missouri. The School of Medicine adopted a new physician's Practice Plan two years ago. As with Iowa and Kansas, the typical faculty member will receive salary funding from several sources with the total salary limit negotiated between the Dean of the School of Medicine and the clinical department chairman. All patient-related income is credited to the plan and accounted for by individual billing physician. The plan is quite complex and has some variations in its application. The following diagram depicts the general manner in which it operates.



From gross collections, a sum equal to 31.5 percent is credited to the hospital to cover the hospital's cost for malpractice insurance, retirement contributions for faculty, and to defray the cost of billing and collecting services.

The residue is available to each clinical department to fund the corporation's share of the physician's base salary. Each physician has a guaranteed base salary level. State funds are supplemented in the amount necessary to provide the base salary. The negotiated salary for each faculty member also includes an additional incentive amount which will be received only if sufficient income is realized.

After base salary requirements are met, any funds remaining are divided in the manner shown on the chart. The departmental pools are similar in their use to the departmental development funds at the University of Kansas. The School Fund is used at the discretion of the Dean of the Medical School in any manner he determines.

The base salary established is generally by academic rank as follows:

Assistant Professor	$30,000
Associate Professor	$35,000-42,000
Professor	$40,000-50,000

The level of salary received as incentive varies greatly between the clinical departments depending upon their income-earning capacity. The average overall salary for physicians will generally correspond to salaries at Iowa. The current maximum is approximately $70,000 per year. Of that amount, the average state share of salary is estimated at $20,000-$25,000. The school employs approximately 140 clinicians.

For such services as radiology, pathology, clinical laboratories, etc., the process is basically similar to the procedures in Iowa and Kansas. One basic difference, however, is that the patient receives separate billings from the hospital and the physician. The professional fee in radiology is currently 1/3 of the total charge; pathology and clinical laboratories approximately 30 percent of the total charge. The hospital generally acquires all equipment.

Residents

The following table compares by specialty the current number of authorized residency slots at the medical schools in Iowa, Missouri and Kansas:

Specialty	Iowa	Missouri	Kansas
Ob-Gyn.	21	9	15
Pediatrics	25	15	31
Anesthesiology	27	9	14
Dermatology	13	8	-
Family Practice	36	25	26
Internal Medicine	64	53	59
Neurology	11	-	3
Surgery	62	47	42
Psychiatry	29	17	15
Radiology	22	13	17
Pathology	16	12	15
Otolaryngology	20	6	4
Urology	21	6	-
Opthalmology	22	9	5
Rehab. Medicine	-	4	4
Other	1	-	15
TOTAL	390	233	265

The format of the information submitted by the schools was not uniform thereby making absolute comparison difficult. Obviously, the University of Kansas has residents in dermatology and urology. Such residents are probably contained in the number of internal medicine residents identified. The 15 other residents for Kansas includes the nine residents at Wichita and unallocated outreach slots. The tabulation does not include hospital residents at Wichita. Likewise, family practice residents in Iowa at various outstate locations are also excluded.

Resident stipends in both Iowa and Missouri are funded from hospital income. The level of stipends appear to be generally on par with the University of Kansas.

Hospital Operations

Iowa. As noted earlier, the University Hospital is an organization separate from the School of Medicine. Also, it was noted previously that Iowa has a rather complex procedure for identifying indigents and financing indigent care. Each fiscal year, the Legislature appropriates a specific sum of money for indigent care. In the current fiscal year the appropriation is $15 million. Through the state welfare agency, potential patients are identified as indigents and certified for free hospital care. There is no physician fee billed to the indigent patient.

The hospital is a totally self-supporting enterprise. Approximately 28-30 percent of income is realized from indigent care. Hospital rates include an allowance for depreciation of all equipment and the physical plant. No state appropriations are made to the institution for capital improvements. The hospital charge also covers the operating loss of the clinic. Hospital occupancy approximates 80-83 percent. Clinic visits exceed 300,000 annually.

Missouri. The University Hospital is again a distinctly separate organizational entity apart from the School of Medicine. The University supplements the operation in the amount of approximately $8.0 million per year for instructional costs and indigent care. Occupancy averages 80 percent plus. Annual clinic visits approximate 125,000.

Neither Iowa nor Missouri hospitals operate with any limit on expenditures or personnel. Both hospitals pay all residency costs except for residents in Missouri who are located at the V.A. Hospital, which residents are paid by the V.A. Hospital.

Outreach Efforts

Iowa. The efforts by the State of Iowa to increase the number of physicians within the state closely parallels the Kansas experience. Since 1970 the School of Medicine has increased medical class enrollments; constructed a new basic science facility; enlarged the hospital; established a Department

of Family Practice in 1970; and in FY 1973 the state embraked on an aggressive program of establishing affiliated residency training programs around the state in Family Practice.

The affiliated programs were initiated with a $700,000 appropriation for the 1973-74 biennium. Legislation enacted authorizing the training programs and construction of model clinic facilities limits the state's financial support to 50 percent of the cost of such programs.

The original appropriation was approximately one-half the amount requested by the University. The initial allocation made to the local programs was prorated on the basis of the funds available and was used for faculty salaries, resident stipends, general operating support, and included an amount up to $35,000 for construction of the model clinics. Twenty percent of the appropriation was retained by the University for overhead and administrative costs, sending out faculty for short training sessions, etc.

The following depicts the growth in the number of family practice residents that has occurred since 1970.

1970 - 0
1971 - 3
1972 - 12
1973 - 49
1974 - 76
1975 - 104
1976 - 130

The 130 residents in the current year includes the 36 at the University Hospital. Programs are currently operating in Waterloo, Davenport, Cedar Rapids, Sioux City, Mason City and two separate programs in Des Moines.

The current year state expenditures for the program are estimated at $815,000. The state is supporting each of the local programs at a level of $5,800 per resident. This support provides approximately 22 percent of total cost of operation. The remainder of the funds are generated through hospital income office fee income, local gifts, and a $600,000 statewide federal training grant. It was the opinion of the medical faculty that the program has materially improved retention of physicians in the state.

<u>Missouri</u>. Outreach efforts in Missouri have not progressed to the same degree as in Iowa. The University did develop a satellite family practice clinic in Fulton. Second and third year residents spend an extended block of time at that location. Third year residents spend one day a week at Fulton even during those periods of training which are generally provided in Columbia. It was indicated that plans were being made to develop a second clinic but no specific location has been identified.

ATTACHMENT II

MEMORANDUM

August 20, 1976

TO: Special Committee on Kansas University Medical Center

FROM: Kansas Legislative Research Department

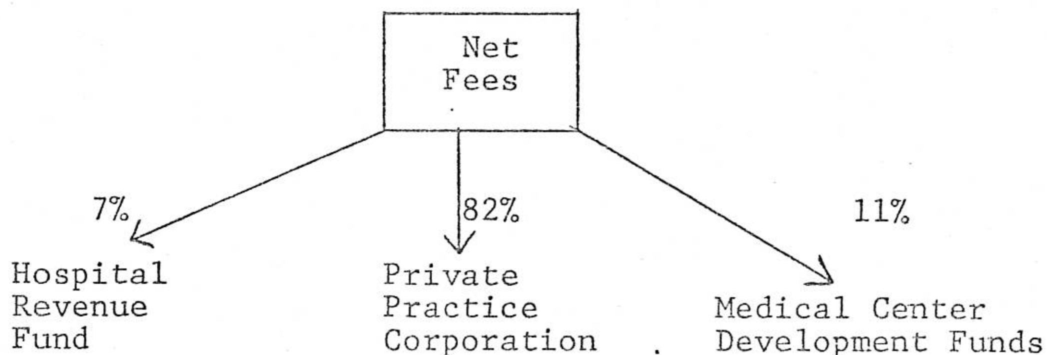
RE: Procedure for the Handling of Income from Physician Charges

Background

At the July 27-28 meeting of the Committee, it was requested that the staff prepare a brief report on the disposition of income received from physician's charges and the relationship between the institution and the private practice corporations on the sharing of costs.

Fund Distribution

The procedure for disposition of income from physician charges has remained largely unchanged for nearly 20 years. The following diagram depicts the distribution of net collections from private physicians fees.



The 7 percent of collections credited to the Hospital Revenue Fund generates approximately $525,000 per year for the general support of the institution. This financial support to the institution has traditionally been regarded as compensation to the institution for the use of space and certain personnel together with special services provided by the institution, the most significant being the Physician's Accounting and Billing Service.

The 82 percent credited to the private practice corporations represents private funds to those corporations. These

funds are used to supplement salaries of the clinical faculty, membership dues in professional organizations, professional travel and publications, recruiting expenses, etc. In some instances the corporation may also pay some limited number of supporting personnel salaries.

The 11 percent for development funds are channelled through the University of Kansas Endowment Association. The moneys are presently credited to three separate funds as follows:

1. 1/11 is credited to a medical center development fund;

2. 2/11 is credited to an equipment fund established for purpose of providing additional funds for equipping the new clinical facility; and

3. 8/11 is credited to the individual clinical department development fund.

The 8/11 credited to the department development funds is regulated on departmental basis. In other words, the Department of Medicine Departmental Fund receives 8 percent of the collections from physician charges made by physicians in the Department of Medicine.

The University Medical Center Development Fund and the Equipment Fund are controlled by the Executive Vice Chancellor and the Chancellor. Expenditures from the various departmental development funds are also subject to approvel by the Executive Vice Chancellor after consultation with the chairmen of the clinical departments. Expenditures from the departmental funds are for staff, equipment, etc., for the further support of the individual clinical departments. Expenditures from the Medical Center Development Fund (1/11) can be for the general support and development of the entire medical center.

The department development funds often will receive additional funds from the professional corporations. Should the corporation realize a sizeable overage of income compared to expenditures, such overage is periodically transferred to the endowment association for credit to the department's development fund. Such additional transfers are generally accounted for separately from the regular departmental development fund.

Physician Commissions

While the distribution of funds described earlier generally applies to physician charges, there are clinical faculty who provide professional services in conjunction with a function of the hospital. The bill rendered for a service to a patient includes the professional charge of the physician. Income from such charges are deposited directly to the Hospital

Revenue Fund. In turn, funds are then transferred to the corporations in accordance with the commission schedule. The commissions vary depending upon the service to reflect the estimated value of the physicians professional service in any billing for a specified procedure. The commission schedule currently in effect is as follows:

	Commission Rate
Anesthesiology	90%
Pathology	75
Otorhinolaryngology (E.N.T. Associates)	75
E.K.G. (Medicine)	30
Neurology - E.E.G.	50
Neurology	70
Ophtholmic Technical Services	45
Physical Therapy	50
Pulmonary Function (Medicine)	20
X-ray (Radiology)	50
X-ray (Radiation Therapy)	70

The income transferred to the physician corporations are then subject to general types of controls and used for the same purposes as the physician fee income of those physicians who are not on a commission. Eleven percent of the net commissions are credited to the several funds in the same manner as for the other physician groups.

MEMORANDUM

August 18, 1976

TO: Special Committee on the University of Kansas Medical Center

FROM: Kansas Legislative Research Department

RE: Physician Compensation and Fringe Benefits

Background

At the Committee meeting on July 27-28, the staff was directed to prepare a brief report to be presented at the August Committee meeting on physician compensation and benefits.

General Policy

The total salary compensation provided to a physician at the University of Kansas Medical Center is determined by the Executive Vice Chancellor with consultation from the chairman of each of the clinical departments. Each clinical faculty member is paid generally from at least two or more funding sources. The Committee was advised at an earlier meeting that the current institutional policy is that at least $1,800 of a physician's annual salary be from state appropriations. Most faculty, if not all, receive a portion of their salary from funds provided by the private practice corporations. In addition, faculty may receive portions of their salary from research funds, federal training grants, etc. However, it must be stressed that the total salary of a faculty member is limited by the Executive Vice Chancellor.

Attachment I is a copy of an annual contract for a physician in the Department of Medicine. This particular contract provides an annual salary of $33,000 from state funds together with an amount not to exceed $30,000 from corporation funds depending upon the availability of such funds. The range on the level of state support provided for an individual faculty member could be from a minimum of $1,800 per year to presumably, that faculty member's total salary. Staff would estimate that the average state contribution to physician salaries for FY 1977 would approximate $12,500. This average contribution from state funds has increased in recent years due to salary increases approved by the Legislature and the fact that new clinical faculty positions added in the past several years have been funded at $25,000.

The University administration does have considerable latitude as to the use of the state funds. The allocation of state funds and training grant funds can be used as a means of leveling the support in the various disciplines between those departments that generate substantial fee income and those which earn proportionately less fee income.

Fringe Benefits

The University is currently examining the fringe benefits provided to faculty in each of the clinical departments with the objective being to bring about more standardization of benefits to faculty members. Attachment II provides a comparison of fringe benefits currently provided faculty in each of the clinical departments.

ATTACHMENT IV

MEMORANDUM

August 17, 1976

TO: Special Committee on the University of Kansas Medical Center

FROM: Kansas Legislative Research Department

RE: Expenditure Ceiling on the Hospital Revenue Fund

Background

For a number of years the Legislature has adhered to a policy in authorizing appropriations to place a specified dollar limit on expenditures that can be made from the Hospital Revenue Fund. For FY 1977 the ceiling was established at $23,818,062. On numerous occasions the Committee has heard reference from employees of the University of Kansas Medical Center as to the negative impact the "expenditure ceiling" has upon operation of the institution. The principal criticism of the practice is that it prevents the institution from expending unanticipated additional income realized from either an increase in workload or the passing along to patients of increased costs for supplies and materials. This reasoning assumes that the generation of the additional income necessitated a higher than anticipated level of expenditure, and because of the expenditure ceiling these additional costs for drugs, supplies, etc., have to be absorbed within the overall expenditure limit at the expense of other ongoing costs which must in turn be reduced to lower than authorized levels.

In each of the past several years the University has requested significant mid-year adjustments in the expenditure limitation on the Hospital Revenue Fund. The 1976 Legislature received a request for an increase of $1.1 million which was approved. In the previous year, the mid-year adjustment amounted to $875,000.

While the institution has generally been successful in securing increases in the expenditure limitation, the procedure of seeking legislative approval is still viewed as an unsatisfactory solution to the problem. The uncertainty of obtaining approval has a disruptive impact upon the institution's operations during the early months of the fiscal year. Likewise, dramatic and unforeseen increases in costs or workload occurring following the legislative session further complicate the process.

Income Sources to the Hospital Revenue Fund

The single largest source of income to the fund are charges made to inpatients for basic care. Other major sources

include the 7 percent overhead reimbursement received from physicians' charges, pharmacy income, clinical and pathology laboratory charges, radiology charges, and cafeteria sales. FY 1977 receipts are estimated at $23.3 million. Actual FY 1975 receipts were $19.8 million; the estimate of receipts for FY 1976 made during the past legislative session totaled $21.8 million.

Use of the Fund

The appropriation process treats the Hospital Revenue Fund as a "general - use" fund source in that it may be used to support any and all operations of the institution. In this regard, the fund is treated in the same manner as State General Fund appropriations and is, in fact, used to offset the need for appropriations from the State General Fund. Once a total "general - use" fund level of support for the institution is determined by the Legislature, the amount needed to finance that level of operation beyond the funds available in the Hospital Revenue Fund is appropriated from the State General Fund.

Why the Limit?

Staff is unable to comment with any authority as to the reason for originally placing a limitation on Hospital Revenue Fund expenditures. However, in assessing the present situation, there are several possible reasons for justification of the policy. The several reasons basically relate to ensuring adequate control over institutional operations and reservations concerning the sophistication of institutional budgeting procedures and revenue-forecasting. In each of the past two legislative sessions, the Legislature based appropriations on a substantially increased level of hospital income beyond the level forecast in the agency budget request. This concern for the accuracy of institutional estimates of income is critical because of the impact such estimates have upon the level of State General Fund appropriations required.

In addition to the general concern about the conservative nature of institutional income estimates, criticism has been directed at the institution for not relating income projections and expenditure requests using the same assumptions. As noted earlier, one criticism of the limitation is that the institution is not able to expend additional income which results in part from passing along increased costs to the patient. This criticism acknowledges the relationship between revenues and expenditures but there is little evidence that past budget requests and revenue forecasts have been correlated.

Conclusion

The elimination of the expenditure limitation constitutes a major policy decision. This memo only briefly touches on some

of the major issues involved and the concerns of both the institution and the Legislature. Should the Committee desire to explore further the possibility of removal of the expenditure limitation or some alternative means of relief, staff could prepare such alternatives for the Committee's review.

Special Committee on the University of Kansas Medical Center

ATTACHMENT V

Please register your attendance.

Name	Representing
Neil E. Thursby	Public Service Employees Local Union 1132
Carl Bradshaw	Public Employees Local 1132
Francis M Jacobs	Laborers Int Union
Lloyd Rose	ass BA 1132
Harold B. Smith	Phisical Plant
Darrell Dye	Housekeeping
Frank Briscoe	Physical Plant
Luella Harriford	Housekeeping
Lynda Anderson	HouseKeeping
Leodell Jones	Dietary
Mamie L	Ditary

SUMMARY OF CONTRACTS AWARDED, DISBURSEMENTS AND CONTRACT BALANCES
THE UNIVERSITY OF KANSAS MEDICAL CENTER
CLINICAL FACILITY
For the Period Ending July 31, 1976

EXHIBIT A

	Total Resources Authorized	Cash Funds Provided To Date	Funds to Be Provided
Resources			
Appropriations FY 1972	$ 500,000	$ 500,000	
FY 1973	1,349,688	1,349,688	
FY 1974	25,314,600	25,314,600	
FY 1975	3,000,000	3,000,000	
Total Appropriation	$30,164,288	$30,164,288	
Revenue Bonds	21,000,000*		$21,000,000
Total Resources Authorized to Date	$51,164,288	$30,164,288	$21,000,000
Less: Commitments and Disbursements			
Architects, Project Managers, Consultants, Blue Prints, Other (Schedule 1)	$ 2,507,398	$ 2,507,398	$
Construction Contracts (Schedule 2)	19,667,592	19,667,592	
Total Payments to Date	$22,174,990	$22,174,990	- - - - - -
Resources Balances Remaining	$28,989,298	$ 7,989,298	$21,000,000
Less: Additional Estimated To Be Due			
For Fees (Schedule 1)	407,259	407,259	
Unliqudated Balances in Construction Equipment			
Contracts Awarded to Date (Schedule 2)	24,015,245	3,959,090	20,056,155
Total Deduction	$24,422,504	$ 4,366,349	$20,056,155
Resources Available to Fund Remaining Contracts and Commitments	4,566,794	3,622,949	943,845
Less: Estimated Costs of Remaining Contract Phases (Schedules 3 & 4)	3,550,000		
Balance After Providing for Estimated Remaining Contract Awards (Note 1)	1,016,794		

Note 1 - Construction contingency not included elsewhere.

*The Revenue Bonding Authority as set by the Legislature is $22,000,000.

CHEDULE I

SUMMARY OF ARCHITECTURAL, PROJECT MANAGEMENT AND INSPECTION, AND OTHER FEES BUDGETED, PAID AND ANTICIPATED

	Budgeted or Estimated	Payments Made	Balance Estimated Will be Done
Architectural Fees	$ 1,900,000	$1,743,662	$ 156,338
Project Management & Inspection	600,000	373,097	226,903
Other Consultants & Miscellaneous	331,657	312,435	19,222
Blueprint Service	83,000	78,204	4,796
To Exhibit A	$ 2,914,657	$2,507,398	$ 407,259

SCHEDULE II

SUMMARY OF CONTRACTS AWARDED, CHANGE ORDERS AND PAYMENTS CLINICAL FACILITY

	Original	Change Orders	Total	Payments Made	Balance Remaining
Utilities - Drives & Tunnels	$ 1,098,488	$ 13,139	$ 1,111,627	$ 1,111,108	$ 519
Excavation & Demo.	802,900	(19,343)	783,557	783,257	300
Foundations - Footings	1,319,340	94,458	1,413,798	1,389,950	23,848
Structural Steel	8,585,000	(167,120)	8,417,880	8,397,880	20,000
Power House Work	1,365,935	48,173	1,414,108	1,401,892	12,216
Heating Boiler	126,600	+332	126,932	112,077	14,855
Mech. & Elect. Tunnel	816,887	11,790	828,677	755,943	72,734
Tunnel-Utilities	50,000	-	50,000	36,024	13,976
Mechanical-HACV	8,796,350	(611,101)	8,185,249	2,855,932	5,329,317
Electrical	4,509,338	10,706	4,520,044	1,159,574	3,360,470
Elevators & Lifts	1,104,511	488	1,104,999	-	1,104,999
Concrete Deck Fill	2,029,000	639	2,029,639	1,635,155	394,484
Closure - General	3,161,725	-	3,161,725	28,800	3,132,925
Tele-Lift System	559,883	-	559,883	-	559,883
Pipe in 39th St.	37,250	-	37,250	-	37,250
Interior - General	8,285,449	-	8,285,449	-	8,285,449
Sprinkler System	431,136	-	431,136	-	431,136
Sub Total	$43,079,792	$(617,839)	$42,461,953	$19,667,592	$22,794,361

As of July 31, 1976

SCHEDULE III

FIXED EQUIPMENT CONTRACTS AWARDED

	Original	Change Orders	Total	Payments Made	Balance Remaining
Food Service Equip.	$ 1,220,884	-	$ 1,220,884	$ -	$ 1,220,884
Total Schedules II & III					
To Exhibit A	$44,300,676	$(617,839)	$43,682,837	$19,667,592	$24,015,245

SCHEDULE IV

REMAINING CONSTRUCTION CONTRACT ESTIMATES

Trash & Linen System	$ 650,000
Sudler - E Tower & Link to UAF	600,000
Site Improvements	400,000
Graphics	50,000
Door Hardware	400,000 (240,000 - actual)
Sub Total	$2,100,000

REMAINING FIXED EQUIPMENT CONTRACT ESTIMATES

Nurse-Patient Call Systems	200,000
Patient Head Wall Units	450,000
Central Supply Equipment	500,000
Other Fixed Equipment	300,000
Sub Total	$1,450,000
Total of Schedule IV To Exhibit A	$3,550,000

Board of Regents
State of Kansas
July 20, 1976

UNIVERSITY OF KANSAS MEDICAL CENTER - CLINICAL FACILITY

Fund Sources:

FY 72 appropriation	$ 500,000
FY 73 appropriation	1,349,688
FY 74 appropriation	25,314,600
FY 75 appropriation	3,000,000
	$30,164,288
Revenue Bonds*	21,000,000
	$51,164,288

*Estimated net available from $22.0 million sale.

Commitments:

A/E Fees	$ 1,800,000
Langston-Kitch Associates, Inc.	400,000
Inspection	200,000
Consultants, Surveys, Printing, Misc.	400,000
	$ 2,800,000

Contracts:

A.	Underground Utilities	$ 85,000
B.	Tunnels	785,000
C.	Utilities and Driveway	241,000
D.	Demolition	12,000
E.	Excavation	780,000
F.	Foundations	1,400,000
G.	Structural Steel	8,400,000
H.	Power House Work	1,400,000
I.	Boiler	127,000
K.	Mechanical and Electrical - Tunnel	820,000
M.	Pneumatic Tube	560,000
N.	Mechanical	$ 8,200,000
	Electrical	4,510,000
	Elevators & Escalators	1,110,000
	Deck Fill	2,029,000
P.	Closure	3,162,000
R.	Interior & Fireproofing	8,286,000
S.	Automatic Sprinkler	435,000
T.	Trash Tube under 39th Street	50,000
V.	Dietary Equipment	1,225,000
		$43,617,000

Remaining Phases:

L.	Trash-Linen System	$ 650,000
	Sudler Tower Link	670,000
	Group I Equipment	1,183,000
	Site Improvements	400,000
	Graphics	50,000
	Nurse Call System	200,000
	Head Wall Units	294,288
	Finish Hardware	300,000
		$ 3,747,288

Construction Contingency: $ 1,000,000

Summary:

Commitments	$ 2,800,000
Contracts	43,617,000
Remaining Phases	3,747,288
Construction Contingency	1,000
	$51,164,288